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Case Report Beer

Innovation Management

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1 Executive summary

After an extensive research and market study the team came to the following conclusion.

Sustainable growth is currently difficult. Our market is saturated; competition is fiercer and customers are expecting more variation, innovation and quality**.**

We need to rejuvenate beer in our current market. This will be done with a new product range based on existing products and know-how. It will be a marketing driven campaign with support from R&D.

The product range will be none alcoholic and aimed at children and families. The product range will exist out of 3 new products which will be described in more detail further on.

The main reason why the non alcoholic market is targeted is threefold

- Improving the health image of beer
- Protecting our main market of young males by introducing none alcoholic beer like products at very young age
- Picking a few % from the none alcoholic health drinks market

To achieve this a total investment of 9,4 million € in year one and 0,5 million € in year 2 is needed, the NPV of this project over the next 5 years is estimated to be 244 Million Euro.

The project is inline with the strategy and the DNA of unibrew and in-house know-how is available. Existing distribution chains can be reused. It is mainly a product innovation not so much a process innovation. Therefore the risk of this project is calculated to be low compared to the other projects.

Further on the value proposition for all stakeholders is clarified. But clearly we can state for unibrew there is a short term value proposition, where we will hitch a ride from the growing market of health drinks, and a long term benefit for unibrew where the image of beer is improved and young people are accustomed again to beer and see it again as a valid alternative.

2 Explorer

In order to propose the best tracks for sustainable growth that leverages Unibrew's core competence and current assets & liabilities, the Strategic Task Force team utilized 3 exploration techniques to clarify the problem and determine the direction to where growth can be found:

- **Mindmap** – elaboration of current situation of Unibrew in environmental context
- **Gap Analysis** – study current situation, target and identify the gap to pursue
- **Trend Watching** – further analysis of environment to guide to where the opportunities lie

After an extensive research and market study the team came to the following conclusion

We need to rejuvenate beer in our current market. This will be done with a new product range based on existing products and know-how. It will be a marketing driven campaign with support from R&D.

The product range will be none alcoholic and aimed at children and families. The product range will exist out of 3 new products which will be described in more detail further on.

The target of the campaign is three fold

- Improving the health image of beer
- Protecting our main market of young males by introducing none alcoholic beer like products at very young age
- Picking a few % from the none alcoholic health drinks market

2.1 Mindmap

The mindmap (Figure 1) defines the current position extrapolated from the information provided. It covers the complete beer market next to the unique position of unibrew
Two main observations can be drawn from the mind mapping brainstorming exercise:

- Current market for beer competitive and declining (trends), but development of new products outside of beer is risky and may be outside current scope of competence
- Process innovation to change value chain outside of company's responsibilities may be difficult to influence and realise

Further explorer techniques will assist to confirm if there is potential to pursue opportunities in the above areas or if Unibrew should look elsewhere.

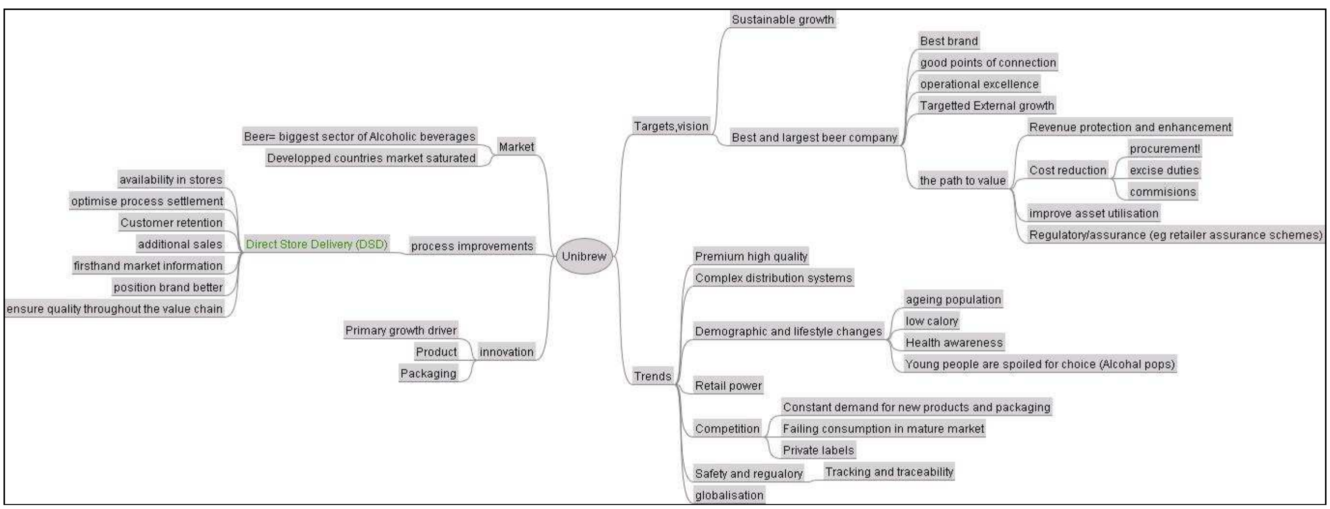

Figure 1: Mindmap of Unibrew and its environment

2.2 Gap Analysis

In 5 years from 2008 (assumed turnover), it is Unibrew's target is to grow by 5% total turnover every year. Over 5 years from 2008, this is equivalent to a mid-term target of around an increase of 2,900mio EUR in turnover (see Figure 2).

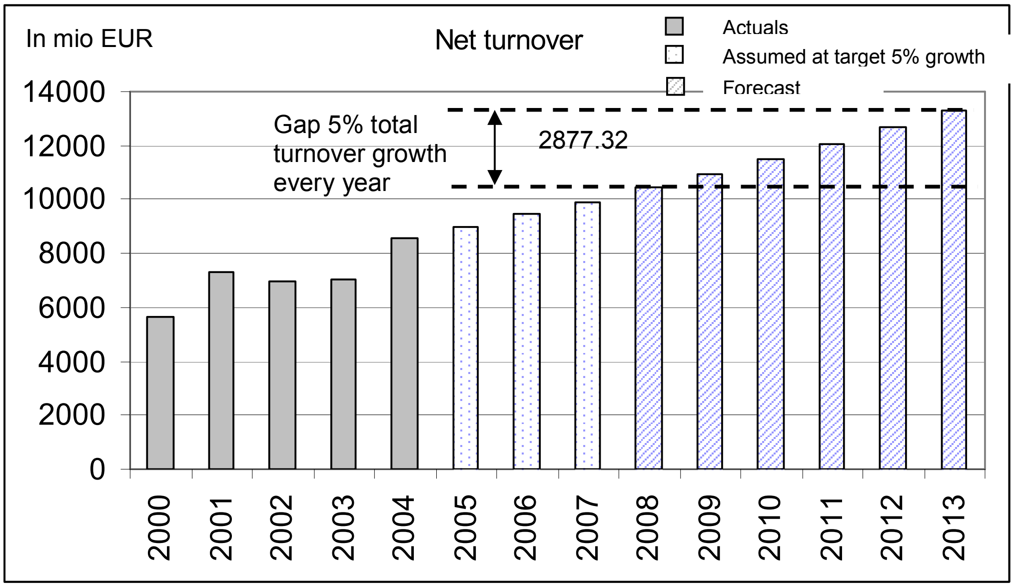

Figure 2: Mid-term target (Unibrew data)

A slew of merger and acquisition activity in the 12 year period from 1992 to 2004, moved Unibrew from 11th to 1st ranking of global market share (volume in excess of 220 Mhl). However, the 2003 to 2004 data demonstrates evidence of a trend that Unibrew's market share begun to decline in Western Europe and North America (Figure 3). This trend is supported by the Deloitte/SAP study that indicates that mature beer markets are in decline.

