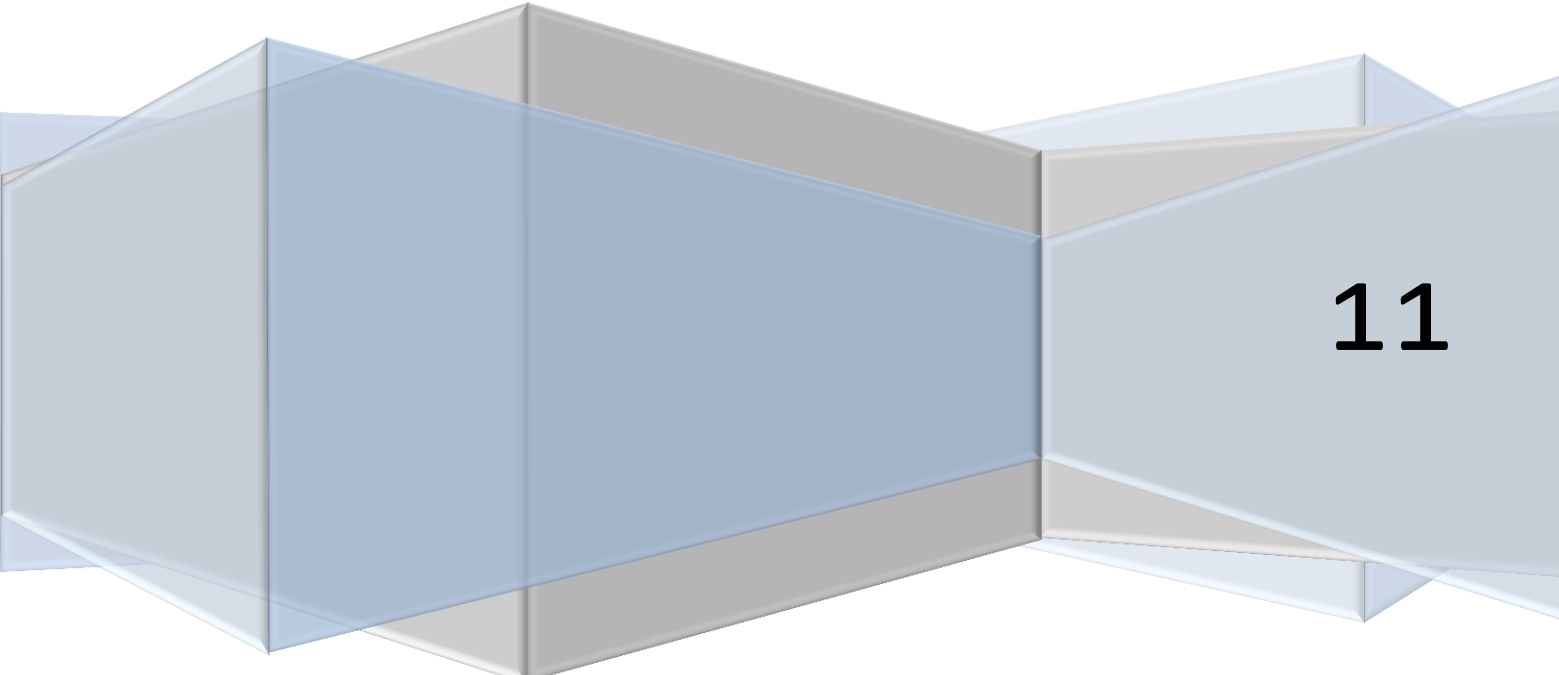


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Brand development and support strategy

GLOBAL MARKETING

MBA 8A



11

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<http://www.youtube.com/watch?v=nKBjiBA8fpQ&feature=g-upl&context=G216da09AUAAAAAAAAAA>

Executive summary

SABMiller is a global brewing company from South African that is to expand into India. The assignment is about this company which is one of the largest brewers, with more than 200 beers. SABMiller operates over 75 countries with 70,000 employees worldwide being one of the world's largest bottlers of coca-cola products. In today's fast-paced and challenging market place, the world is going through drastic changes due to the effects of globalisation. As globalisation is reaching into increasing unfamiliar territories, expansions of companies are becoming more of a necessity than a choice. Small companies are getting weighed down by larger companies, which benefit from economies of scale on their factors of production.

The main purpose of this academic report is to recommend marketing strategies that will help SABMiller penetrate the Indian Market successfully considering the fierce competition as well as the macroenvironment. This report thus highlights the current strategic situation of SABMiller identifying its strategic position in terms of its business macroenvironment, its core competencies and capabilities as well as stakeholders' expectations. The paper then critically discusses the issues they involve investigating their implications of these issues for SABMiller in the future. The rationale behind this is to demonstrate how SABMiller's capabilities could help them enter India facing these challenges.

A rigorous market research will be conducted coupled with an exhaustive market audit which will enable us to make key decisions regarding the strategic priorities that should be considered to face SABMiller's new challenges.

The first part of this report helps us understand the market and consumers' need. The second part of this paper evaluates the market through analytical tools which are critically discussed.

Key strengths include a wide geographical presence, talented and motivated workforce as well as sustainable development (strong corporate social responsibility). Weaknesses comprises declining market share in sector, limited liquidity position and management capability impairment. At the same time, three opportunities are addressed: the brewing industry consolidation, strategic acquisitions and agreements, the growing concern for HIV/AIDS as well as growing interest worldwide for emerging markets like India. On the other hand, intense competition, rise in input costs, change in consumer preferences, raw material volatility as well as regulatory change in the alcohol industry are genuine threats for the profitability of SABMiller.

Last but not least, this report points out marketing strategies recommendations discussing three options (namely product development, market development and joint-venture) that may help SABMiller successfully enter the Indian Market as a reputable and premium brand to develop its business.

Introduction

SABMiller is evolving from an operating company, concentrating essentially on brewing, to a brand-led company. SABMiller has a predominant presence and position in South Africa in terms of profit and cash. In addition to its aggressive strategy to drive volume and productivity in major markets like the USA and Europe, the company's incremental focus is also on emerging global market (economy) where it could value its core competencies for sustainable growth mainly through acquisition. SABMiller aims to create a balanced spread of businesses on a global scale, develop valuable brand portfolios through strong corporate awareness constantly improvising its local business. This sets SABMiller apart from their competitors supporting their vision to become the most successful and well-known company in the global brewery industry.

However, given the increasing competition and market changes, SABMiller can no longer rely solely on optimising and expanding established positions in developing market. Owing to the changing market coupled with the growing competition, SABMiller needs to seek value-adding opportunities to enhance their position as a global brewer. Thus, our marketing objective will concentrate on entering India, a potential and attractive market in today's business world.

The main purpose of the assignment is to advice the SABMiller Company having its origin in South Africa about the research and marketing strategies in order to enter the Indian market successfully. At the same time, how to conduct the research in effective manner so as to gain the insight knowledge about the drinking behavior of Indians and also find out the cultural and the social attitudes towards alcohol to advice the company about the market strategies they can implement. Further in addition suggestions to promote their product through various promotional tools.

The paper is divided into three parts: the marketing research overview that includes the company overview, the theoretical background as well as research and methodology; the market audit that involves the internal and external analysis of SABMiller through various tools such as PESTLE, SWOT, BCG matrix and Ansoff model. Last but not least, the report suggests key marketing recommendations to allow SABMiller to perform as effectively as possible in India.

1 Marketing research overview

1.1 SABMiller Overview

In present scenario when the world is heading with the fast pace of globalisation, constant technological developments and rigorous competition in terms of business SABMiller has successfully established itself as the world's second largest brewer (volume wise) with the incredible portfolio of almost 200 known beer brands over 75 countries providing employment 70,000 people. They are also the major bottlers of Coco Cola product. Clear strategic dimensions and shared commitment to company's value and vision are the core basis for the achievements of the company. The company came into the existence in 1895 with formation of South African Breweries in South Africa. Initially the operations were restricted to South Africa where it has established its domination over the trade. They started reconnoitring Europe in 1990 with a sight to expand globally as beer dominated the alcoholic beverage industry with the 74% of volume.

SABMiller has adopted the policy of acquisition with a desire to expand its business. Accordingly, the brewing company has managed to have dual listing on the London Stock Exchange (entering in 1999) as well as the Johannesburg Stock Exchange in order to accumulate capital. By noticeably enhancing their economic performance, success and growth of the business were and are the major priorities. It took its first step forward in this direction with the purchaser of Miller Brewing Company in North America from the Altria group in 2002 and named itself as SABMiller. This was followed by the acquisition of Bavaria in South America who was not only the second largest brand but also possessed Aguila and Club Colombia brand in 2005. In November 2011 SABMiller launched Impala Cervejas in Africa first to produce commercial cassava beer. Its current biggest competitor is Anheuser-Bush.

Today when beer is integral part of our social life and western lifestyle, SABMiller continues to expand into booming markets and is now operative over six continents. They are currently focusing on the clear objective where their brand is a first choice of consumer worldwide by exploiting the prospective of local brand, developing new pioneering brands and by launching new international brands in potential and emerging markets. Today six of their brands rank among the top 50 in the world.

Furthermore, SABMiller's arduous financial planning is the key to their outstanding results, also competent information system forms the back bone of the organisation which enables it to enhance present structure and leverage upcoming technologies giving it an edge over competitors. The core competence for the company is related to its strategic vision: innovative and ground breaking outlook, aptitude to lead, integrity and ethics, self-reliance, excellent relationship building skills and last but not the least commercial skills.

Last but not least, the business and financial metrics, substitutes, competition, mission, trend and forces as well as SABMiller's vision will be further detailed in the appendix. (See appendix 1 p. 38).

