

LABATT

What's their Secret

The Canadian operations

Labatt is one of the 2 main Canadian brewers, and is also involved in other sectors in a wide range of products, mainly in the food industry.

Its overseas activities

The UK expansion was part of Labatt's decision to become a world class brewing company in order to offset the potential negative effects of the forthcoming Canada-US Free Trade Pact.

Their UK involvement was developed in 2 phases:

- In 1985, Labatt Canada sent one sales director over, and started to export its Canadian production using 4 sales representatives. The objective was to acquire a sense of the acceptability of their products by the UK market, and to evaluate to what extent the marketing and sales techniques used in Canada could be applied in the UK.
- In 1987, 3 senior managers from the parent company moved to the UK with the objective of realising significant business in the UK by creating a strong Labatt brand.

The entry route chosen involves renting spare production capacity from UK brewers, and using their distribution network (pubs) for draught beers, while selling the bottled production through the retailing channels with Labatt UK's own sales force.

This option was preferred to other entry routes because:

- A greenfield investment would have been very expensive and contrary to the minimum investment policy adopted by the parent company for its UK expansion.
- The UK beer industry had considerable spare capacity.
- The distribution characteristics of the UK beer market in which brewers control a considerable share of pub sales.