Volume (mio Hl)	2003	2004	% change
North America	16.8	17	1%
Central & South America		38.7	
Western Europe	40.2	39.3	-2%
Central Europe	11.1	13.8	24%
Eastern Europe	28.4	34.3	21%
Asia Pacific	10.3	22.2	116%

GAP: Mature markets in decline: US, UK, Germany and Japan

Figure 3: Key growth figures (Unibrew data)

Given that Western Europe has traditionally been the largest market share, the above trend could be indicative of the evolution of the global industry, particularly as emerging markets may potentially mature to the same stage and behaviors as mature markets.

Market decline (volume sales) is indicative of purchase preference of products, rather than lack of capacity to supply. The Deloitte/SAP study alludes to consumer preferences for purchase as being influenced by image and taste rather than price; as consumers are also shifting towards more premium alcohol beverages like wine.

Taking into consideration Unibrew's four pillars, it is thus possible to exclude, at this point, the track of "World Class Efficiency" or process improvement as the best potential track for innovation to achieve the Company's growth target.

An analysis of trend watching will allow us to futher refine the track of where opportunities for innovation and growth lie.

2.3 Trend Watching

Elaboration of the change to consumer preferences that has subsequently influenced the decline in market volumes (across the industry) have been studied by Deloitte/SAP.

The trends identified are:

- Ageing population preferring wine above beer, more sophisticated image
- Health is becoming more and more important, beer is not directly linked with good health
- People are becoming more and more obese and wine and spirits are less fattening than beer, is a common belief
- Young people are spoiled with choice and prefer the sweeter and increased diversity of taste of alcohol pops (i.e. breezers, mainly fruit based)
- Targeting young people for alcohol is in general not ethically accepted and in lots of countries illegal
- Main market is saturated and even declining partly because of some of the above trends

Interestingly, in comparison in other beverage markets, fruit juices, in 2006, health drinks and fruit drinks accounted for 40.6% of the total soft drinks market in terms of volume sales. The sector has gained market share over the past 5 years, as consumers switch away from alternative soft drinks and towards the products covered by this report. Fruit juices and health drinks have benefited from their healthy image, particularly in comparison with other, less healthy, drinks, such as carbonates.

Thus, based on the above trends, the market opportunity could well exist outside of the direct alcohol beverage market. Therefore it could also be extended to the <18 year old and > 35 year old segments, thereby broadening the market size potential and taking Unibrew into broader market reach.

3 Detective

Sustainable growth is currently difficult. Competition is fiercer and customers are expecting more variation, innovation and quality.

4 Artist

4.1 Brainstorming

After some brainstorming sessions and group discussions we came up with quite some ideas that can be grouped in 3 categories: product innovations, image focus and concept innovations.

We summed up the most interesting ideas and even though in a first brainstorming you don't explain you ideas we want to describe them briefly in this paragraph. This helps to understand the thinking process our group went through in the various group discussions.

Product innovations

- Beer premix to mix with (soda) water: can make distribution easier in places that are difficult to reach for the normal beer distribution channels: you only need the mix and water.
- Instant beer: to make beer at the retailer. Is parallel to the beer premix idea but focuses specifically on the retail market.
- Brew at home: a mine brewery with all the ingredients for making you beer at home.
- Beer Breezers (tango, panaché, mazout, submarine, lemon): beer with sweet additives to compete with the sweet alcohol pops
- Separate flavour mixes to add yourself: it is attractive to drink you personalized beer!
- Beer blending: also creates a personalized beer.
- Beer in icing cans (cool upon opening): makes sure you ALWAYS have a cool beer to drink.
- Viagra beer: speaks for itself!
- Hang over beer: avoids hang overs but gives you all the pleasures of partying and drinking.
- Beer for elderly people: especially stressing the health part.
- Animal beer: the healthy substances for people are also healthy for animals.
- Ecological beer: stressing the biological ingredients and way of production.
- **Revival of table beer:** image and taste of table beer can me made much stranger than it is today.
- More addictive beer (caffeine,…) to increase beer consumption.
- Illuminated beer: looks very flashy in dancings and discotheques.
- Heavy, healthy beer that is both "food and drink" (Guiness is a good example).

Image

- Find new beer brewing abbeys: the brand trappist is very strong.
- Image building around traditional products
- Posh cooking books on beer (cfr Jamie oliver) to stimulate the use of beer in the kitchen.
- Bath in beer.
- Sponsor top restaurants.
- Sponsor social gatherings (eg "Rimpel Rock"),
- Focus on beer as a substitute for wine.
- Introduce Belgian Beer pubs (cfr Irish pubs) and use the strong image of Belgian Beer.

Concepts

- Sell by-products (fertilizers, feed sector, cosmetics),
- Get current consumers to consume more,
- More acquisitions,
- Consolidate operations/streamline,
- Diversify into other products/services.
- Prepare for water shortage: “beer is safer than water” is something people know for centuries.
- Attract new first time customers.

The portfolio of ideas that came out of the brainstorming offers a very wide range of possibilities for achieving the ultimate goal of growth. It also appears that the categories of ideas are similar to the categories that are described in the Unibrew article.

4.2 Teece model

In order to isolate the best strategic opportunities for Unibrew, the Teece model was used to determine which opportunities were most aligned to Unibrew as the holder of complementary assets: Low appropriability and tightly held and important complementary assets. In this way it is desirable for Unibrew to avoid competition and inventor/3rd party bargaining power.

Therefore, Unibrew is best to target opportunity tracks which are within its existing capabilities and core competencies, and that make little disruption to the value chain that is perceived by players as negative (i.e. sell direct to customer and cutting out distributors.