1.2 Theoretical background

To formulate and implement a successful marketing strategy one must have the access to relevant, timely and reliable information. Peter Chisnall (2004) calls **information** the raw material of management. If a company tries to enter an unknown market, it's impossible to make the right decisions concerning the main elements of the marketing mix without conducting a thorough marketing research beforehand. The American Marketing Association (1995) defines **marketing research** as 'the activity that links the consumer, customer and public to the marketer through information.' This information will cover various issues such as customers, competitors and intermediaries. Entering a new market means dealing with consumers who might have needs and wants different from the markets where a company currently operates. This might be explained by cultural, religious, historical and other differences. Moreover, according to Housden (2008) there are the organisations that impact on a company's ability to do business in a particular market. Some of them will be active in helping to deliver the value while others will have interest in the way a firm operates. Finally, as no business exists in vacuum, marketing environment (PESTEL factors and competitors) has to be looked at and examined. A company entering a new market will have to face unknown dynamic conditions offering opportunities as well as posing threats.

It is important to remember that entering a new market a company will have to look at numerous data. All the information obtained from it has to be integrated and analyzed using the holistic approach. Wilson (2006) compares marketing information sources with separate jigsaw pieces; 'only when they are connected does the whole picture become clear.'

According to Keegan and Green (2011) the process of collecting data and converting it into useful information consists of certain steps, which will be applied to the company under consideration and discussed below.

1.3 SABMiller Research Brief

1.3.1 Information requirement and research objectives

An opportunity for SABMiller has been identified in Indian market. According to all India Brewer's Association the Indian beer industry has been witnessing steady growth of 7-9% per year over the last ten years. A decision whether Indian market is profitable enough for SABMiller to enter has to be made. In case of a positive answer decisions about the appropriate marketing mix have also to be reached. Therefore, marketing research to be conducted covers the areas and has the objectives as described in the table provided below.

Agenda categories	Market research objectives
Market potential	<ul style="list-style-type: none"> - To explore Indian market potential such as people’s attitude towards alcohol in general and beer in particular - To identify the average level of consumption of beer and on which occasions and where it is usually drunk - To discover preferred flavours of alcoholic and non-alcoholic beer <p>The variations on the data should be looked at and categorized based on demographic factors such as gender, age, rural or urban area of living, level of income and education, profession and position held</p>
Competitor information	<ul style="list-style-type: none"> - To identify the main competitors currently operating in Indian market - To establish their resources and capabilities - To analyse their current corporate, business and functional strategies <p>Porter’s five forces as well as some secondary sources of information will be used to acquire this knowledge. Special attention has to be paid to the current marketing strategy of the direct competitors, what messages are conveyed, what promotion tools and distribution channels are used</p>
Foreign exchange	<ul style="list-style-type: none"> - To determine the level of attractiveness of country currency - To obtain the information on the interests rates - To acquire analytical information about the future of the Indian market - To find out if the recession benefited domestic lager over imported lager <p>Secondary sources of information will be used to evaluate favourability of Indian economic conditions for SABMiller operations</p>
Prescriptive information	<ul style="list-style-type: none"> - To get profound knowledge in Indian laws and regulations concerning alcohol consumption, age and time restrictions, advertising limitations, beer import and taxation on the product <p>As India is a big country and is a federal republic variations in laws are expected</p>
Resource information	<ul style="list-style-type: none"> - To establish whether India has appropriate human (number of educated people, level of unemployment) and physical (suitable places to build plants if needed) resources for conducting the business
General conditions	<ul style="list-style-type: none"> - To make an overall review of sociocultural, political, and technological environments <p>A mix of secondary and primary data will be mined for this purpose. Local agencies are to be used to overcome subjective opinions and biased results of SABMiller’s researchers as well as to get a better understanding of the above mentioned factors.</p>

1.3.2 Approach and methodology

Any marketing research should begin with investigation of the available secondary data. **Secondary data** is ‘the information that has previously been gathered for some purpose other than the current research project’ (Alan Wilson, 2006).

There are several reasons why obtaining and analysing secondary data at the very beginning of our marketing research is essential. First of all, it may cover some issues relevant to the current project, for example, most of India PESTEL factors can successfully be analysed using secondary data. More depth is required though in social issues investigation and other research methods will be recommended below for that purpose. Moreover, secondary information is comparatively cheap.

Some analytical data can be gained free of charge, for example, online, or for a low subscription or membership fee, or for a one-off payment. Examples include general services like Hoovers (over 200 reports on India alone), Profound (over 600,000 global research reports) and LexisNexis. Furthermore, the emergence of the Internet as a key information consolidator and provider has increased the availability of information to the desk researcher. It's easy to access online databases which can speed up the whole process of the research. Secondary data may even be sufficient enough to provide a solution to the problem without any need for further investigation. In SABMiller case though it is considered to be impossible as the company is entering a new market with different culture which has to be acquainted with and understood based on primary research. Only in that case SABMiller will be able to make an informed decision about its appropriate marketing mix. Finally, secondary data will help to scope the market and identify the direction of the primary research. Some gaps in information may be discovered while conducting desk research which will form the basis for further primary investigation.

- ***Recommended SABMiller secondary sources of information***

First of all **information directories** can be used. For example, Euromonitor offers a report about beer market in India available for purchase for £600 and includes analysis of key supply-side and demand trends, detailed segmentation of international and local products, company and brand market volume shares, five year forecasts of market trends and market growth, production and imports by origin. This source of information is based on robust and transparent market research methodology, conducted in-country and it would potentially answer most of the question areas specified above.

Another valuable source to consider is **MarketResearch.com**, the world's largest and continuously updated collection of market research. More than 300,000 market research reports are available there from over 700 leading global publishers. Canadean's 2010 India Beer Market Insights report which has been found there is highly recommended as it provides the most comprehensive analysis of the market including legislation and taxation information, a detailed overview of current and emerging trends, exhaustive market segmentation data by price, alcoholic strength and beer type, a thorough analysis of distribution channels and packaging trends.

Moreover, **Indian government statistics** and **census records** can be used to obtain information on Indian population characteristics. The Indian Census for example (www.censusindia.gov.in) is the most credible source of information on demography, economic activity, literacy and education, housing & household amenities, urbanisation, fertility and mortality, scheduled castes and scheduled tribes, language, religion, migration, disability and many other socio-cultural and demographic data.

Furthermore, **annual reports** of direct competitors can be obtained online to help SABMiller management understand their competitive advantages/disadvantages relative their rivals, provide an informed basis to develop competitive strategies and forecast the returns of the possible future investments in the market.

Finally, additional information can be gained through online search engines, social networking sites, newsgroups, blogs, and discussion forums.

It should be pointed out that marketers have to make sure that all the used sources of information are reliable, valid, up-to-date and comparable over time. In some cases the information found in the reports may not be related to the research question and the temptation may be to force the data to

fit the question. Moreover, some of the important data may appear only in Hindi, therefore translating costs may occur.

- **SABMiller Primary research**

After collecting and analysing all the secondary data initial findings are analysed and the decision is taken whether the company needs to use some primary sources for further investigation of the market. According to Keegan and Green (2011) 'direct sensory perception provides a vital background for the information that comes from human and documentary sources.' Therefore, the so-called informal market research is highly recommended in SABMiller case to get some primary information about Indian culture and life.

There are two types of primary data - quantitative primary data, which is undertaken using a structured research approach to produce quantifiable insights into the consumers' behaviour, and qualitative primary data, which is obtained using loosely structured research approach and tells about people's opinions, motivations and attitudes.

Overall advantages of primary sources of information over secondary ones would include the company's ability to have greater control over the research and address specific issues which are relevant to the project. Moreover, only the company that has carried out primary research can have benefits from its results as it doesn't share this information with anybody.

According to John Pawle (1999) for consumer products, **qualitative research** is especially well suited to accomplish essential tasks. In SABMiller case qualitative research will provide better consumer understanding through gaining a comprehensive insight into the social and cultural context, including cultural, religious, and political factors that impact purchasing decisions. Qualitative research will help SABMiller to identify its core brand equity and to determine what people really feel about it.

Qualitative research in SABMiller case can be conducted through **ethnographic observation**, which involves total immersion in the life of the subject. Researchers will spend a considerable amount of time living in Indian society and getting acquainted with its attitudes to alcohol and drinking habits. This method will be the most accurate one since the potential for bias is reduced as the researcher will witness natural behaviour, though the drawback may be a big amount of time required to complete the research and analyse its findings.

Focus groups when 'a number of respondents are gathered together to generate ideas through the discussion of, and reaction to, specific stimuli' (Market Research Society, 2008) are another effective means of getting reliable data during marketing research. The recruitment of respondents is advised to be carried out by the local professional recruitment services identified on the MRS website (www.mrs.org.uk). For SABMiller research 8-10 focus groups will be required to cover northern and southern parts of India as well as explore representatives of different social classes (scheduled castes and scheduled tribes) and age groups. Two focus groups per segment of interest will be analysed. Segments of interest will be discovered as a result of secondary data research. The main advantages of this method over ethnographic observation are that it's more efficient in terms of time, is excellent for uncovering hidden motivations and it can be recorded for later analysis.

SABMiller **quantitative research** will be conducted using street interviews and self-completion surveys which can be sent by post or email. Questions to be included will cover aspects such as frequency of drinking beer, volume, preferred flavours and brands, places of purchase, etc. **Street interviews** should be run by a local professional with valuable local knowledge who will be able to pick representatives of different Indian backgrounds from the masses for the interviewing. Response rates of the **surveys** can be increased through time-limited incentives, such as prizes and discount vouchers. Non-probability convenience sampling will be used which means that individuals to provide information will be chosen arbitrarily and in an unstructured manner.

