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International Expansion

Company Studied in this Report: InBev

March 3, 2010

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InBev

Company Overview:

Born from a Series of mergers and Acquisitions InBev has been growing and gaining global market share at an exponential rate for decades. This once simple brewery now bottles and brews just under 300 different brands of beer around the globe and has a market presence in over 120 different countries. However it is due to the continued expansion that this firm has grown into what is now the world’s largest brewer. This of course is mainly due to their approved merger with the Anheuser-Busch brewery that was formally number one. (InBev was number 2 Prior)

Company History:

InBev has come from a long line of brewery acquisitions and mergers so while finding the exact route to take towards its history can be very murky it can still be done if we go back to the first brewery in the line. This takes us to 1366; Den Horen was a brewery located in Belgium and its establishment started what would be a long road to being one of the world’s largest brewers. Now in 1717 this brewery was purchased and changed to Artois, the next major change wasn’t until 1987 when the name Interbrew finally came to be due to another merger with the brewery Brasseries. Now arguably one of the largest Mergers came with AmBev (dates back to 1885) which was a merger itself of two Brazilian powerhouses. This of course led to the continued growth and mergers with Anheuser bush and Labatt’s breweries in North America.

Fast Facts:

* Combined revenue over 39 Billion USD
* Top 2 Brewer in 20 Key Markets
* Employees almost 120,000 total people world wide
* 97.2% of companies total waste is recycled
* Almost 300 total brands of Beer in current production lines
* 151 plants in production

Strategic Expansion Plan

Since the beginning InBev (now formally AB InBev) has found success in terms of growth via mergers and acquisitions. This method of expansion is rather simple. Take a fledgling business with a good brand name, bring new capital and ideas, market the current brands as well as promote brands already being brewed in other regions. Thus they come into a new market without stigmas of being “The new kid”, and they have a good base to begin with. In simple math it equates to combining as many of the lower brands together until they become the top of the market. Of course this plan seems simple but as like any other expansion plan it has many layers that must work properly in order for the process to go smoothly. These layers consist of many different issue such as; political stances, timing, capital available, and simple availability of a good target to expand into that particular market.

Case Study: InBev Comes to Canada

*Overview*

Quite frankly the North American beer market is simply massive and to a brewer looking to expand itself may be seen as irresistible. Yet as with any expansion getting a good foothold into a market is not always as easily done as one might think. In the case of Canada InBev had wanted to expand for awhile but as their executives stated “there was simply no way to crack that highly competitive, mature market” (Canadian encyclopedia). So with that being said although it was a great idea to come to Canada it was not easy. That was until to the surprise of most Canadians Labatt announced it would welcome offers. When this news made it to InBev executives they jumped at the chance and immediately began meetings and bidding in secret with the North American brewer that was taking offers from multiple sources and had footholds of its own in other countries such as Italy.

*Progress Assessment*

InBev’s entry into Canada was well calculated and a huge stepping stone for a brewery that was previously ranked as number 6 in the world. This expansion was a trial of sorts to see how they could adapt and influence the north American market in general so success was a dire need.

Luckily for InBev they were the winning bidder for Labatt breweries in London, Ontario. This brewery had been established two full decades prior to Canada officially became a country. In fact the beer began coming from this brewery in 1828, and became Labatt’s’ in 1847 when the supplier farmer took over full operations (UWO.ca). With that in mind InBev had purchased a fully functional brewery complete with at the time a 45% market share of Canadian beer (the free library). This put InBev in a great position to complete its expansion plan. It quickly brought some of its big name beers from around the globe (such as it’s historic Stella brand) to the Canadian marketplace where they had not previously had any exposure. This clearly led to greater global share for those brands while also adding the flagship “Labatt Blue” to the global roster of beers and they began to export it as “Canada’s Best Beer” (The Canadian encyclopedia), to all of its other markets. This while in conjunction with plans to now expand into Mexico and the USA all brought a lot of new life to the old brewery and thus why Labatt now has the number one market position in Canada.

*Market Environment*

Two distinct marketplaces come into play with a firm such as InBev; the domestic Canadian Market becomes available, as well as the Global marketplace now has a new product line at its disposal.