		Complementary Assets	
		Freely available or unimportant	**Tightly held and important**
Appropriability	**Low**	< Established companies can imitate easily> <Success is dependent on finding a blind un-addressed spot or niche> ▪ bath in beer	<Some possibilities to contract> <success dependent on the existence of a reliable partner> ▪ more acquisitions ▪ separate flavour mixes to add yourself ▪ beer blending ▪ Beer market re-positioning: Viagra beer, hang over beer, beer for elderly people, animal beer, ecological beer, revival of table beer, image building around traditional product, substitute for wine ▪ Marketing concepts: attract new first time customers / get current consumers to consume more
	High	<Choice between market or contract> ▪ sponsor top restaurants ▪ sponsor social gatherings (eg rimple rock) ▪ consolidate operations/streamline	<Contact with established companies> <Success is dependent on the negotiation power of the innovator> ▪ Found new beer brewing abbeys ▪ diversify into non-beverage products/services: sell byproducts (fertilizers, feed sector, cosmetics), Belgian pub (cfr Irish pub), posh cooking books on beer (cfr Jamie oliver) ▪ monopoly on water / prepare for water shortage ▪ brew at home ▪ icing cans (cool upon opening) ▪ instant beer (make beer at retailers) ▪ New beer / alcohol beverage products: more addictive beer (caffeine,…), illuminate beer, healthy beer (Guiness), Breezers (tango, panaché, mazout, submarine, lemon)

Figure 4: The Teece model

4.3 Ringgi Process

During the group discussions various possible ideas for creating growth were discussed. The idea that final was elected is described in paragraph 4.1. but we would like to show her in a graphic way how we started from the initial goal and came to our idea.

The blocks only represent the choices we finally made for each step in the thinking process. Of course we first discussed all possible options but mentioning all these would be too much detail and not bring added value to the figure.

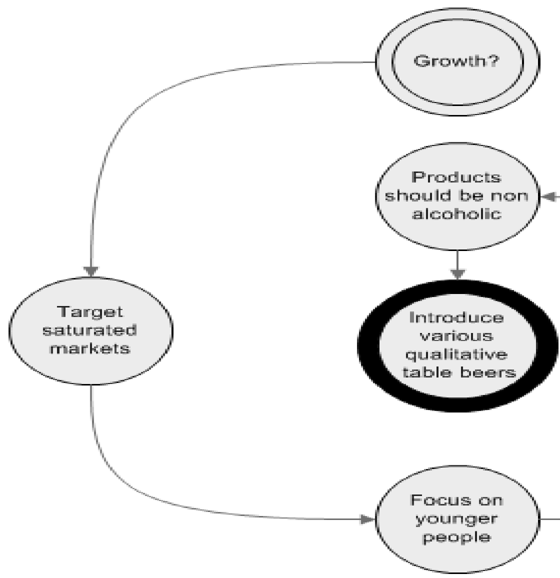

Figure 5: result of the Ringgi process

5 Engineer

5.1 Idea Synthesis

As already mentioned the aim is to create sustainable growth. This can be done by looking for new growing markets or by focusing on existing and rather saturated markets and make them grow by innovative products.

The team felt the need to target 1 specific customer segment and give this all focus. After brainstorming we decided to target the very young public – say from 8 years onwards- with their families in Western countries, i.e. where the beer culture has a very long tradition.

We feel that by targeting this segment we will be able to increase the beer consumption in both the short and the long term:

- In the short term we will create extra consumption by going on the market with a new and suitable product range for the young people.
- In the long term we focus with the same product on the people from 15 to 34 years old as the children will grow up of course. This segment is clearly consuming the most beer and is therefore an interesting target group meaning that this group can be extended the beer consumption will certainly go up also in the long term!

By focusing on very young people with their family we are convinced that the image of beer will get a positive boost. This in its turn will raise in a couple of years the number of 15-34 year old people choosing beer again in stead of alcohol pops or wine.

The question is of course: how can you make children to become beer consumers in the near future? As already highlighted in the brainstorming paragraph the introduction of a quality table beer is the ideal product. Of course table beer already exists for decades yet it never had an attractive image and the taste has never been appealing. By creating a new product range we are confident to turn this old fashioned table beer into something that is attracting to our target group:

The product range itself will initially contain the following products

- Table beer – Classic : target group are the families with young children. We want to see our table beer on the family table so that the whole family drinks the same beer.
- Table beer - Fun : target group are teenagers in general. Young looking small bottles with a no-alcohol beer, slightly sweeter than the usual "beer taste".
- Table beer – Party : target group are teenagers at (birthday)parties where the beer replaces for example the "Kidibul" champagne.

So each of these products targets a special niche and together they create the image of "family fun with beer" and health:

- it has all the health benefits of normal beer without the alcohol. It is certain that a natural beer is much healthier than lemonades full of sugar and colorants!
  In this respect the thirst quenching effect of beer is a competitive advantage to the sugared soft drinks.
- by focusing on the tradition of beer and table beer on the family table we can create an image of tradition comparable to the abbey beers.

5.2 Value proposition

We will analyze the value proposition from the perspective of some of the stakeholders.

5.2.1 Unibrew

The value proposition for unibrew is twofold:

- At first we would like to focus on the short term value proposition: The "health brew", natural and healthy alternative for the family (zero alcohol). This is where unibrew could rake in the benefits of the growing market of health drinks (http://www.the-infoshop.com/topics/FD14_en.shtml). For this market Unibrew has a very clear advantage because of its strong distribution chain, access to the consumer and inhouse known-how.

- The more long term benefit is that we actually target the future consumers of our existing product range: "Beer the beverage that evolves with you". By targeting the family image, beer image is created that suggests beer can tailor to the tastes and desire of all the family from the youthful generation to the wise generation!

5.2.2 The beer market as a whole

Clearly by the customization of beer and improving the health image of beer we expect the complete beer market to grow again. It is however our target to associate our brand with this image of health.

5.2.3 Our customers

Pubs (on-premises):
Our customers will be able to strengthen their position against health bars, and create more variation on there card.

Other points of sale will be able to answer the demand from the consumer for more choice, higher quality and healthier products!

Supermarket chains:
Whilst it is difficult to penetrate Supermarkets chains, the zero alcohol beer product targeted as a family product currently does not have significant competition (existing mainly as lite/low calorie beer towards the main Age demographic), therefore could well be appealing as a new product worthwhile to gain placement on the shelves.

5.2.4 The consumer

The “family brew” image of the beer is a selling proposition to the consumer who is always searching for new products and who will have another alternative for a health drink. Consumers that like the refreshing thirst quenching taste of normal beer but are weary of the health effects of alcohol have also another alternative.

For children’s party where the “kiddybul” children’s champagne is well introduced there is now another alternative available. Where girls might like the bubbly pink bottles, some boys might prefer the cool beer .. like dad does ☺

6 Judge

6.1 Force Field analysis

Forces in Favour	Score	Change proposal	score	Forces against
		1=weak 5=strong		
Healthy	5	**To introduce a new Alcohol free product range to target the young and the family**	5	Introducing beer to Children
Know-how in house	4		4	Bad image of table beer
Mainly marketing	2		2	Competition of alcoholic beverages
Market segment exists	4		4	Competition of none alcoholic beverages (Coke, juices)
Reasonable investment	3			
Existing distribution chains	3			
Tradition	2			
Big none alcoholic market	3			
TOTAL	26		15	Total

Figure 6: force field analysis

The Force Field analysis shows us that although there are many forces against the idea the total balance is positive.

It is also interesting to Counterbalance individual items in the list.

