

# A closer look at Carlsberg Group

Following its purchase of Scottish & Newcastle in 2008, Carlsberg became the 4th largest brewer in the world, employing over 40,000 people in Northern & Western Europe, Eastern Europe and Asia. In total, the business brews 500+ brands, combining local as well as globally recognised beer brands, and specialist ciders. >>

For major brewers like Carlsberg, however, the beer industry, particularly in Europe and North America, hasn't been kind to them in recent times. With falling consumption in these markets, the race is now on to build a legacy in new emerging markets, while at the same time taking a lead in product innovation to create new brands and concepts that will get traditional customers reengaged in the beer category.

In this article, Andrew Openshaw catches up with Carlsberg's VP International Premium

Brands, Massimo Di Dia, and VP production John Broadbridge, to find out what's currently driving the business from a commercial, operations and talent perspective.

## AN EXPECTED DECLINE

Between 2008 and 2010, beer consumption in Western Europe declined by around 8%. The onset of recession was a major contributor to this trend but in Carlsberg's view, market saturation as well as a lack of innovation within the beer industry, meant a decline was

inevitable regardless of consumers' growing economic constraints. Massimo Di Dia explained;

*"Consumers have a lot of choice today in beverages in general. We're not only competing with beer but also CSDs (Carbonated soft drinks) as well as water, wine and spirits."*

Although the decline has subsequently slowed in Europe – shrinking to between 1-2% per year – it hasn't stopped. According to Massimo: *"In order to make it go back to growth, we need to significantly change the fundamentals of the category through innovation and getting people excited about the beer category."*

## THAT CALLS FOR A...CRAFT BEER

For Carlsberg, innovation in the beer category in recent times has been fairly promising.



Grimbergen, a specialist craft beer, has enjoyed strong growth since Carlsberg acquired it as part of the Scottish and Newcastle deal in 2009. Focusing primarily on the struggling Western European market, Massimo sees Grimbergen as "...a super premium brand and our key weapon in the growing craft beer segment."

In North America, craft beer has had a significant impact on the country's flailing beer industry. Beer, as an American consumer's 'drink of choice', has declined by 20% during the last seventeen years; however, craft beer, through a burgeoning network of micro pubs and breweries is expecting annual growth of around 7% over the next five years as people show a clear preference for authentic niche beers, over the big brands.

Massimo noted that craft beer has certainly started to play a bigger role in Europe too and although it hasn't helped overall beer volumes return to growth "...it has given beer a much needed boost in the mind of consumers." With this in mind, craft beer continues to be a focus for innovation at Carlsberg as the business looks ahead to more success in the category.

After the Scottish & Newcastle acquisition, Carlsberg inherited an R&D centre in Strasbourg, but the business has since centralised one part of R&D - innovation - as one core function,



located in Copenhagen. Massimo explained that the new focus on innovation has helped Carlsberg identify key consumer trends which have led to various new propositions.

Grimbergen has been joined by other craft beers such as Lawn Mower Amber Lager, an exclusive for the Swedish market. But beyond craft beer, Carlsberg has also championed the beer/juice concept; with the launch of Carlsberg Citrus, "...a low alcohol refreshing alternative to beer" and is also investing in different draught solutions, a move which Massimo described as part of Carlsberg's aim to "...reinvent the way beer is consumed on premise."

#### A SURPRISING CIDER

Massimo explained that, primarily, Carlsberg is and will always be a manufacturer of beer. "At the end of the day, we have a responsibility to the beer category and want to make it exciting for all consumers; a key part of that is through working to improve the Carlsberg brands they already know and cherish."

Yet, as part of the businesses aim to provide consumers with "new experiences" such as craft and citrus beers, in recent years Carlsberg has also explored offering people an entirely new Carlsberg product. As Massimo explains, "The most successful innovation to come out of Carlsberg over the last few years has been Somersby cider."

With a distinctive positioning and contemporary packaging, Somersby cider was launched

in Denmark in 2008 and was quickly rolled out to the rest of Scandinavia; today it is available in 35 markets, worldwide. "It's a tremendous

success story; Somersby has literally taken the world by storm and is the actually the fastest growing international cider brand in the world today."

Massimo admits that the business is still surprised by the success of the cider; "...it has actually become our key weapon to counteract the decline in beer in Western Europe. It's actually very close to our core in terms of who to market to and therefore we have been successful in recruiting non-beer drinkers into our company franchise. This has helped increase our revenue with incremental revenue streams."

Carlsberg is currently reassessing how it might approach the cider market in the future, and possibly roll Somersby out even further.

#### CARLSBERG SUPPLY COMPANY (CSC)

As well as focusing on looking for new pockets of growth in saturated European markets Carlsberg has been busy restructuring its supply chain functions into one central business unit.