1.3.3 Assessment of the research value

All the research techniques should be developed in line with the budget a company has set for the purpose. 'Research requires an investment of both money and managerial time, and it is necessary to perform a cost-benefit analysis before proceeding further.' (Keegan, W.J. and Green, M.C., 2011)

1.3.4 Data analysis

After all the data is collected it should be analysed in order to be useful to decision-makers. Several techniques are available for researcher to do this, for example, hypothesis testing, correlation analysis, regression analysis and factor analysis. There exist many software packages that can make it easy, such as Excel and SPSS. The important thing here is to understand what exactly these packages do to the valuable data and to produce efficient analysis which allows a focus on a research problem.

1.3.5 Interpretation and Presentation

Once data has been analysed it will be presented in a written form, orally, or electronically via video. Results will be clearly stated and provide a basis for managerial action.

2 Marketing audit

2.1 External audit

2.1.1 Macroenvironment

This section points out current market trends that are worth looking into since they are likely to have an impact on our marketing plan in the future. They should therefore be accorded great interest and taken into consideration for a successful definition of our objectives and critical implementation of new marketing strategies (Brassington and Pettitt, 2006).

Brief overview: PESTLE analysis allows a business environmental scan of a company that helps identify the external macroenvironment in which the business (may) operate(s) (Chernev and Kotler, 2008). PESTLE consists of six different factors. It is hence important for SABMiller to be aware of these factors while expanding into India which is an emerging and complex market given its specific government and culture.

❖ Political

India political scenario is specific unlike other countries worldwide as not only does the Indian government type consist of a federal republic, but it also includes separate personal law codes to Muslims, Christians and Hindus. This explains its complexity as compared to other countries. Accordingly, it is vital for every organisation entering the Indian market to scan the political environment. In addition to being the biggest democracy in the world, Indian federal republic is based on judicial review of legislative acts and requires compulsory ICJ (International Commission of Jurists) with reservation. India currently has a coalition led government and both major political parties the UPA (United Progressive Alliance) and BJP (Bharatiya Janata Party) are powerful ensuring the stability in the country. Therefore, a great political sensitivity is needed par SABMiller when dealing with the Indian government.

Nonetheless, the political situation in the country remains unstable, sometimes more or less stable. State politics have been dominated by different national parties such as the BJP or CPI (Communist Party of India). As Kurian (2010) argued, this has led to the implementation of different regulations and rules for liquor (beer) in the brewing industry as a whole. For instance, certain states namely Gujrat are dry areas where the sales of liquor are entirely banned. Aside from that, some states have time limits: after 9: pm the sales of beer are prohibited as liquor board stores have to close before that time. Furthermore, the age limit for drinking in India is still a controversial debate. It is currently 25. It therefore becomes hard for SABMiller to produce and distribute beer in large quantities to reach economy of scale. This may hinder its productivity. Thus, SABMiller must be very specific and accurate when targeting its consumers. As alcohol advertising is prohibited causing huge discussion, SABMiller should use other marketing tools to promote its products. To overcome this issue, it may actually cash its international reputation to stimulate its sales and increase brand awareness in the domestic market targeting the public houses and discotheques for its promotion.

❖ Economic

The economy of India is constantly changing improving on a continuous basis. There is a rise in per capita income and the disposable income of individuals especially those who live in urban cities is consequently increasing rapidly. There is a continuous growth in per capita income; India's per capita income is expected to reach 2500 dollars by the end of 2012. This will lead to higher purchasing power in India. SABMiller has to consider this potential and subsequently target urban cities of India in their early stage to penetrate the market. The purchasing power parity (PPP) is estimated at 3.895 trillion U.S. dollars in the year 2012. The Indian market has the third highest PPP in the world just behind U.S and China (Stanley, 2010).

Furthermore, the recent global recession with weak GDP (Gross Domestic Product) growth in 2010 has resulted in volatile economic growth and increasing unemployment. This has led to lower consumer demand which has, in some extent, been compounded by currency weakness. Devaluation of currency can dramatically affect SABMiller growth. Accordingly, SABMiller's marketing, operating and financial responses are less likely to be timely or adequate to face changing consumer demand. This may hinder short-term growth and profitability of the brewing company. Moreover, profit margins are low in developing markets like India; costs of energy and aluminium are expected to increase in India; this may have a negative impact on SABMiller's profitability.

To strategically face these challenges, SABMiller can create a balanced and attractive global spread of businesses with a particular focus on Indian market; it may also develop effective and efficient brand portfolios so as to win consumers' trust in the local market of India. Last but not least, it can raise the profitability of local businesses, sustainably rising emphasis on cash flow management.

❖ Social

India is widely known as a multicultural land; it is subsequently hard to categorise the country under one segment. For instance, the northern part is entirely different from the southern part and as per capita income is continuously rising, so does the gap between the rich and the most impoverished people. To support this point, Stanley (2010) also asserted that unequal distribution of wealth is widening in India. SABMiller should consider this especially for entering this changing market even if these disparities are expected to change. Thus, the company can target the new Indians who are open to change. SABMiller consequently needs to adapt (adaptation) to Indians' drinking habits and mentalities to achieve a successful implementation especially if the brewing company is willing to position itself as a premium brand.

In addition, with a rise in the buying power in India, the Indians who used to prefer local hard liquor which is the cheapest are now able to taste the relatively expensive beer market. This may be beneficial for SABMiller as this has led to lifestyles changing and thereby a substantial increase in the availability of disposable income and the consumption of beer in India. From 2005 to 2010, there has been an increase of 94% in the beer consumption rate. This increase is by far higher than the increase in the BRIC nations of Brazil (20%), Russia (50%) and China (58%) (King, 2010). This shows a clear positive trend towards beer industries booming in India. However, new trends like wines and spirits may have adverse effects on SABMiller activity. The company thus has to anticipate these issues.

❖ Technological

Importing beer in India involves heavy taxes from the government resulting in higher prices. Therefore, to enter the Indian market, it is advisable for SABMiller to set up plant in this country. For instance, it may set up several breweries in Himachal Pradesh, Maharashtra and Rajasthan where beer consumption is continuously increasing so as to lower costs. Additionally, the Indian brewing industry is rapidly growing with many foreign players penetrating the Indian market. The technological knowhow and expertise is also booming in India leading to fast-paced competition. A prime example of this is the big corporation Ziemann Group, a beer brewing technology which entered the Indian market setting up manufacturing plant in the country and thereby founding SABMiller India. This will help enhance technological knowhow and develop the production of beer. SABMiller may place an order for the design and construction of two turnkeys plants in India to Ziemann (Cook, 2011). The new plants may be planned for Sonipat in Haryana and for another location near Bangalore where beer consumption is widespread. Both breweries can be expected to have an annual capacity of 1 million hectoliters each to start and might be extended over the five coming years. Thus, with booming technologies entering the Indian beer market, production may increase and lowering cost of production could play a key role in the Indian beer market.

SABMiller can take advantage of this extension of new technologies to ensure that the beer that it markets is of better quality and great taste. If it is successful, this will enable the company ensure consistent quality (standardization) to its products and thereby appeal to consumers increasing its sales as well as its brand awareness.

❖ Environmental

Environmental factors involve the weather and climate change. As the climate in India is generally warm, SABMiller can increase the promotions during the summer season. As the company will be new in the country, SABMiller will yet have to observe its first effects on environment. Weather conditions can adversely affect SABMiller profitability in Indian markets that is why environmental factors should be accorded greater interest.

❖ Legal

SABMiller must be very careful about the Indian political environment which could dramatically affect the company's profitability. As the laws vary from one country to another (e.g: workforce laws), it will be advisable for SABMiller to make a social networking website so that its purpose of marketing is solved and complies with the Indian law as well.

- The OLI Model

❖ Ownership

The Indian Market offers good ownership opportunities for SABMiller in India. The government policies are relaxing and large corporations like InBey (one of the biggest competitors of SABMiller)

has also expanded their business into India. Furthermore, costs of manufacturing and brewing beer are much affordable in India. In addition to that, costs of raw materials and labor are much cheaper; this gives to SABMiller a clear opportunity to enter the Indian Market. Finally, the fact that manufacturing European companies are setting up plants in India to manufacture brewing technology through advanced new technologies development increase the chance of success of SABMiller in India. Thus, the south African brewing company could have ownership of these technologies at a much cheaper rate as compared to those purchased in other countries.

❖ Location

There are many advantages for SABMiller in India. According to Hurian (2010), the Indian beer industry is expected to grow given the exponential growth of the Indian market's compound annual growth rate (CAGR) that increased by 9.2% from 2006 to 2010 (Stanley, 2010). The beer market volume is also expected to increase to 1655 million liters by 2013 with a rise of 42.1% from 2006. North India is increasingly consuming beer and during the first quarter of 2010, roughly 7 million cases of beer were sold in Punjab and Haryana as against 600,000 cases in 2005 (Kurian, 2010). This is due to the fact that the government has revised its policies and regulations are thus more relaxed. Distribution channels are now more developed in these areas. By 2020, India is set to become the second largest beer market in Asia behind China. Given the positive impact of these factors on SABMiller expansion into India coupled with India having neighboring countries such as Sri Lanka and Nepa where beer could be exported through the country (India), it can be agreed that the Indian market is a good opportunity and location advantage for SABMiller. However, the attractiveness of this market intensifies the competition. Therefore, SABMiller needs to develop a differentiated strategy that will set it apart from its competitors.

❖ Internalisation

Internalisation is in line with SABMiller's vision which wants to become the largest and most successful brewing corporation in the world. India is the second most populous nation in the world. Expanding into emerging markets like India will help SABMiller stay ahead of the competition. In fact, there is a growing attention on India as it is part of the BRIC nations; it is thus considered as a huge potential market. As other companies would come in and develop their business (distribution channel and infrastructures) according to recent studies, cost of productivity may be lower. Last but not least, contractual problems while exporting make India a better place to import rather than to export.