In general introducing beer to young children is NOT socially accepted, however with the right marketing and mainly because our beer is actually a none alcoholic hop beverage, we do not expect this item to be too much of a negative force.

Bad image of the “known” table beer can easily be neutralized by a good marketing campaign and the proven health benefits of the non alcoholic version of beer.

6.2 SWOT

Main disadvantage is of course: how will we defend our product against the health organizations who will certainly attack it? Our product in itself is harmless as it contains no alcohol, but as a kid if you are used to drink “unlimited amounts” of table beer you will certainly try the same on you first party with normal beer. The consequences will not be hard to guess….

Strengths	**Opportunities**
• Drinking culture exists • Healthy ingredients available • Market segment exists and is untouched	• Revive nostalgia – Once beer was on the family table… • Concentrate on health aspect • Find tipping point: Kids like to imitate • Youngsters are an easy target as they are quickly convinced
Weaknesses	**Threats**
• Supposedly bad taste • Beer is classified as alcohol • Alcohol makes people uncontrolled • Believed to be fattening	• Conservative lobbies • Competition from alcohol pops • Government regulation • Competition from wine

Figure 7: SWOT analysis

The hurdle of beer in the brand name is perhaps less problematic than initially perceived. In many markets, particularly in the US where the attitude towards under aged drinking or even the thought to promote under aged drinking is not well tolerated, it is possible to find “root beer” (a.k.a. sarsaparilla), “ginger beer” and “ginger ale” are common and even relatively popular soft drinks. It is perhaps the association of the brewery company as the manufacturer and distributor of the alcohol free beer that presents a larger marketing barrier.

6.3 Project classification

The project is mainly a change to the product range and the marketing strategy associated with it. We do not expect many processes to change.
Graphically we can position this project as follows:

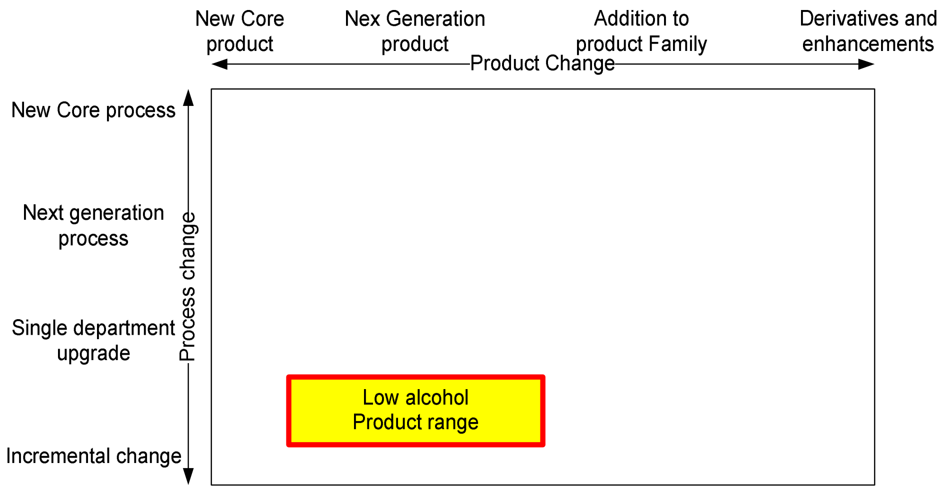

Figure 8: project classification

6.4 Business model innovation

We analyze the innovative character of our idea by comparing our beer to various other beverages that have a link in some way with our products. We do it in a graphical way and stress some important differences if they are no obvious in the charts.

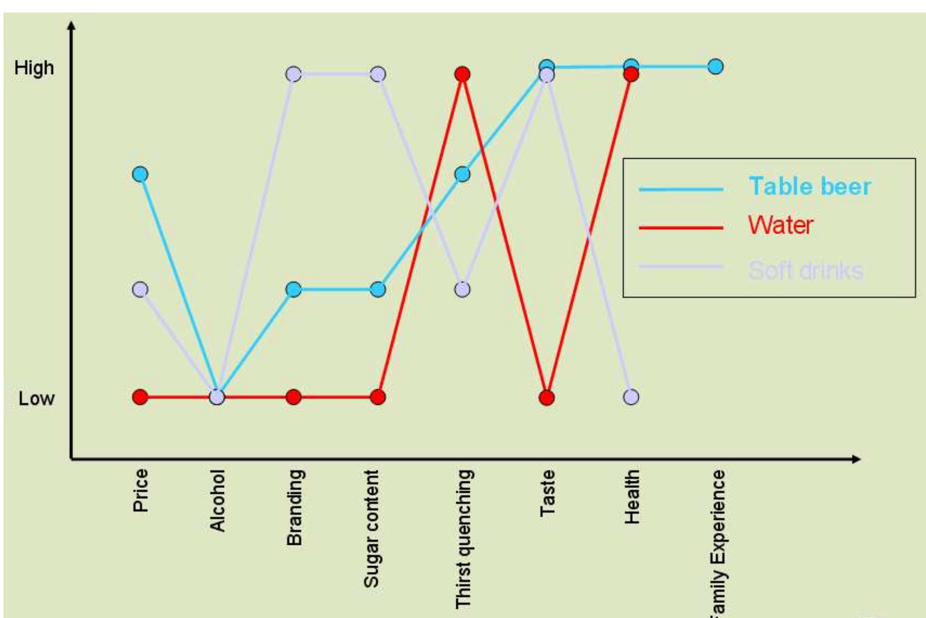

Figure 9: compared to NON alcoholic beverages

Compared to water we have the disadvantage of price but we should be able to sell our beer as a stronger brand with a much better taste than water.

Compared to the soft drinks we should mainly focus on health and family experience. Competing on branding should be avoided.

