

Labatt

Research is the key.

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

U.K. activities The U.K. expansion was part of Labatt's decision to become a world-class brewing company to offset the potential negative effects of the then forthcoming Canada-U.S. Free Trade Agreement.

Labatt's U.K. involvement developed in two phases.

- In 1985, Labatt Canada sent one sales director to the United Kingdom, and started to export its Canadian production using four sales representatives. The objective was to determine how acceptable its products would be in the U.K. market, and to evaluate how marketing and sales techniques used in Canada could be applied in the United Kingdom.
- In 1987, three senior managers from the parent company moved to the United Kingdom with the objective of realizing significant business there by creating a strong Labatt brand.

The entry route chosen involves renting spare production capacity from U.K. brewers and using the brewers' distribution network (pubs) for draught beers, while selling the bottled production through retailing channels with Labatt U.K.'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 U.K. expansion;
- the U.K. beer industry had considerable production capacity; and
- the distribution characteristics of the U.K. beer market meant that brewers control a considerable share of pub sales.

Lessons to be drawn **International market study is essential for development.** To decide which countries to concentrate on, Labatt conducted an extensive market study of most free-world countries, rating them on a point scale against a predetermined set of factors (e.g., beer consumption, product types, government and legal environment, profitability of the industry, repatriation of profits). The information obtained through this study was an essential, though expensive, step in the international development of Labatt. Another source of valuable information was Labatt's knowledge of the worldwide beer industry gathered by attending world fairs and participating in trade associations.

An extensive advertising campaign positioned its products. Because the company was dealing with a consumer product where brand awareness is a