Limitations of OLI and PESTLE: They are very difficult to plan as the modern world is constantly evolving. Therefore, it becomes difficult to accurately forecast future trends and thereby strategic options.

2.1.2 Porter's five forces

Brief overview: Porter's five forces help us identify the intensity of competition within an industry. In analysing each market force, the question is whether it is sufficiently effective to lower industry profits (Collis and Montgomery, 2005).

❖ Threat of rivalry (very high)

The brewing industry is a booming market in India. The continuous rise in the purchasing power increasingly attracts foreign companies. The competition is consequently high and major internationals including Ziemann and Carlsberg tend to become key players in India.

❖ Threat of new entrants (moderate)

Although the government policies are relaxing and despite lower cost of manufacturing and brewing beer in India including low cost of raw materials and labor, the initial cost of investment needed to enter the Indian market remain high. Furthermore, SABMiller's developing market are increasingly coveted by competitors that means there is a strong likelihood that the company will be imitated after its expansion in India.

❖ Threat of substitutes (low)

Consumers' preferences are changing in India due to a significant increase in purchasing power and income per capita. Accordingly, new lifestyles including new social trends like wines and spirits may hinder SABMiller's profitability.

❖ Bargaining power of buyers (high)

Indian drinkers are portrayed as having fierce attachment to their local brew. Thus, they might be reluctant to try new brew from foreign countries. In addition, there may be no switching costs as Indian consumers are said to be known for moving on to premium prices.

❖ Bargaining power of suppliers (moderate)

A substantial global rise in energy and aluminium costs is expected over the next coming years especially in developing countries. This may slightly yet negatively affect SABMiller profitability.

Limitations of this framework: This model was designed for analysing individual business strategies and does not therefore address synergies and interdependencies with the portfolio of large global organisations like SABMiller. Furthermore, this framework assumes relatively static market structure; in addition it does not consider new business models and the newfound dynamism of the industries. These are the reasons why care should be taken while applying this model.

2.1.3 BCG Matrix

Brief Overview: Based on the product life cycle theory, BCG Matrix is useful to enhance portfolio management. It helps allocate resources among different business units at a glance (Scholes and Johnson, 2010).

<p>Stars</p> <p>Latin American Market Eastern Europe Market Asian Market excluding Vietnam Top quality premium brands (Miller Genuine Draft, Pilsner Urquel and Peroni Nastro)</p>	<p>Cash cows</p> <p>South African Market USA Market</p>
<p>Dogs</p> <p>Western European Market</p>	<p>Question mark</p> <p>Indian Market African Market except South Africa Vietnam Market</p>

Limitations: The problem with this framework is that high market share is considered as the major business factor. In addition, dogs may earn more cash than cash cows; this may distort the analysis.

2.1.4 Interest and power matrix

Brief overview: This tool helps identify key stakeholders and their level of influence on the strategic position of the organisation (Jobber, 2001). It may also enable SABMiller to build its strategic priorities by taking into account stakeholders’ influence and expectations.

<p>Key players</p> <p>Indian government Top executives (directors) of SABMiller Group</p>	<p>Minimal effort</p> <p>Large public</p>
---	--

Shareholders Partner companies	
Keep satisfied Media Customers Employees	Keep informed Consumers Employees Shareholders Suppliers Retailers and distributors

Limitations of this tool: There is a high risk of misinterpreting a stakeholder’s influence that may potentially distort the strategic planning.

2.1.5 Ansoff matrix

Brief overview: Ansoff matrix helps companies make decisions about their strategy of market growth considering challenges they (might) face and opportunities they have.

1) Product development	Premium beer segment is booming as a fast rate increasing the chance of success of SABMiller including product development opportunity
2) Market development	Indian brewing industry is a booming market which attracts most of global businesses. This is an opportunity for SABMiller to stay ahead of the competition.
3) Diversification	SABMiller already has a potfolio of hotels, gambling centers and match factory
4) Market penetration	To introduce SABMiller as a premium brand in India

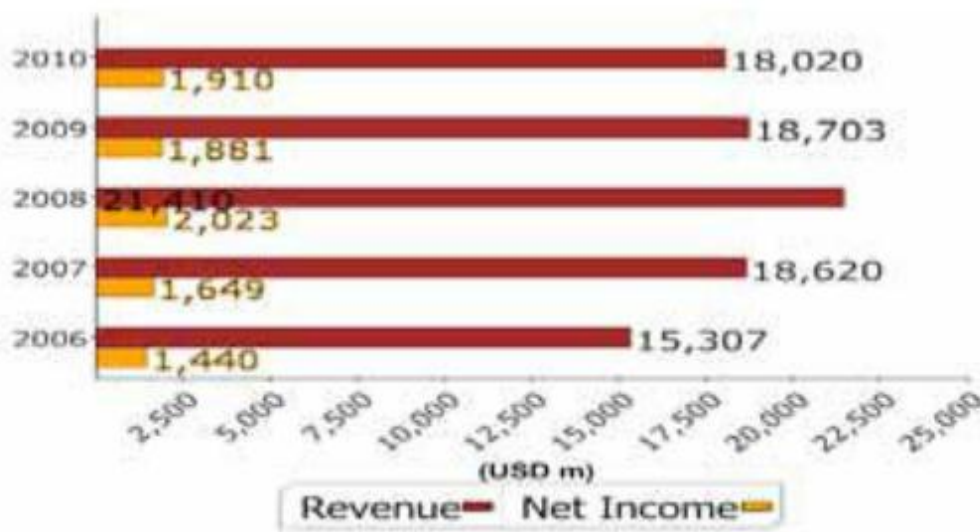
Limitations: The model is only related to the marketing strategy and the product of the company. Therefore, using solely this matrix is failing to investigate the market and to identify to key trends. That is why whatever the case, Ansoff matrix should be combined with PESTLE and SWOT analysis to provide an exhaustive analysis of the marketplace which will be helpful for the choice of the strategic priorities.

2.2 Internal audit

2.2.1 Operating results (financial performance)

From 2008 to 2010, SABMiller’s revenue has slightly decreased by 16% from 21,410 to 18,020 while its net income has remained constant.

Financial Performance



Source: Annual Report, Company Website, Primary and Secondary Research, GlobalData

Share Data

SABMiller plc

Share Price (USD) as on 17-Dec-2010	22.40
EPS (USD)	1.22
Market Cap (million USD)	55,259
Enterprise Value (million USD)	64,387
Shares Outstanding (million)	1,586

Source: Annual Report, Company Website, Primary and Secondary Research, GlobalData

2.3 SWOT analysis

2.3.1 Internal analysis

Brief overview: The main purpose of SWOT analysis is to identify the key strengths and weaknesses within SABMiller, and help the company deal with the challenge of facing opportunities and threats in the marketplace. Wood (2010) also highlights the value of using SWOT analysis when he asserts that it enables to balance strengths and weaknesses. In addition, Wood (2010) argues that it anticipates threats and uses strengths to compensate weaknesses and threats.

- Internal analysis

Strengths	Weaknesses
Sustainable development into business strategy	Declining market share in sector
Wide geographical presence	Limited liquidity position
Delivering transformation	Management capability impairment
Talented and motivated workforce	

Strengths

❖ Sustainable development into business strategy

SABMiller considers sustainable development and society as part of its business inextricably joining its interests and the wider community (customers, suppliers, employees and taxpayers) all together. Sustainable development of SABMiller involves 10 major priorities including *discouraging irresponsible drinking, making more beer using less water, reducing their energy and carbon footprint, packaging reuse and recycling, working towards zero-waste operations, encouraging enterprise development in their value chain, benefiting communities, contributing to lowering HIV/AIDS, respecting humans rights as well as transparency and ethics* (SABMiller plc annual report, 2010). For instance, in 2009, not only did SABMiller create a charitable foundation to benefit the wider community, but they also announced a major transaction in South Africa to support long-term commitment to Broad-Based Black Economic Empowerment. This project is expected to create roughly 40,000 shareholders that will involve both local retailers and employees so as to better reflect one of their long-standing commitment to sustainable development: to continuously raise the profitability of local businesses, sustainably.

❖ **Wide geographical presence**

SABMiller is a global organisation which operates in 75 countries on six regions (South Africa, Africa, Europe, Asia, North America and Latin America) employing 70 000 people. Its portfolio of business includes the six areas showing its effort to strike a balance between developed markets and booming markets. SABMiller produces over 200 different brands and sells 213 million hectoliters of lager a year (SABMiller plc annual report, 2010). This wide geographical presence has given to SABMiller a strong brand reputation and awareness worldwide. As the company is well-known, this can increase its chance of success in India.

❖ **Delivering transformation**

SABMiller has begun executing a major business capability programme that improves processes making them much easier and thereby accessible to everyone (SABMiller plc annual report, 2010). It also helps the company lower costs allowing local management teams to enhance focus on their targeted markets. This may have a positive impact on SABMiller expansion in India. The risk here may be failure to execute and derive benefits from the ongoing projects. This may lead to a rise in project costs and business disruption hindering competitive edge in the medium term. To face these challenges, SABMiller may globally leverage its skills while raising the profitability of its local businesses on a continuous basis. Senior leadership may be involved in monitoring progress and making important decisions. Effective programme management and governance with adequate resources may also be implemented.

❖ **Talented and motivated workforce**

SABMiller consists of talented and motivated employees who are continuously trained, coached and mentored worldwide. It has developed a strong organisational culture with people who share the same values. This reinforces its effectiveness in all its subsidiaries driving SABMiller for a global success. This culture may be helpful in India but as it is a new market with different mentalities and culture, SABMiller needs to adapt to these new requirements so as to remain competitive and to stay ahead of the competition.