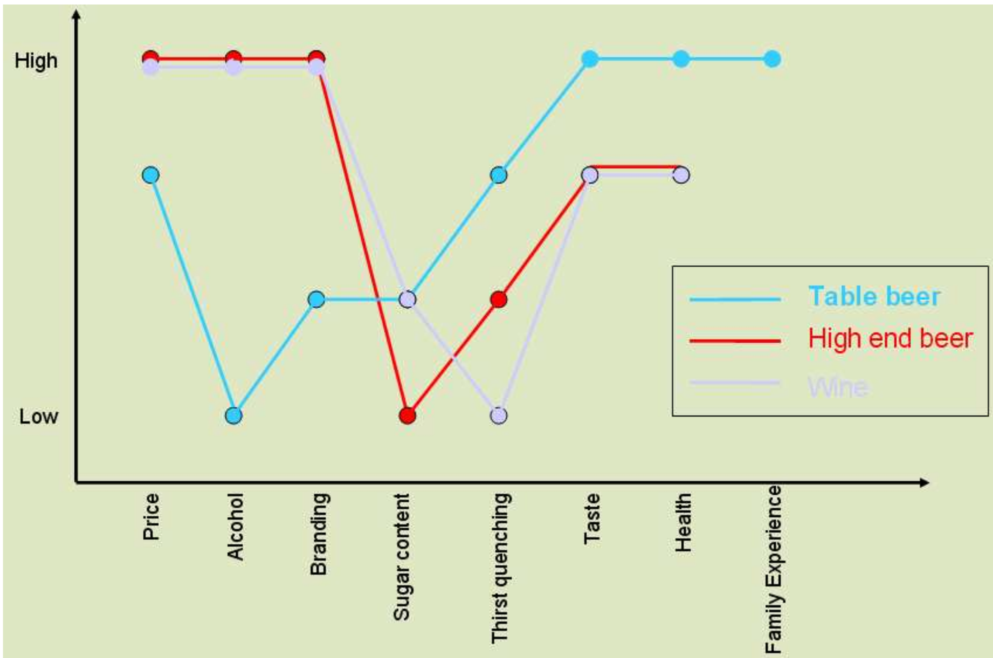

Figure 10: compared to alcoholic beverages

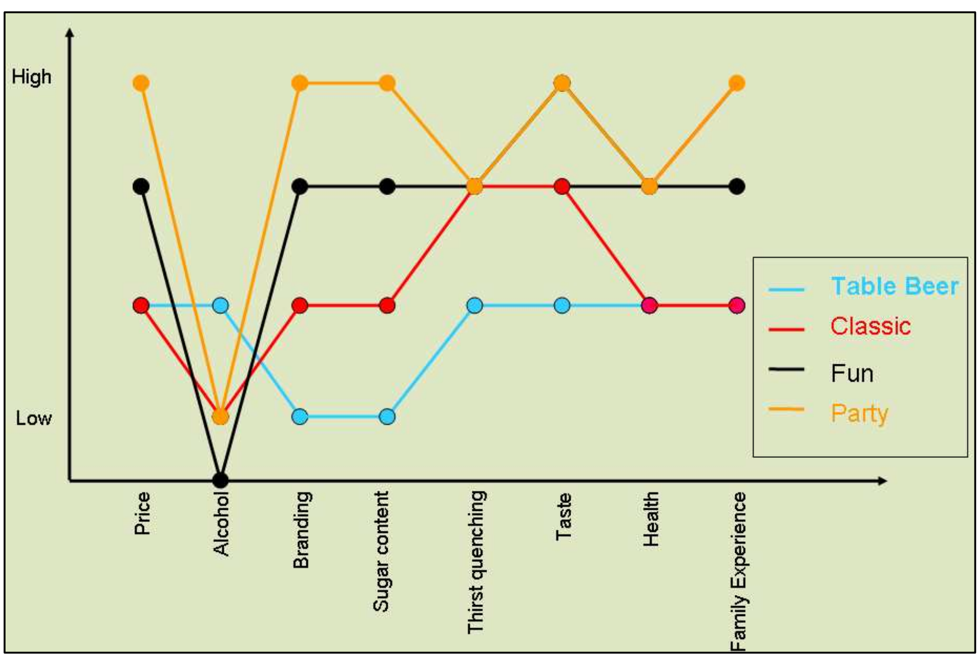

Figure 11: compared to the classic table beer

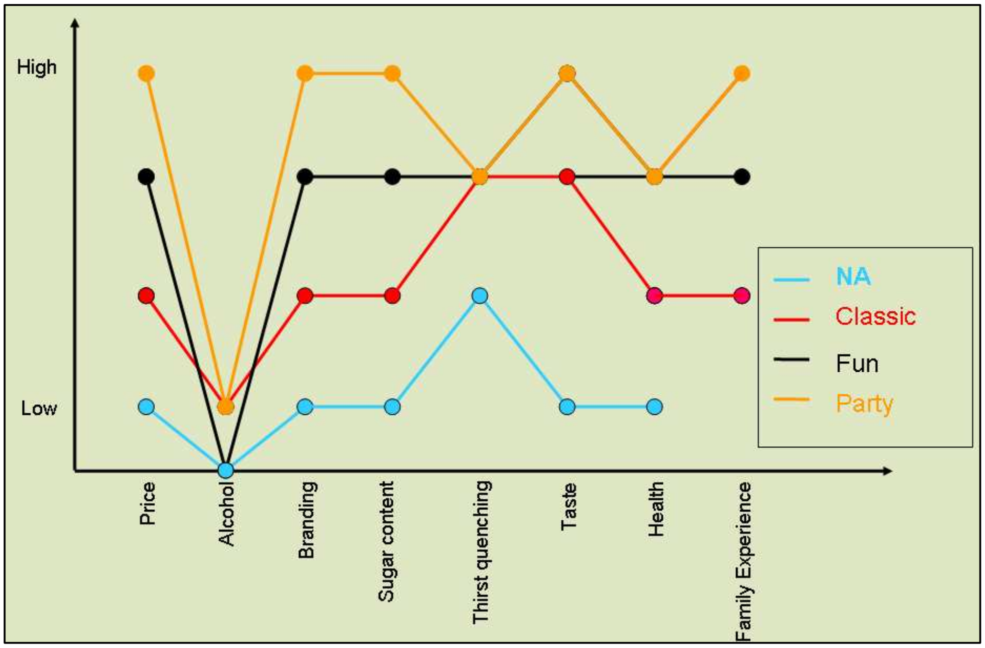

Figure12: compared to standard non-alcholic beers

7 Producer

7.1 Common

In section 5.1. we already mentioned to put 3 different types of table beer on the market. The 3 beers will be a very similar product yet there will be a huge difference in branding and positioning as this will be a crucial factor in the commercial success.

The beers itself has the following features:

- it contains 0% alcohol as we are targeting minors
- the taste is good. This might ask some extra research but the current available table beers are a good base to start from. Especially the jupiler NA product and the Belle-vue products –both from Unibrew- can be used as a base for the research.
- the beer has enough and attractive white foam, comparable to normal beers. This is important as a beer with no foam does not look tasty at all!

The image focuses on tradition and health:

- the healthy effects of grains and hop should be stressed
- the thirst quenching effect of beer must be stressed, certainly against soft drinks
- the bottle and etiquette have to match the image we want to sell

7.2 Naming

Further research needs to be done by the marketing team to develop appropriate names for the range and the individual products.

For the moment the internal product range name is “Jus ‘d Artois” the 3 products are named:

- **Jus d’Artois méthode traditionelle (Classic)**
- **Jus d’Artois plaisir (Fun)**
- **Jus d’Artois Fiesta!!!! (Party)**

7.3 Classic (“Jus d’Artois Méthode traditionelle”)

This beer is meant to be sold for family occasions. Therefore it should be offered with some important qualities:

- the bottle should have a modern shape and a screw cap should be avoided as this looks old fashioned and un-tasty! A cork gives a much stronger quality image.
- As the beer will be promoted for family occasions the bottle should not be too small. Bottles of 75cl like the ones used for abbey beers have the right look and size.
- The etiquette should have an attractive character. The image of tradition and even nostalgia should be clearly present and it should also stress the healthy benefits of the table beer
- We will offer the beer in separate bottles of 75cl or in crates of 12x75cl bottles.