Carlsberg Supply Company, based near Zurich, was set up in 2012 and tasked with optimizing the European Supply Chain with local markets focusing primarily on customers and consumers. John Broadbridge joined CSC shortly after it was established to manage all production sites in Western Europe. John explained;

"In the period before 2008, the company had grown mainly through acquisitions. There was a heavy reliance on capital investment to drive improvement and the fact that the business has been driven by multi-country decision making-contributed to an over-investment in breweries."

Furthermore, in John's view, "Carlsberg relies heavily on our brewers and master brewers to deliver perfect products to consumers but we are adding a different dimension to the organisation to think more about managing assets and end to end supply chain."

The formation of CSC, and the roll-out of the Business Standardisation Programme (BSP1) means that the operating model is

changing. Production Directors in the markets now report into John and the CSC executive team, providing much better opportunities to work cross borders. "People getting used to the new operating structure, with targets and performance appraisals etc being done somewhere else, has been one of our biggest challenges."

The contribution of CSC so far, as John explains, is that Carlsberg has been able to implement extremely stretching operational improvements and the financial targets for the forthcoming year are no less demanding. "We've delivered some pretty fast changes that have had an immediate impact. In the end, both CSC and the local commercial companies all have the same objective – delivering the best quality and service to customers and consumers. This should ensure that we deliver even more value from our brands."

#### THE 'ENGINE RUNNING THE BOAT'

While product development, consolidating assets and driving efficiency dominate the

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agenda in Europe, emerging markets remain the major focus for Carlsberg's future growth. As Massimo Di Dia explained;

"Emerging markets are basically the engine running the boat for global beer brands. Right across Africa, Asia and Latin America, per capita alcohol consumption continues to

increase, especially as disposable incomes increases. Consumers are also trading up from spirits to professionally-brewed beer."

Carlsberg has chosen to mainly focus its growth strategy in Asia where it already has a number of strategic partnerships. It is also in the process of developing its presence further in China and India. Tuborg is the brand

Carlsberg is using to lead the charge in these markets;

"Tuborg is the youngest brand in the Carlsberg premium portfolio and there has been a strong push to make it our most successful international brand in markets such as China, India and Russia. We've already done that





*in Russia and India and now we are trying to replicate that success in China."*

Carlsberg only launched Tuborg in China last year but it is already the fastest growing international brand in the market. A big challenge for international premium brands is that because of their price premium, many consumers can't afford them and they remain a niche product on the market. However, according to Massimo;

*"Tuborg's success, in large part, is due to the fact that it's typically the most affordable international brand; just a little bit more expensive than national mainstream brands."* Moving forward, Massimo noted that more markets will inevitably be added to the Tuborg brand strategy, with emerging markets continuing to play a big part in its overall success.

Carlsberg is looking to accelerate its growth through further mergers and acquisitions in Asia. John Broadbridge noted that, *"CSC's role is to ensure that all standards and policies are ultimately deployed globally."*

#### PROFESSIONALISATION

Massimo contends that if Carlsberg wants to continue to grow in Asia as well as stay ahead of its competition in developed markets, then it needs to focus on *"continuously improving"* the *"professional"* capabilities of the business:

*"That's why creating and driving a high-performance culture, developing leadership competencies and supporting transformation and change are now central to Carlsberg's global strategy."*

Carlsberg is cognisant of the fact that it is perhaps *"...lagging behind leading blue chip companies"* in this respect, but, as Massimo argues, we are determined to become *"uniquely different"* rather than simply copying the standards of others.

According to John and Massimo, part of this is through introducing *"...new blood from outside of the industry."* *"The speed that we're trying to move is really demanding, but the picture of the future we are painting is also different, so we have to introduce*

*some different views; something that is contemporary and not grounded solely in the brewing industry."*

Using external benchmarks and comparing Carlsberg to other brewers as well as different types of businesses, has helped provide some

vision for its targets in the future. The key thing though, according to John, is making sure that through the transformation *"...we don't lose pride in the product. Beer is the priority. We have to set high standards and guarantee the quality of all of our products."*

#### Why join Carlsberg?



Both John and Massimo agree that a big attraction for them in joining Carlsberg Group was the opportunity to apply a lot of the things they had learnt in blue chip companies and actually have an impact on *"shaping the business"*.

Both VPs highlighted that the type of people who would typically be attracted to careers in Carlsberg would be those with a *"...entrepreneurial flair"* who enjoy complexity as *"...you need to be able to handle three different channels; off trade, on trade and wholesalers."*

Massimo, who has been with Carlsberg for eleven years, highlighted that the business is still *"hungry to get best in class profits"* and as such remains an *"exciting place to work"*. *"We're still on a growth journey, striving to become better and better every day and we believe that there's still significant growth ahead."*

If you're interested in finding out more about opportunities at Carlsberg, please visit <http://www.carlsberggroup.com/careers/Pages/Careers.aspx>