Weaknesses

❖ Declining market share

Over the past 5 years, SABMiller's market share has been decreasing. This can negatively affect its global expansion.

❖ Limited liquidity position

According to its annual report of 2010, SABMiller is unable to meet its short-term obligations due to insufficient liquidity. This may affect the feasibility of the SABMiller's project of expansion as well as its acceptability and suitability considering stakeholders' expectations. The brewing company should therefore increase holding in cash and cash equivalent to improve its liquidity if it wants to succeed in its expansion in India.

❖ Management capability impairment

Although SABMiller has talented employees, it is more than vital for the company to identify, develop and retain global management capability as its people are its enduring advantage. In some areas like Asia or Latin America where SABMiller is present, global management capability retention seems to be a major issue as the company fails to develop and maintain sufficient cadres of talented management. As a result, long-term profitable growth may be lowered including the whole performance of the business worldwide. To overcome this dramatic issue, SABMiller needs to leverage its skills both locally and globally developing effective and strong brand portfolio that wins the global market as a whole.

To be successful, SABMiller should offer an attractive portfolio that meet consumers' needs in each of its markets. This involves expanding its business to address new consumer segments, preferences as well as drinking occasions. Therefore, entering the Indian Market will be a good strategy for SABMiller to strengthen its mainstream brands and build a differentiated portfolio of global and local premium brands that will set it apart from its competitors worldwide. By channeling the right brands to the right outlets at the right time and price, SABMiller can turn this weakness into a key strength that might sustain its competitive advantage.

2.3.2 External analysis

Opportunities	Threats
Strategic acquisitions and agreements	Intense competition
Global expansion into three high growth and booming market Asian, Indian and African markets and BRIC countries.	Rise in input costs
Industry consolidation	Change in consumer preferences
HIV/AIDS	Regulatory changes in the alcohol industry
	Raw material volatility

Opportunities

❖ **Strategic acquisitions and agreements**

Mergers, acquisitions, alliances and agreements are widely known as beneficial for companies. As a result, most companies increasingly find a way to collaborate with other firms so that they can gain an edge over competitors. In fact, acquiring another firm may help a company to stay ahead of the competition, to more effectively challenge biggest rivals, to obtain high speed access to resources and to avoid barriers to entry in foreign developing and booming markets. Accordingly, acquisitions and agreements may allow SABMiller to more easily enter India. The beer company may acquire more revenue which may involve greater profits and innovation including advancements in technology and research.

However, acquisitions as well as agreements involve some drawbacks. After an acquisition, the buyer usually fires excess employees if too many workers are performing similar tasks. Because of this eventual redundancy, many employees start looking for other vacancies in other firms or quit after the organisation inform them about its acquisition plan. Employees’ retention may thus be a major issue. In addition, organisational culture may become a serious issue as the two joined companies may not have the same culture. For instance, a company that has an authoritarian style of leadership may acquire a company which is much more democratic and flexible allowing workers more autonomy. Thus, SABMiller needs to consider both side of acquisition and agreement before planning to undertake them.

❖ **Industry consolidation**

Despite attaining the maturity, the global brewing industry is expected to consolidate on a continuous basis. This may be an opportunity for SABMiller to not only leverage its global scale but to also enter growth markets and thereby gain synergy benefits. However the risk here may be high if SABMiller fails to participate in value-adding transactions and also to implement integration plans effectively after transactions are achieved. This may lower growth rate affecting dramatically both profitability and financial returns. To overcome this, SABMiller can continue to develop a balanced and and attractive global spread of businesses that will undoubtedly raise its profitability.

❖ HIV/AIDS

In spite of being a serious issue worldwide and in South Africa especially, HIV/AIDS can be an opportunity for SABMiller which can develop its cause related marketing to attract the large public that is sensitive about this growing issue.

Threats

❖ Intense competition

There is a growing competition in the brewing industry which has been rapidly consolidating these last decades. SABMiller's two largest competitors are currently InBey and Anheuser-Bush which are respectively the first and third biggest brewing organisations in the world. The most profitable and successful of the three is Anheuser-Busch. Aside from that, barriers to entry in booming countries are moderate. This increases the threat of new entrants in emerging markets.

❖ Change in consumer preferences

Consumers' preferences and behaviours are continuously changing and competitors' activity is evolving becoming highly sophisticated (Bennett and Blythe, 2006). Therefore, strong brand portfolios coupled with excellent marketing strategies and sales execution are required if SABMiller is to meet its consumers' needs. Failing to achieve those core requirements is failing to ensure the attractiveness of SABMiller brand and subsequently failing to enhance marketing and related sales skills and capabilities to provide relevant propositions to consumer demands. This may lower volume growth rate and thereby profitability. Leveraging its skills in a global scale, innovating and compelling marketing programmes may help SABMiller deal with this threat. Moreover, ongoing evaluation of its brand portfolios in all its markets may be beneficial for SABMiller which will thus ensure that it targets current and future opportunities for sustainable and continuous growth and profitability.

❖ Regulatory changes in the alcohol industry

The brewing industry is coming under increasing pressure from regulators tax authorities as the debate over alcohol consumption continues in many markets especially in India where a significant part of the population is muslim. These regulatory changes may increase restrictions on pricing and thereby tax. Availability and marketing of beer may become limited leading to considerable changes in consumers' behaviour including alcohol consumption. As a result, profitability growth may dramatically decrease lowering contribution to local communities in some regions where SABMiller operates including India. But as explained previously, by developing strong and effective brand

portfolios that win both the local and global market, SABMiller can cope with this issue. Furthermore, constructive partnerships and engagement with governments and all external stakeholders on alcohol-related issues may be good for SABMiller to face this threat. This will help the beer company increase its investment in order to improve the economic and social impact of its business worldwide. Rigorous adherence to the principle of self-regulation backed by adequate policies and effective management review may also be of enormous help.

❖ Raw material volatility

There has been recent volatility in the supply and pricing of SABMiller's raw materials that has slightly affected its productivity. This may lead to failure to obtain appropriate supply of brewing and packaging raw materials at competitive prices as the costs will increase. Raw material volatility includes lower profitability as well as occasional supply disruption; that is why it is considered as a serious threat for SABMiller which is willing to globally expand its business.

To overcome this issue, globally leveraging its skills and continuously increasing its profitability both locally and globally may be effective for SABMiller. This will help the company sustain its profitability worldwide. Furthermore, contractual agreements with suppliers worldwide coupled with an efficient and effective hedging programme may support SABMiller's development in the world, and specifically in India. For instance, its development of local sourcing in India will be more successful since the support will be more effective.

Limitations of SWOT: Using this tool is likely to lead companies to list pros and cons rather than thinking critically about what needs to be emphasised to meet goals. In addition, there is a risk that the resulting list will be used ineffectively as it is difficult to prioritise the key issues and to cope with that correctly. A prime example of this is that weak opportunities may seem to balance strong threats.

3 Marketing strategy recommendations

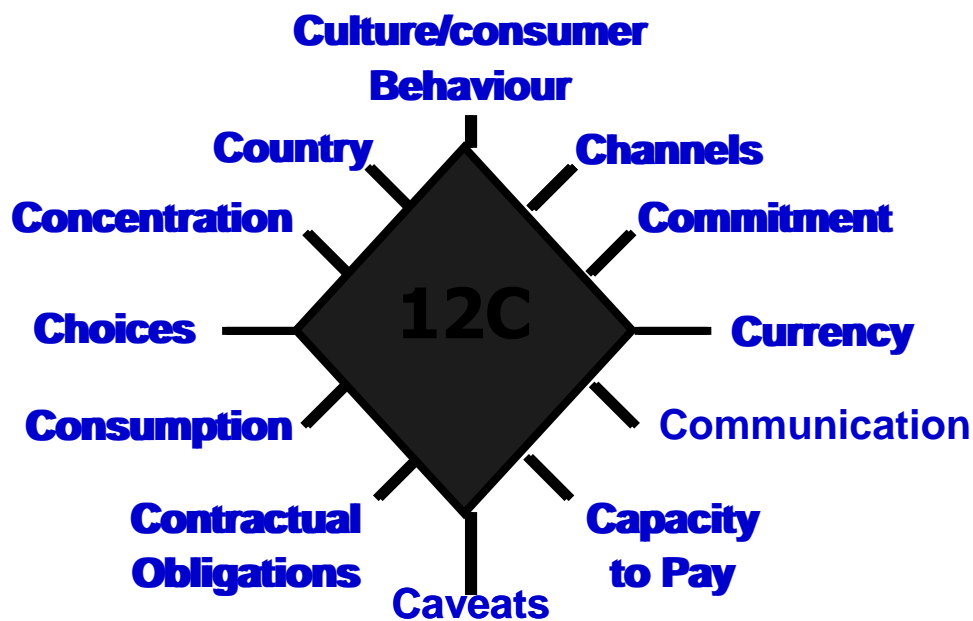
SABMiller's current situation has been analysed through various tools that has allowed us to select the marketing strategies we are going to implement to enter the Indian Market.

But before implementing such marketing strategies, we need to take into account geographical concerns. (See appendix 2 p. 40).

3.1 Local issues

Now, Because we are moving to a different country with a different political, legal and cultural aspects associated with it, we will need to better understand and tackle local market environment. For this we will be using the 12C framework for analysing international markets.

The '12C FRAMEWORK' for analysing



Source: Doole, I., Lowe, R., 2004, International marketing strategy, Analysis, development and implementation. 4th edition. London: Thomson Learning, p. 87.