In general the image of the trappist beers summarises how we see the branding of our family table beer:

Figure 13: look-a-like of the Classic

7.4 Fun ("Jus d'Artois Plaisir")

This is a completely new beer aimed at teenagers. We see it as an alternative for the alcohol free breezer type of drinks. Therefore it is important it has the following qualities:

- the bottle should look very fancy and modern and should be closed with a crown cap
- the taste is slightly sweet. The typical bitter taste of the stronger beers is not attractive to the majority of the minors.
- We will offer the beer in bottles of 27,5cl. They can be bought separately or in crates of 24 bottles.

The image of the fun table beer is based on the strong brand and image of the popular alcohol pops. The look of our product will be similar:

Figure 14: look-a-like of the Fun

7.5 Party ("Jus d'Artois Fiesta!!!")

The Fiesta!!! is the answer to the none alcoholic champagne for a typical party. It has a certain overlap with the fun but targets even younger children.

- It is based on sweet beer like "Kriek" or "Framboise" and is slightly fizzy.
- It comes in a 75 cl bottle with a plastic cork. The bottle has the shape of a champagne bottle in order to enhance the "party-image".
- This we will only sell in separate bottles of 75cl and not offer it in crates.

We will position this product in the same segment as "Kidibul" which is an alcohol free sparkling lemonade in a champagne bottle. The look is similar to both kidibul and a bottle of "Framboise" or "Kriek":

Figure 15: look-a-likes of the Party

7.6 Market introduction strategy

Initial scope:
As described in the previous paragraphs we will go to the market with 3 different products, each targeting a specific niche of the beer market for youngsters. We will start our product launch in Belgium for various reasons:

- Belgium has a very long tradition of drinking beer which maximizes the effect of our focus on bringing beer back to the family table
- The trappist and framboise beers are very well known in Belgium. This reduces the efforts necessary for introducing our products.
- Belgium as such is a rather small market which enables us to reach the whole population with a limited marketing budget.
- Belgium is a well regarded test market for Western Europe.

Additionally, being the world renown for its brewing and being the current Headquarters for Unibrew, the advantage of being successful in Belgium can be expanded towards other Western European countries or even the US where the Belgian beer tradition enjoys a reputation that is capable of influencing consumer trends, i.e. the story of Westvleteren as the best beer in the world is one example of Belgian niche brewing with little commercial marketing has achieved cultish following that in turn has brought the mainstream to increase their appreciation of Belgian beer products.

Distribution channel opportunity:
Whilst sales via the Supermarket channel is traditionally lower volume than the on-premises channel. However, this channel will prove key in brand awareness and product acceptance as the format permits the possibility to penetrate the market through tastings and promotional sales that is common and effective with beverages.

Leveraging promotional campaigns where there is a family atmosphere is also to be targeted, key opportunities would include summer festivals or other local or regional celebrations are ideal to promote the family image of the beer to be enjoyed by young and old.

More investigation is required, however, it should not be ruled out that significant opportunities exist to put the zero alcohol beer on the menu at schools, bringing back the nostalgia of generations past. Certainly this decision would require considerable interaction and consultation with the appropriate stakeholder groups. However, there is a looming perception amongst parents and the education groups to bring back traditional values into the society, who are increasing their concern over the digital generation. Sharing tradition amongst generations could well be an avenue to penetrate and gain acceptance into the market.

Market Research:
Getting the message to the community to be serious about a zero alcohol beer for the family requires careful market research and cultivation of the acceptable image. This requires further elaboration but should include early consultation and collaboration with the appropriate stakeholder groups in order to avoid later issues of objection to be known.

7.7 Potential Problem Analysis

Despite the Jus d'Artois is a product range that largely utilizes Unibrew's core competencies, there are several key risks. They are identified below, proposed contingencies will be built into the project's implementation plan:

Description	Contingency
Unclear if in-house capability sufficient to develop alcohol-free beer product	Set-up briefing with R&D to determine product feasibility
Taste is not appealing to customers	Plan focus groups and taste trials to sample prototypes and gather taste preferences
Beer in brand name rejected by community groups	Setup lobbying function to involve and engage government and community groups, pre-launch preparation to change image of beer for families with brand identity activities
Lack of control over distribution channels	Develop distribution channel strategy and confirmation well in advance of launch, engage early buy-in of stakeholders through involvement in product development and marketing

Figure 16: overview of potential problems

7.8 Project Implementation Plan

Highlevel project implementation planning is described below.

