

# Creating Value

## Case study

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





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# 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 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
- What affected the **European business and competitive environments?**



# 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 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  Alcohol taxation	Increased purchasing power in developed countries  Increased material costs  Importing	Attitudes towards beer consumption  Awareness of health risks  Quality preferred over quantity	Technological solutions for managing global supply chains  Organic materials	Environmental benefits of organic materials  Environmental impact of global supply chains	Restrictions of fusions and purchasing shares

- **PESTEL analysis** is used in analyzing the macro-economic environment from six different aspects
- Political, Economic, Social, Technological, Environmental and Legal

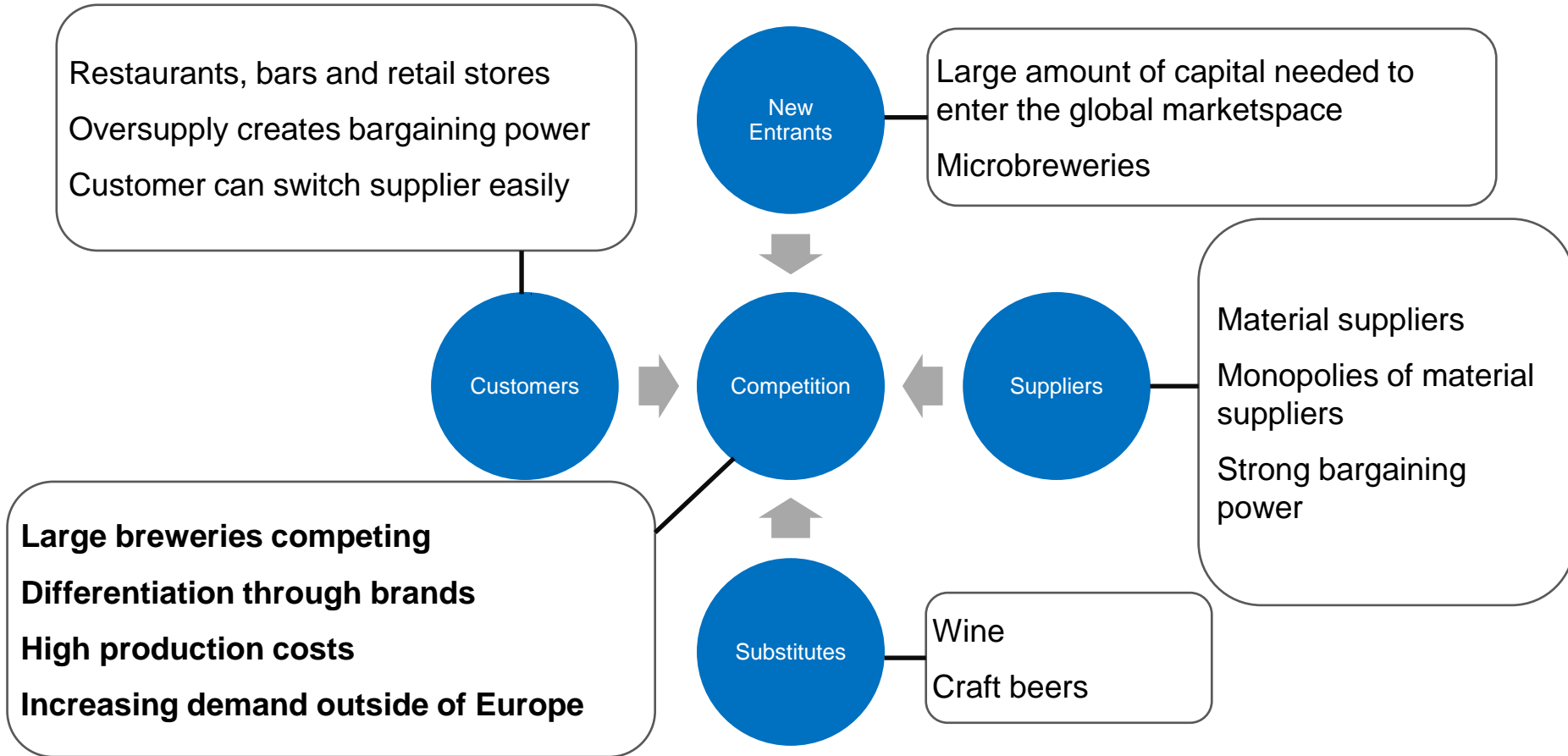


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# Porter's Five Forces





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Kuva: <https://fabrikbrands.com/wp-content/uploads/BrewDog-5.jpg>