After analysing our target market using the 12C framework, we discovered the following about the most relevant factors for our case:

1. Culture/Consumer Behaviour

We conducted the research with help of a local partner in the urban areas of India namely New Delhi, Mumbai, Kolkata, and Madras and found out that the SABMiller brand has limited recognition as of now but after educating about the history and success of the brand, majority of the respondents agreed that they would consume the product. In past, foreign

alcoholic beverages have been accepted in India as drinks with better quality and brand equity. Further, very limited number of respondents believed that the product will have any negative perception in the mindset of the locals in terms of culture, religion and lifestyle. However, since there are some sensitivities regarding excessive alcohol consumption in India, the marketing campaign should support the “Drink Responsibly” campaign like other liquor companies.

2. Channel:

The raw material for production of alcohol will be mostly sourced from local producers of barley and grapes in or around manufacturing facilities. Importing raw materials would be a tricky affair since the product will be sold in high volume and considering heavy excise duty on import in India, this would not be feasible for the company. Furthermore, distribution partners in India hold a lot of power in determining which brand gets more easily available to consumers. Hence, it would be advisable to form partnerships with them individually rather than going through the union.

3. Contract:

Our decision to go into strategic alliance will have a positive effect because we will be tapping into the tacit knowledge from our local partners. However we need to keep into account the contractual obligations to our local partners and take care of their needs. Indian legal processes are known to be prolonged and plagued by bureaucracy. Hence, a team of highly qualified lawyers will be allotted to make sure a viable contract should be formed which covers for collateral damage. Generally in India, liquor contracts are signed with a profit sharing arrangement. However a more informed decision will be taken upon conducting a legal due-diligence.

4. Concentration:

As we are targeting urban, open-minded, young population, we should focus our consumer research, strategies, policies and alliances to most populated cities in India. According to our market research the four most important markets are metro cities such as Delhi, Mumbai, Kolkata, and Madras.

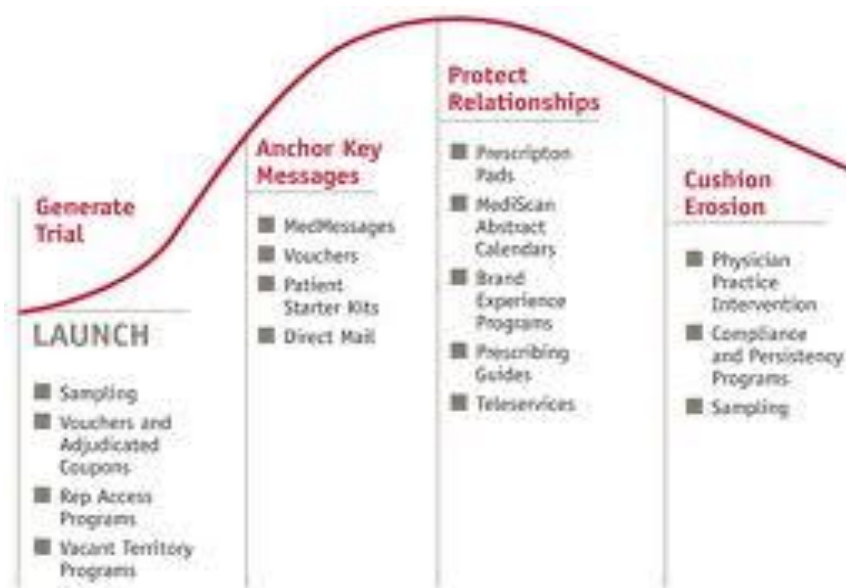
3.2 The four Ps: Product, placement, pricing and promotion

We will be basing our recommendation on the 4-Ps model - PRODUCT, PLACEMENT, PRICING, AND PROMOTION. This would help us build the structure for providing a more comprehensive marketing strategy for Launching SABMiller products in India.

❖ Product

Firstly, SABMiller products are to be positioned as high-quality, prestigious, eco-friendly. Secondly, product extension will be valued. Communication Adaptation will be used as a primary strategy. The product will remain unchanged, while the marketing communications program will be adapted. Direct advertising of alcoholic products is banned in India, so other ways to promote the brand should be developed, such as surrogate advertising. New flavours are advised to be introduced later on though according to the local tastes. This will enable SABMiller to compete on the national level since it will show that the company is willing to respond and contribute to the culture and local traditions.

PRODUCT LIFE CYCLE:



PRODUCT LIFE CYCLE

Source: Doole, I., Lowe, R., 2004, International marketing strategy, Analysis, development and implementation. 4th edition. London: Thomson Learning, p. 67.

Most products go through similar life cycle as is depicted above. In the home market of South Africa and Europe, the product is in the saturation phase as alcohol consumption is really popular and there are a lot of competitors fighting in a limited market. The market share for SAB Miller is eroding in

home market. The potential market, India, is a different story; the product will be in its introductory phase and can potentially capture the entire market using first mover's advantage. Further, SABMiller seems to enjoy a big revenue base to put in the money required to expand its products to new markets. Accordingly, it makes business sense to explore and expand the market for product to increase the sales and revenue for the company.

PACKAGING

The packaging will remain the same with a high usage of recyclable and reusable materials. Labelling is to be changed according to the local regulations on mandatory label content. All the ingredient and use and care instructions should be properly translated into Hindi. Health warnings are advised to be included as part of the company's CSR programme.

❖ Placement

It is advised to set up SABMiller own manufacturing plants on the territory of India to avoid heavy taxation on its products. In addition, vertical forward integration via acquisitions and strategic alliances with reputable intermediaries is recommended to gain control over the distribution channel. Last but not least, selective distribution is recommended to support differentiation. Places for products distribution may include department stores, supermarkets, high-class pubs and restaurants.

In fact, SABMiller product distribution can be made through restaurants, pubs and supermarkets where our target segment usually goes in public. In India, there is a concentration of this segment in the metropolitan cities. Accordingly, we have decided to initially start product distribution in four metropolitan cities, which are the biggest cities of India in terms of population, alcohol consumption, economy, and social life.

A particular focus will be in placing our products in pubs and bars in partnership with their proprietors. Furthermore, agreements with Alcohol shops and supermarkets will be done to place the product on eye-level on counters, thereby increasing visibility for SABMiller products. Furthermore, the manufacturing plants for these products will ideally be located close to these metropolitan cities to reduce transport cost and to reduce any distribution problems. An important point to keep in mind would be India complex and sometimes flawed Logistics systems. There is a heavy reliance on intermediaries like Wholesalers, distributors, Agents, Retailers, etc. In order to avoid blockage in distribution multiple indirect channels should be used in order to make the product available to consumer smoothly. An innovative way to provide an alternative channel could be internet sales through e-marketing. With growing computer literacy in urban areas, this unique channel could be made a competitive advantage if executed properly.

❖ Price

First of all, a polycentric pricing approach will be adopted. Own prices for products are to be set by the managers according to the local environmental factors such as wages, taxes and competition. Competitors' prices should be benchmarked and SABMiller prices are to be set a little bit higher in order to highlight differentiation and the brand value. The rationale behind this is to value SABMiller's consistency both in quality and price. This can help the company gain an edge over its competitors. There are many factors that may affect the pricing decision of a product. On a macro-level they can be broken down into: the product, the market, the target customers and the competition (Hollensen, 2001). Based on the analysis of our strategy on these factors we have decided to go for 'premium' pricing strategy which reflects our product differentiation from other brands. The strategy will be premium pricing which will differentiate our superior product, its uniqueness and value adding benefits. Our contracts with the distributors will include clauses related with the payment periods and the currency. We will ensure that we will be paid in Indian currency considering the currency fluctuations as mentioned in our PESTLE analysis in the "Market audit". Generally, Indian consumers are price sensitive for alcoholic beverages. But since we are targeting the young, globalized audience who are ready to spend the money if they its worth their money.



PRICING STRATEGIES MATRIX

Source: Hollensen, S., 2001, *Global Marketing, A market-responsive approach*. 2nd edition. London: Prentice Hall, pp. 56-489.

❖ Promotion

DRIP model (differentiate, reinforce, inform, persuade) will be applied so as to consolidate our brand awareness and thereby our reputation (Doole and Lowe, 2004). Being aware of the fact that SABMiller beer will be in an introductory phase of its lifecycle in India, we recognise that the main purpose of the company's promotion campaigns will be to inform the potential customer about the

features and benefits of the product, followed by the objective to differentiate it from the competitive propositions and to persuade people to buy it. 'Pull' and 'profile' strategies are to be executed to create demand and highlight the value of SABMiller brand.

Bearing in mind that direct advertising of alcohol products are banned in India, SABMiller has to come up with other ways of making people aware of its products and brands.

- **Surrogate advertising** is one way of overcoming this problem. It's a type of advertising which embeds a brand or product message inside an advertisement which has initially been created for another brand or product.

SABMiller is recommended to use the company's logo (standardisation) or distinctive brand colors while sponsoring community events or issuing public service announcements, so that people are exposed to the company's branding without seeing an explicit ad for the company's product. This will strengthen SABMiller's consistency. At the same time SABMiller positions itself as a social responsible company. An illustration of this can be responsible drinking campaigns, 'don't drink and drive' campaigns, HIV/AIDS combat campaigns, etc.

- **Sales promotions:** As beer is not a new product in India, SABMiller should take sales promotion into consideration to generate interest and encourage initial trial. Bearing in mind that most of the Indian population still live on a low income, SABMiller should use free sampling and demonstrations for that purpose. All sales promotion campaigns should take place in urban areas. To ensure trial 'point-of-use' sampling should be used, for example at festivals and pubs. Coupons and sweepstakes should also be looked at as good incentives for potential customers in the new market. Caution is required though to prevent damage to the brand image with frequent promotional campaigns.

CHANGES FROM 'HOME' PROMOTION STRATEGY:

Changes will be made in the new market environment. Shape of the bottle and labelling will be changed according to local requirements and regulation. Taste and strength of the brew may also need to be enhanced due to local needs and preferences.