7.8.1 PERT

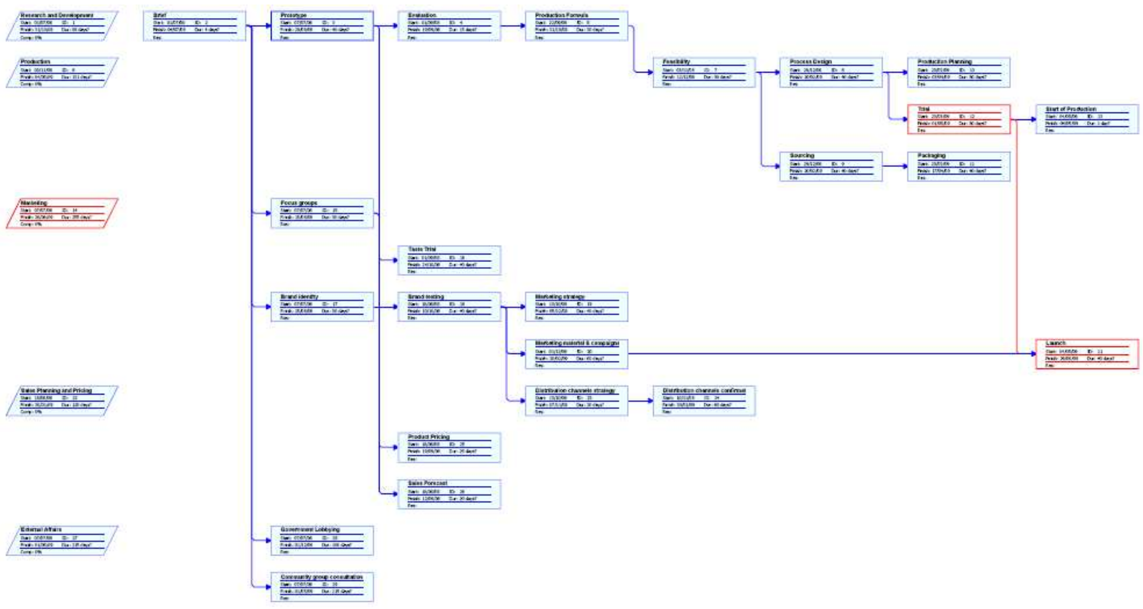

Figure 17: PERT

7.8.2 Project Plan

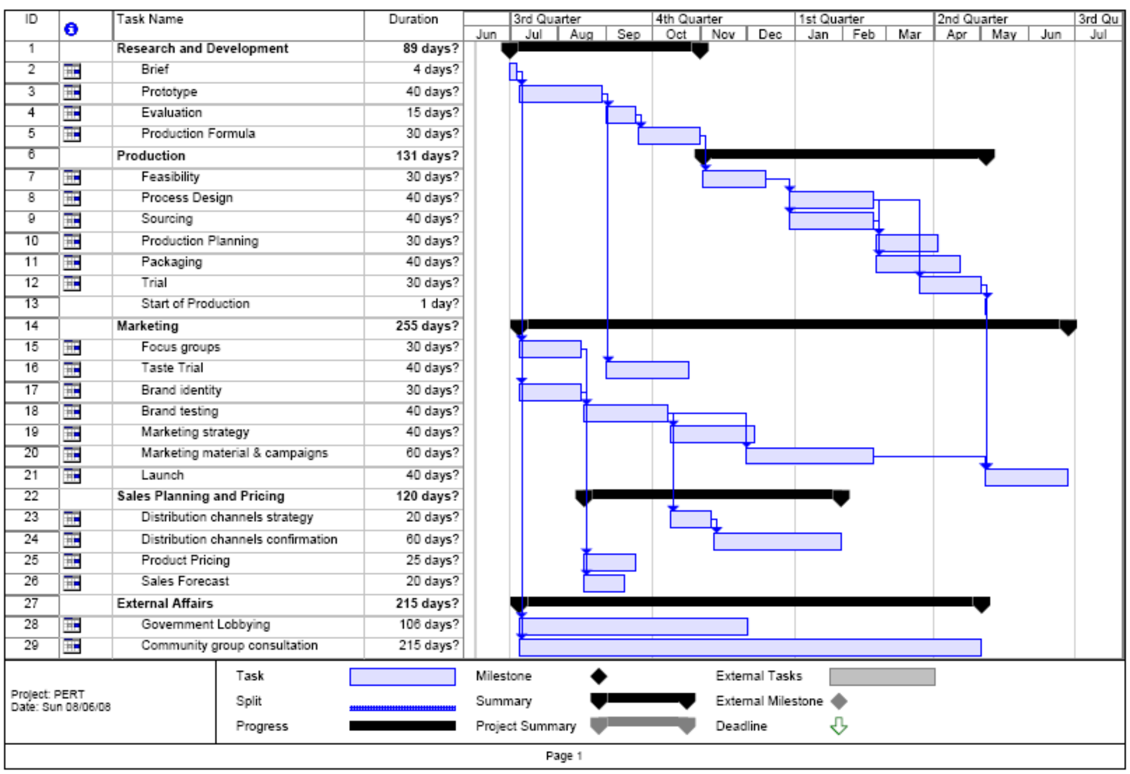

Figure 18: the project plan

7.9 The value chain

The value chain of our product range can be summarized as follows:

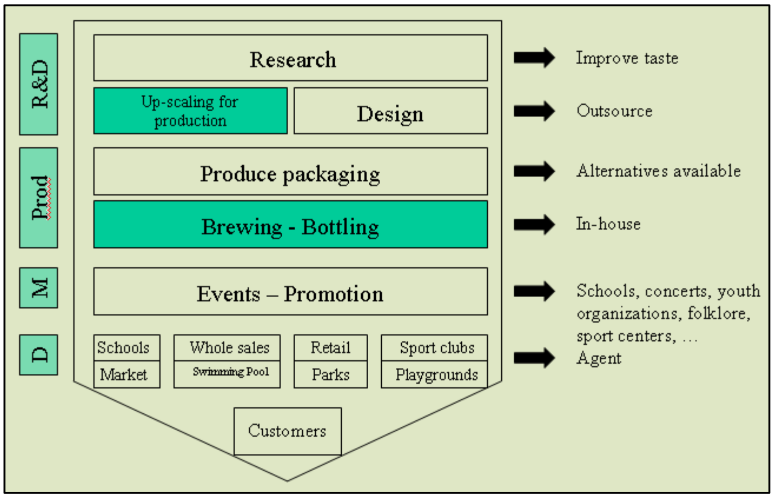

Figure 19: the value chain

8 Financials

8.1 Investments

		Year 1				Year 2
Activity	**Description**	**Q1**	**Q2**	**Q3**	**Q4**	**Q5**
feasibility	***General feasibility of the concept***	0,03			0,03	
R&D						
Classic	***R&D to improve general taste of no/low alcohol beer***	1	0,8	0,2		
Fun	***Use R&D from Hip and Berries with additional research*** ***additional research for no alcohol application***		0,3	0,2		
Party	***Use R&D from Champ and Champie Bottles*** ***additional research for no alcohol application***		0,3	0,2		
Market Research						
Classic			0,4	0,1		
Fun			0,4	0,1		
Party			0,4	0,1		
Development and upscaling	***joined with project 18, 19, 20***			0,7	0,3	
Test Market	***joined with project 18, 19, 20***				0,7	0,3
	Total (million €)	**1,03**	**2,6**	**1,6**	**1,03**	**0,3**
	Contingencies (50%)	0,5	1,3	0,8	0,5	0,2
	Grand total (million €)	**1,5**	**3,9**	**2,4**	**1,5**	**0,5**
	Total (million €/year)	**9,4**				**0,5**

Figure 10: investment table

- A total investment of 9,4 million € in year one and 0,5 million € in year 2 is needed.
- Two feasibility steps are planned. One at the start of the project and one after completion of R&D, marketing research and up scaling. The feasibility is of utmost importance to verify if the hypothesis for revenues can be achieved. The project could eventually be aborted or changed at that time before the more costly expenses for market roll-out are committed.
- Total R&D expenses are limited to 3 million euro as many concepts can be taken from previous projects such as project 18, 19 and 20. Much work has been done on low alchol/no alcohol beers, but R&D will focus on improving the taste to have a good base for the development of the product range.
- Market research is also limited as there are many synergies with previous market research. The market research will focus on correct positioning of the different products and the new “family concept” and “nostalgia”.
- 50% contingencies are included as the estimations are done on very preliminary data. To be fine-tuned after the first feasibility study.

8.2 Revenues

	market size (volume in Mhl)	MS taken	Volume (Mhl)
Alcohol pops	*5*	1,0%	0,1
Soft drinks	2323	1,0%	23,2
Wine	95	1,0%	1,0
Beer	960	1,0%	9,6
		Total potential	33,8

Figure 11: revenue table

The objective of the new concept is to conquer one per cent of the volume from other beverage segments within 5 years. The main focus should be on winning part of the soft drink customers and current beer customers served by other brands, as these two beverage segments represent the largest potential volume.

There is a small risk for cannibalism, which should be taken into account in total revenue forecasting.