# 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**



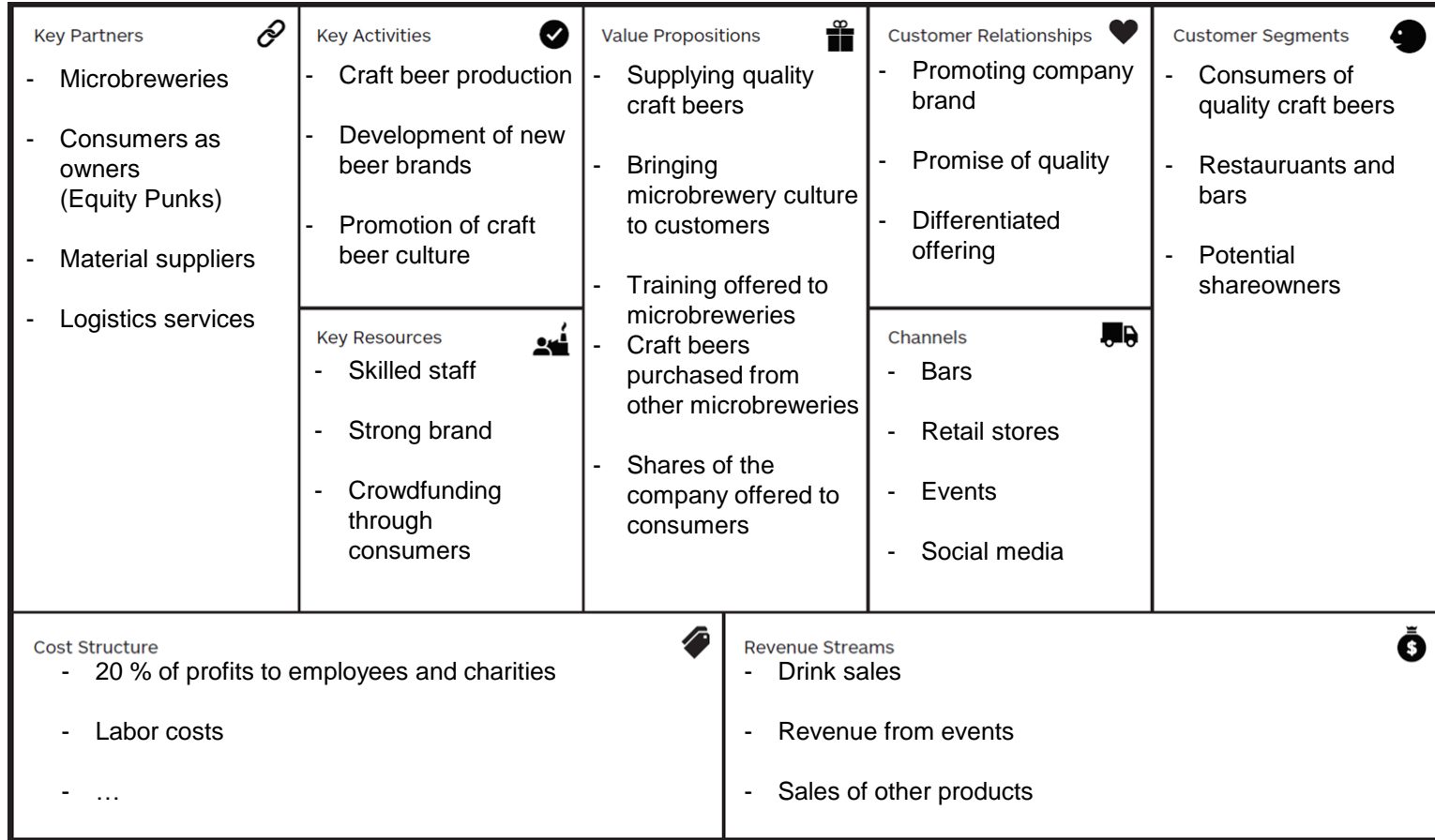


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# Brew Dog's Business Model Canvas





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# STP

## 1. Segmentation

- Divide the market into distinct customer segments.

## 2. Targeting

- Determine which customer segment to focus on.

## 3. Positioning

- Position the product so that it appeals to the desired segments.