The product will be marketed as a higher brand value because of the hyper-reality of the created through exclusivity marketing and local Health regulation will be kept in mind in critical promotion areas such as packaging. In addition, cultural Taboo of excessive drinking will be curtailed by sticking to "responsible Drinking" campaign sponsored by SAB Miller.

Furthermore, Indian cricketers are always a safe bet for endorsement, infact 6 of the Indian players currently endorse 'Royal Stag' brand. Hence it could be a good idea to sign remaining players for SABMiller, which will definitely create positive media attention for the brand. Last but not least, special celebrity nights will be organized to celebrate celebrities' latest success, in which the

SABMiller brand will be advertised. An example of theme of the event can be – “Celebrating the ‘spirit’ of success!”

3.3 Unique Selling Proposition and Branding

POINT OF PARITY (POP) AND POINT OF DIFFERENTIATION (POD):

POP: Points of parity with the competition in the marketplace is that all competitors (i.e. Country Liquor, Indian Branded Alcohol, and Foreign Brand Alcohol) are into alcoholic beverages.

POD: Point of differentiation with competition is that our product will be marketed as an exotic foreign product with original recipe and ingredients.

BRAND NAME:

SABMiller brand as a complex of images and experiences in the customer’s mind (Keegan and Green, 2011) plays an important role in the company’s promotion strategy since as soon as its equity becomes strong in the potential market, it will ensure greater loyalty, less vulnerability to the rivals’ marketing actions, result in larger margins and increase marketing communication effectiveness (Keller, K.L., 1998). Therefore, substantial investment is needed for its promotion in India.

After due research and analysis in the local market, we have decided to enter the market with the strong global brand names such as Peroni Nastro Azzurro and Fosters. The first reason for this decision is that SABMiller is an established brand name in Europe, it will thus add to the feeling of tradition associated with the product. The second argument is that SABMiller will give an international feel to the product and the customer perceives it to be of a higher quality. Moreover, no negative cultural interpretations of the name were identified. Further, the name is easy to pronounce in the local Indian languages.

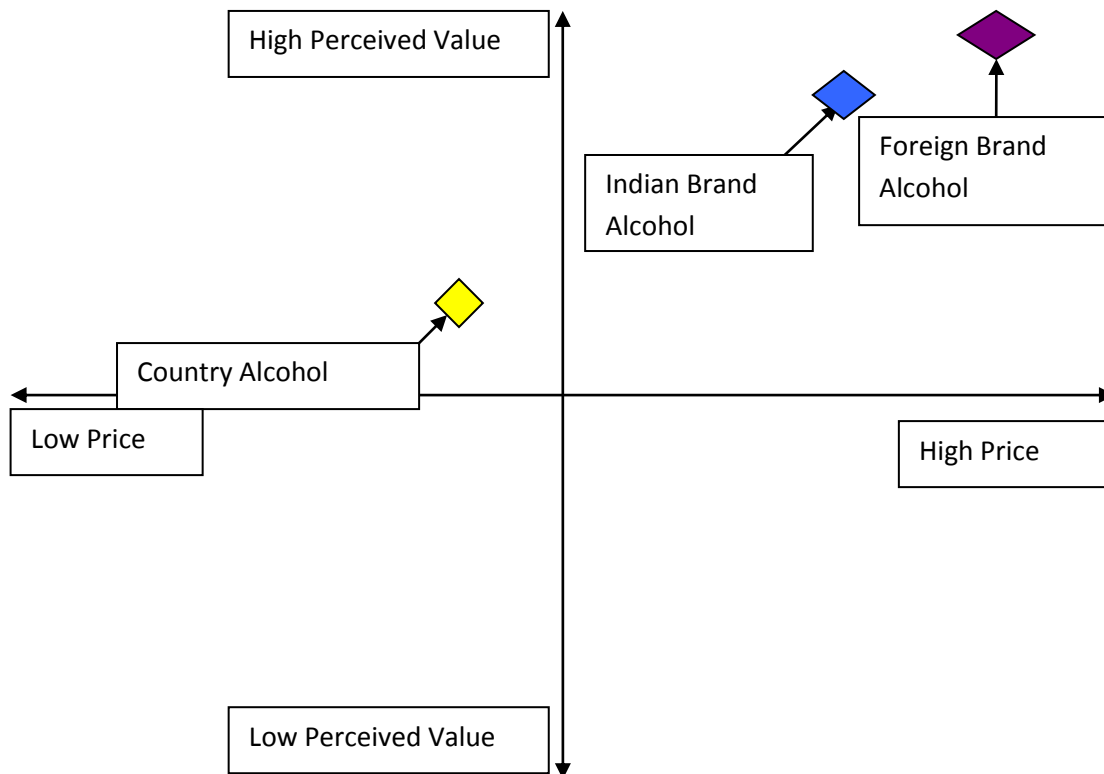
Nevertheless, it should be pointed out that ‘there is a strong local heritage in the brewing industry and people identify with their local brewery’ (Willman, J., 1999). Therefore, the future development of the national brands is highly recommended to establish national portfolio needed for long-term success in India.

3.4 SCP (Segmentation, Targeting, Positioning)

POSITIONING and MARKET SEGMENTATION:

We will be using multiple segmentation variables to achieve precision in targeting and positioning. The Variables chosen are: Perceived Brand Value and Price as these variables commit to gain deep

understanding of the customer requirements and purchasing behaviour. We will elaborate the market segmentation using the perceptual map depicted below:



PERCEPTUAL MAP (PERCEIVED VALUE VS PRICE)

Source: Doole, I., Lowe, R., 2004, *International marketing strategy, Analysis, development and implementation*. 4th edition. London: Thomson Learning, p. 87.

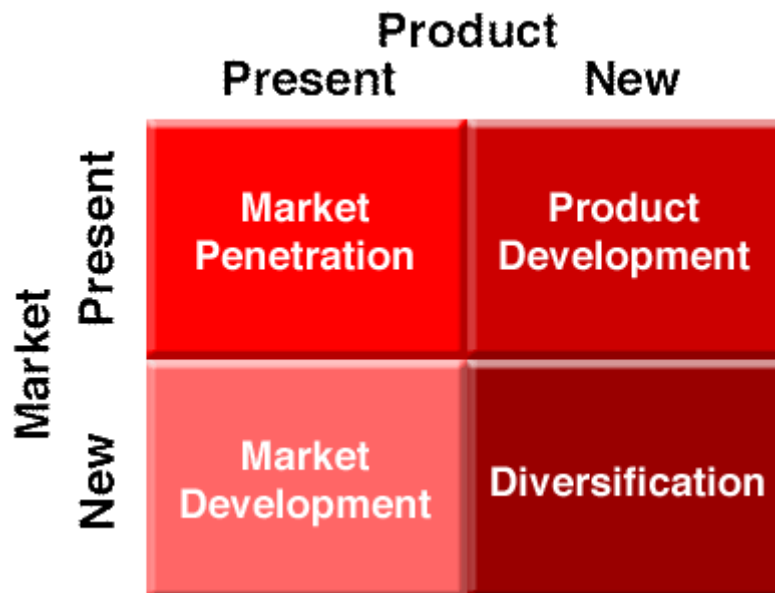
TARGET SEGMENT:

Based on the segmentation done previously and the understanding of customers' requirements and company's capabilities, we believe an ideal candidate for the product must have most (preferably all) of the characteristics stated below:

- Cosmopolitan
- Young (23-35)
- Open to Western Products

3.5 Strategic choices

MARKET ENTRY:



ANSOFF Model

Source: Doole, I., Lowe, R., 2004, *International marketing strategy, Analysis, development and implementation*. 4th edition. London: Thomson Learning, p. 87.

But in this report, we will be focusing on market development, product development and joint-venture.

Firstly referring to Ansoff’s model (1998), we would be launching an established brand and product in a new market i.e. “Product Development Strategy”.

❖ **Product development strategy**

- **Most Relevant parameters in method and direction of Market Entry**

Our strategy will be to source raw materials from local producers, established processes and specific expertise from SABMiller. We also plan to form exclusive strategic alliances with local manufacturers

and distributors. Finally, we intend to enter the Indian market by focusing our marketing strategy in the four most populous cosmopolitan cities New Delhi, Mumbai, Kolkata, and Madras.

Market entry strategy includes many advantages. Lower financial risk is the first benefit. As we plan to form strategic alliance with local partners for manufacturing and distribution, the sink cost associated with the project is very low. This strategy also involves lower cultural risk: If local employees work on the operational aspects of the project, the chances of cultural shock is reduced. Moreover, gaining tacit knowledge is a key advantage that may help SABMiller sustain its competitive advantage. Local tacit knowledge about the industry and process will be achieved, thereby providing insights for better strategy formulation and management of the operations.

- Risks of present Market entry strategy

As we will be having a 'shared risk, shared profit' agreement with our local partners, the risk involved is significantly lowered. Also, as stated earlier, we are doing 'market development' in the Indian market, so the risk of the manufacturing processes going wrong is lower.

UNARTICULATED DEMAND:

Unarticulated demand is the demand that customers don't explicitly know that they require. It is upto the organizations to improve their products due to this unarticulated demand. Following steps will be taken to identify and fulfill of unarticulated demand. Firstly, we will rely on the tacit knowledge of the local partners. Interacting with the local people is important to share and understand their daily routine. We will thus have people staying with families in their homes to identify their behaviour and needs. Aside from that, R&D centres will be located in the local market with help of local partners to identify unarticulated demand and come up with innovative solutions.

ALTERATIONS IN MARKETING STATERGY:

The bottles design and packaging will be changed to meet the local standards and regulations. The taste of the beverage may need to be changed in order to cater to the taste of Indian consumers, in terms of flavour and strength (adaptation strategy).