Globally Canada is known to have great beer with a lot of strength to it (Professors house). Thus the heritage of the country itself is able to act as a marketing tool for InBev as it began to distribute what is now the best selling Canadian beer around the world “Labatt Blue”. (AB-InBev).

Canada itself however as previously noted is a very hard market to get into for a brewer due to the strong history of brewers and the very mature market (Canadian encyclopedia). With that in mind it was the hardest part of expansion to simply break into the market. After which Canada itself is a top country in terms of Political Support, Economical Stability (investincanada.gc.ca), and it boosts as one of the top 10 lowest levels of corruption. Thus some of the reasons that it was an ideal place to gain a foothold on the stingy North American marketplace.

*Fast fact*

The Average Canadian Beer consumption expected for 2010 is 69L per capita (Ab-inbev.com)

*Evidence*

After the acquisition of Labatt breweries InBev was able to import a large variety of its global beers that had previously no North American exposure such as Beck’s, Stella Artois, Hoegaarden, and so on. By doing this and exporting the “Blue” brand InBev was able to position itself for yet another merger with AmBev (a Brazilian beer giant) (v-brazil.com). This merger combined with the Labatt acquisition sky-rocketed InBev into holding the second highest market share around the world.

Proof of success can be found in the following data for InBev Canada (Labatt breweries 2008 data ab-inbev.com).

* 9.9 million hectoliters sold in 2008
* Number 1 in the market
* Own 42.9% market share
* 3200 full time employees
* 44 members of global management have come from Canada
* Blue is now sold on four continents and is recognized as the best selling Canadian beer in the world

Strategy Evaluation

With all facts and figures considered InBev’s takeover of Labatt breweries seems to have gone better than any analyst could have expected. According to the evidence previously mentioned and the facts available Labatt has grown at a significant rate. Not only has Labatt grown, but so too has the brand name as due to InBev it is now a globally recognized brand. The best evidence of Labatt’s continued growth however is not just its number one market share in Canada, but its recent purchase of its local rival brewery Lakeport (Cbc.ca).

InBev itself (possibly due to its long history of mergers and acquisitions) has since used this purchase to catapult it into new markets that were previously unattainable. The merger gave the brewer a market position that was strong enough to purchase Brazilian brewery AmBev to become the number 2 brewer in the world, and that merger paved the way for its more recent merger with Anheuser-Busch. This recent merger joining the number one and two breweries from around the globe and thus united some of the strongest markets and brand names of the brewing world.

Now while the idea of purchasing a Canadian brewery may have seemed like a simple idea to enter into the Canadian marketplace; Inbev has instead used its proven strategy to continue its exponential growth.

Thus the strategy of

1. Survey and study marketplaces available
2. Find a strong brewer that is willing to sell or merge based on finances and company goals
3. Bring in a long list of global beers to give them new exposure and sales
4. Export a leading beer from that region to the global market, essentially making it part of the global beer roster
5. Strengthen the local brand (most notably by using history and patriotism in the Case of Canadian expansion)
6. Use the new market position to better leverage continued growth (Such as using the Canadian acquisition to better prepare for the AmBev merger)

Conclusion

With a history of growing from expansion and acquisition it seems as though such activities have become second nature to the now “Largest brewery in the world”. The whole history from it’s very humble beginning recognized that the best way to grow with the greatest chance of success in new markets was simply to bring in some local fire power in the form of a locally owned and operated brewery with roots embedded deep into a nation or community. In otherwords they learned that in order to grow in a new market it is always better to give yourself a home field advantage regardless of the cost since it will ensure a smoother start up and provide a new marketplace for past products, while updating the total product roster as well. Now this method of acquisition and merger may seem as a rather abrasive and somewhat hostile way to gain market share but one should always remember that “In a fiercely competitive industry, all is fair when it comes to the war for global market share” (thecandainencyclopedia.com). For proof of that simply look at InBev and its nearly exponential growth curve over the past 30 years. It has found and exploited a formula that has gained it tremendous wealth, power, and in the end it should even demand respect from the other breweries of the world of whom no doubt took note of the rapid ascension to number one.

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