# 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

- Life cycle in growth stage
- 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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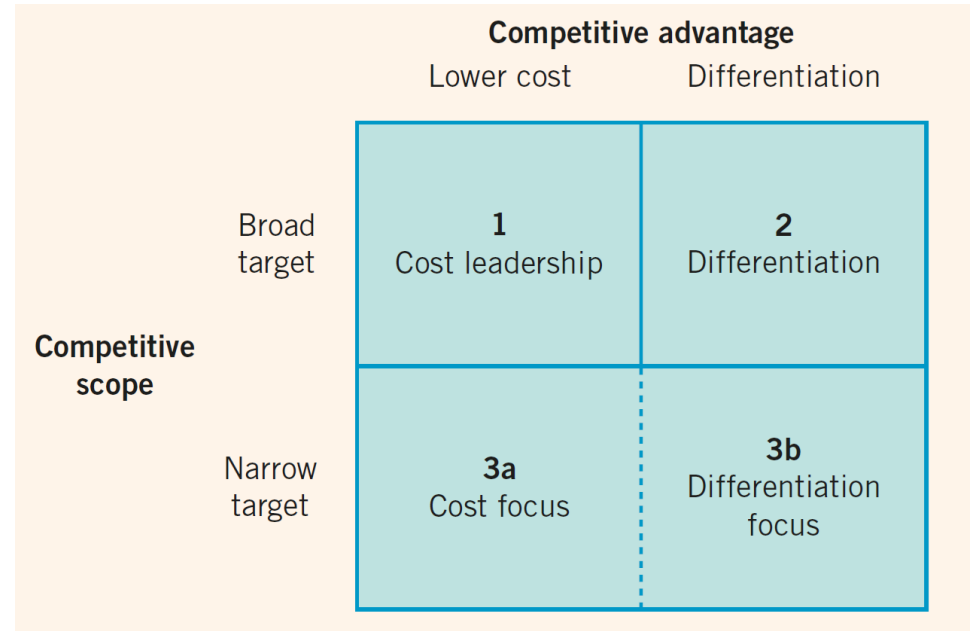
# Porter's Generic Strategies

## **Competitive scope**

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

## **Competitive advantage**

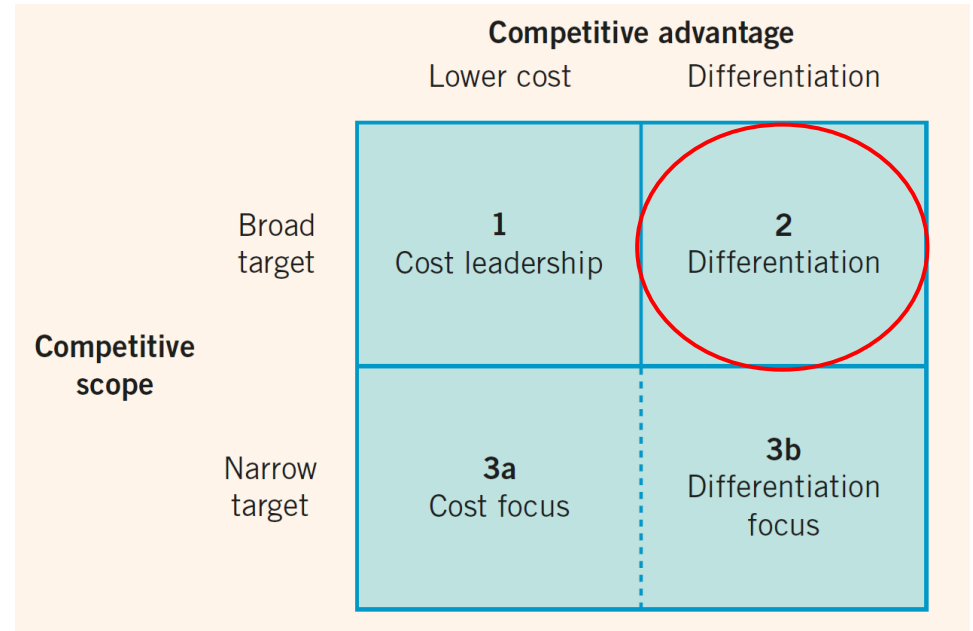
- Low price
- Differentiation



*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 sivua)

- 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 Sunday, 18th September at 18:00.**
- **Next week's topic will be about production systems**

# BONUS POINT

- **There is an option to give feedback of the assignments**
  - Five feedbacks gives 0,5 points to the final group assignment
  - Feedback should be included at the 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