STRATEGIC INNOVATION APPROACH:

Last but not least, it is clear that even after successful launch of the product in India, consistent innovation is crucial to be competitive in the market and to adapt to changing customer's need. In conclusion of the above discussion and analysis, one fact remains clear: SABMiller will have to constantly revise its marketing strategies and come up with innovative solutions ahead of stagnant time frames. The customers can be extremely volatile by nature and there are a number of contributing factors to this such as fluctuating rates, income levels, change in taste etc. After considering these major factors our plan is to implement consistent strategic innovation as part of marketing plan for India. The rationale behind this is to allow continuous strategic development and has accordingly space for the following:

- We aim to offer new flavours or ingredients, exclusively to suit the taste of Indian consumers, or limited edition stock can be an excellent option as well
- Exclusive tasting sessions could be arranged for the premium range and similar sessions can be carried out with the middle income group too in order to generate media and market interest.
- Constantly updating the taste, shape and packaging of the product to suit changing consumer needs
- We plan to open up exclusive bars where consumers will be able to taste some exclusive brews of the company

Therefore, product development might be an excellent opportunity for SABMiller. However, the Indian brewing industry future growth is very much in the balance and might not be guaranteed as Indian drinkers are likely to be strongly loyal to their (local) existing brands being reluctant to taste new products from foreign countries. The global brewing company Carlsberg has an important presence in India and may thus be a fierce competitor for SABMiller and thereby a potential barrier.

Secondly, market development strategy will be addressed.

❖ **Market development strategy**

Growth fuelled by expanding into new markets is known as market development (Ansoff, 1998). This strategy will undoubtedly be in line with SABMiller's core competences and capabilities as the south African company has made a reputation for itself in this area. Therefore, entering new emerging markets like BRIC countries or Latin America and Eastern Europe is part of SABMiller's vision. Its expansion in these countries is growing and has been high over the past 10 years. As a result, entering India brewing industry is likely to be highly profitable for SABMiller if it is to create premium segments and brands in India. This strategy has already been a success in developing markets like Russia or Asia where SABMiller has achieved notable success.

Another point worth noting here is that this segment is expected to grow faster than any other segment in the market. Conquering new markets can consequently be successful strategy for

SABMiller as it can increase its added value and thereby sustain its competitive edge. Market development will also allow SABMiller acquire significant market knowledge in developing market; this will help it expand into other new markets more easily suiting its competencies.

However, stakeholders' expectations can be a problem given the importance of the PESTLE factors as India. Acceptability is actually a considerable issue. For instance, Indian should find acceptance among the institution investors who need a hard currency portfolio.

USA and the Western Europe are still posing huge dilemma for the management of SABMiller which is essentially driven by its stakeholders' expectations. Thus, entering India is a huge challenge for the South African brewing company.

Finally, we will concentrate on joint-venture strategy.

❖ **Joint-venture**

A joint-venture with a major brewing corporation like Carlsberg which is well-known in India and worldwide may be mutually beneficial. Despite having significant expertise in the market developing world, a major western brewer can bring to the table what SABMiller "lacks" enhancing its entry points into a highly emerging market like India. It can be highlighted that SABMiller already used this strategy when it acquired Miller but it did not gain enough ground in the US to justify that point. It can also be argued that this business may involve high risk considering the increasing competition in emerging markets like India. This growing interest for developing countries is likely to lead to market saturation in the next coming years. These are the reasons why care should be taken when implementing this strategy.

Conclusion

To conclude, establishing effective and strong market research is essential for SABMiller which aims to enter the Indian Market successfully. As explained and researched above environmental, political, legal, economic and social factors are crucial for expanding a business into new markets. In addition, cultural factors play a key role as CEOs need to understand cultural differences before entering a new market. And with India which is highly multicultural, SABMiller will have to adapt so as to stay ahead of the competition and to meet consumers' needs. Furthermore, building an effective marketing strategy may be profitable for SABMiller to avoid losses. Three marketing strategies have been considered as potentially profitable for SABMiller as discussed in this paper: product development, market development and joint-venture.

As Indian brewing industry is booming, this market may be an excellent opportunity for SABMiller to develop its activity. This will be beneficial for both the company itself and South Africa (its main base). However, due the regulatory changes in the alcohol industry in India coupled with the continuous rise in aluminium and energy costs, SABMiller's profitability may be compromised. Therefore, it is to be hoped that SABMiller will study the market trends carefully before entering this market which might involve high risk.

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Appendix

Appendix 1 : SABMiller's mission, vision, competitors and financial metrics

SABMiller has grown through a culture of operational excellence, delivering high-quality products, innovation and sustainability. The organisational success is built on clear strategic direction and a shared commitment to the company's vision, mission and values

SABMiller vision:

To be the most admired company in the global beer industry

SABMiller mission:

To own and nurture local and international brands that are the first choice of the consumer

- Products: SABMiller takes the pride in having almost 200 brands of beer in its cap

Like Castle Lager, Miller Genuine draft, Peroni Nastro Azzurro, Pilsner Ureque. Being the second largest producer of brewery the company has managed to establish the consolidated position among the value, premium and ultra-premium brands with the privilege of vending different brands in single market. In addition to this they are the major bottlers of Coca Cola, Minute Made, Sprite and Crystal.

- Business and Financial Metrics:
 - ◆ Fiscal Results 2010 – During fiscal year 2010 showed greater amount of volume than the previous year. The group revenue raising up to 4% and EBITA to that of 6% as compared to that in Asia which was relatively low. Europe showed the enhanced EBITA of whereas Latin America the strong appraisal of 17% due to cost capabilities. SABMiller improved functional enactment promoted due to low tax rates enhances the EPS to 17%

- Trends and Forces:

1. Economic growth in Latin America-

The economic condition of Latin America is stabilizing with the gradual passage of time therefore resulting in increase of per capita beer intake. On an average a person consumes 20-40 litres of beer in a year in LA as compared to USA where it is 80-90 litres a year. This consumption can increase provided there is a promising GDP growth in Latin America. SABMiller is planning to invest 1.8 billion USD in 2012 to increase the production and increasing the infrastructure thereby causing a net growth of the company assets by 8%.

2. Economic growth in China-

It is world's fastest growing economies. China stands at 105th position in terms of per capita GDP of \$2,034. However this rate of GDP is escalating tremendously. This has resulted in overall reduction in

poverty of 53% in 1981 to merely 10% in 2004. These 3 factors combined together renders China the fastest and the most beer consuming economies in the world. SABMiller rooted back into China in 1994 and controls the 15% of the beer market in the nation. SABMiller has overtaken and undertaken a large number of local brewing companies like Blue Sword Brewery in 2001. On an average, yearly beer consumption has been estimated at 30 billion litres thus surpassing that of USA.

- Substitutes:

The 3 types of alcohols namely wine; beer and spirits act as substitutes to each other like if demand for beer is more than demand for wine and spirits automatically decreases. Intake of wine has increased manifolds to 180% in UK in last 20 years whereas consumption of hard liquors has been steady so far. Intake of beer in UK has been reduced remarkably owing to the increasing trends in consumption of Wine. On the contrary, the beer intake has touched sky-high limits in the last 5 years with an estimate of whopping 62% increase annually amongst the liquor consuming population. Surprisingly, the drinking of wine and other hard liquors have remained constant, thus following the natural trend of substitution. The scenario in USA is exactly opposite where the wine intake has seen a substantial rise in the last few years whereas the consumption of beer has been constant. Hard liquor on the other hand in US follows the same principle of a steady intake owing to the substitution. These demographic transitions between different countries can have a huge impact on SABMiller's performance in different economies.

- Competition:

During early 90's, the world's five largest brewing giants were accountable for only 17% of the market share as compared to magnificent 45% share as of now. The topmost contenders for SABMiller's are InBav and Inheuser-Busch which are the first and third largest brewing companies in terms of volume production respectively. Out of these 3 giants, Inheuser-Busch controls the 76% of the US brewing market and hence the topmost contender for the first slot. It has spread its roots into China and Latin America by undertaking and acquiring local breweries. Similarly InBav has diversified its geographical operations with 38% market control in Latin America.

Market Share				
Region	SABMiller	Anheuser-Busch	InBev NV	Molson Coors
United States	23%	48.4%	1.1%	11%
United Kingdom	6.9%	3%	19%	21.1%
Worldwide	11%	11.5%	14%	3.8%

Appendix 2 : Geographical concerns

Owing to the reason of demographic transition from one country to another, it is of utmost importance to have a clear picture of the national and regional marketing scenario in order to grab the issues related to marketing. After conducting 12C analysis certain relevant results can be found. An exhaustive study was done in the top-notch cities in Indian sub-continent such as New Delhi, Mumbai, Chennai and Kolkata. It was revealed that majority of the population was not aware of our brand but with proper awareness campaigns related to the golden past and all the accomplishments achieved so far, most of the participants were willing to give a try to the elite product.

Also, there were few participants who also claimed that our product might have a demeaning effect in the context of values, beliefs, religious conviction and routine life standards of the population. Keeping in view the problems associated with alcohol abuse amongst the liquor consuming population of India, our brand promotion crusade must fall in line with 'Drink Responsibly' promotion crusades followed by our counterparts in the industry. Our decision to go into strategic alliance will have a positive effect because we will be tapping into the tacit knowledge from our local partners. However we need to keep into account the contractual obligations to our local partners and take care of their needs.

The target consumer group here is the one that can have an open minded approach to try the new product in the market and of course afford it too. It is important to keep in mind the fact that there is a large part of India which is still rural and comparatively the urban population is low. The strategies in line have to consider a number of facts before launching the product, first major one being that the Market Research needs to be carried out accordingly followed by the right kind of Strategic Alliances & Policies in place.