8.3 *Estimating project value: NPV*

Base case	year 0	year 1	year 2	year 3	year 4	year 5	hypothesis
Net company turnover (million €)	8568,0						
Total Volume (Mhl)	230,0						
Average revenue per hl (€)	37,3	37,3	37,3	37,3	37,3	37,3	av. revenue maintained
additional volume (Mhl)	0,0	1,7	6,8	13,5	25,4	33,8	1 % of volume from other drink groups
							gradually reached in year 5
additional turnover (million €)		63,0	252,1	504,1	945,3	1260,4	
additional EBITDA (million €)		17,0	68,1	136,1	255,2	340,3	average unibrew cost structure (27%)
taxes (million €)		-6,0	-23,8	-47,6	-89,3	-119,1	35% income tax
Investments (million €)	-9,4	-0,5					see point 1
Market roll out (million €)		-22,5	-22,5	-22,5	-22,5	-22,5	3 times 7.5 million euro (cfrproject 20)
							repeated per area
Free cash flows (million €)	-9,4	-11,9	21,7	66,0	143,4	198,7	
NPV (million €)	244						
Rate	10%						same rate as for other projects
IRR	146%						no additional risk adjustments

Figure 12: NPV table

The whole NPV outcome is- as always- very much determined by the revenue forecasts. Sensitivity analysis shows that a 10% decrease in sales volume or price causes a decline in NPV with 12%. Break even volume or price is situated at 26% of the assumed levels, indicating some safety on the assumptions. The revenues per hl have been estimated on the average for all Unibrew products. Knowing that in the “family approach” a premium can be obtained on part of the product range (fun and party) , this seems a reasonable assumption.
Also the average EBITDA of 27% of the revenues has been taken as the profitability assumption for the new product range. This is a minimum requirement for the product range and should be evaluated through the feasibility studies and taken into by marketing (positioning) and R&D (product and process design).
The NPV is less sensitive to increases in R&D costs (1% reduction in NPV for 10% increase in R&D expenses), so getting the product out in time (not to cause delays in revenues) and adapted to the market needs seem more important then the total R&D cost for the project.
The cost incurred for market roll out have a more considerable impact (3% reduction in NPV for 10% increase in market roll out costs). Again delaying sales has a more important impact.(1 year delay cuts the NPV to less than half).

8.4 Estimating project value: option

As mentioned before, the marketing concept could be changed, delayed or stopped after the second feasibility study. This would mean that R&D costs and market studies have already been spent (sunk cost). However, the area of investigation is useful to the company in general and creates options for the future even if the final table beer concept for families is not retained. Synergies with other ongoing projects are important.

8.5 Comparison with other projects in the portfolio

1. NPV of the project is high and can significantly contribute to the growth objectives of Unibrew.
2. Initial investment is relatively high as compared to some other projects, because of the three product ranges.
3. Synergies with other ongoing projects is very high.
4. Marketing is key to the concept and estimations on roll-out and marketing expenses need to be fine-tuned.
5. Pay back within 2,5 years.
6. Reactions of the players losing market share should be studied and anticipated.
7. Competition can not copy the concept very easily as the project is not purely based on a new marketing message/concept. The product development part is very important and not so easily copied.

9 Conclusion

The proposed solution is to reintroduce table beer.

The targets to achieve are:

- improve the health image associated with beer
  - A healthy hop/malt drink with no alcohol that the complete family enjoys
  - Extremely good alternative to Coke and lemonade, not only because of the health advantage but also because of the thirst quenching characteristic.
  - Beneficial for older people too
- introduce the taste of beer to younger people
  - Beer should be centrally available on the dinner table on Sundays for all members of the family
  - Schools, cultural and sport events scouts and other organisations should distribute healthy beer with no alcohol to their members

How to do this?

- Mainly a marketing innovation
  - young high quality image for the table beer
  - commercialize, sponsor events

- Product innovation, reduce alcohol and improve taste
- Proposed product portfolio
  - Table beer – Classic : 75cl bottles with a cork, classic design, a healthy Family drink with no alcohol
  - Table beer - Fun : Young looking small bottles with a no-alcohol beverage, slightly sweet
  - Table beer – Party : Fancy looking bottles with a cork and with a slightly fizzy no alcohol beverage

10 References

1. Creative problem sorting workbook , University of Nottingham
2. Study in the Healthy drinks market by
   http://www.the-infoshop.com/topics/FD14_en.shtml
3. Mindmap – Tony buzan

Appendix A: 5 slide presentation to the board

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Management School

Unibrew

“Table beer.. The next generation”

Tim Beulens
Kristof Geilenkotten
Amy May Yenn Lai
Kris Van Nijen
Piet Verstraete

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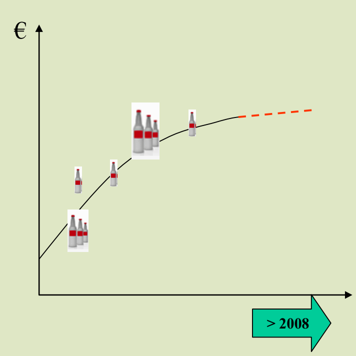
Problem definition

Sustainable growth for Unibrew is increasingly being challenged



Acquisitions

- Competition is fiercer
  - Consolidation of local brands =>“multi-brand breweries”

  BUT Limits to acquisitions / industry consolidation
- Additionally, Customers’ preference for beer has changed
  - Evolved lifestyle perceptions =>switching to other alternatives

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Problem cause -- trends

Changing consumer preferences:

- Ageing population preferring wine above beer
- Health is becoming more and more important, beer is not directly linked with good health
- People are becoming more and more obese and wine and spirits are less fattening than beer, is a common belief
- Young people are spoiled with choice and prefer the sweeter alcohol pops
- Targeting young people for alcohol is not generally ethically accepted and in lots of countries illegal

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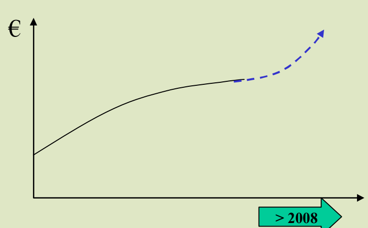
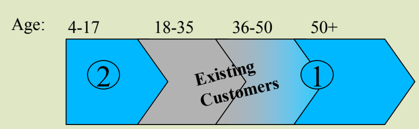
Table beer the next generation

Optimise product mix to appeal to expanded customer segments





1 **Retain current customers**
⇒improve beer's health image

- ➢ Healthy, natural hop/malt drink
- ➢ Low/ no alcohol
- ➢ Thirst quencher
- ➢ Whole family enjoys
- ➢ Alternative to Coke and lemonade
- ➢ Beneficial for older people too

2 **Target untapped customer segment**
=>introduce the taste of beer to youth

- ➢ Marketing:
  - -"Beer central on the dinner table on sundays"
  - - "A fancy and healthy drink for kid-parties"
- ➢ Expanded Placement: On the menu / distributed at schools, cultural and sport events scouts

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Implementation Strategy

How to Implement?

- Mainly a marketing innovation
  - Young high quality image for the table beer
  - Commercialize, sponsor events

No alcohol

- Product innovation, reduce alcohol and improve taste

- Proposed product portfolio
  - *Table beer – Classic* : 75cl bottles witch cork, classic design, a healthy Family drink with no alcohol
  - *Table beer -Fun* : Young looking small bottles with a non alcohol beverage, slightly sweet
  - *Table beer – Party* : Fancy looking bottles with a cork and with a slightly fizzy non alcohol beverage