Business strategy
Carlsberg

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This project work was realized by Maxence Malaquin and Alexandra Turlin. We are two French students in business studies, studying at RUC University during respectively one year and 6 months. This work project was the first type of exam for us. This work had been a benefit for us, even if one member decided to leave the group, one week before the deadline. So, we wish that our work will answer your expectations.

We have decided to make our project work on business strategy, focusing on Carlsberg company. Through this work we have tried to answer if we could measure the performance of a company. We choose this firm because, as we came in Denmark, we wanted to analyse the Danish way of working in companies. For us Carlsberg was one of the best examples, due to the international fame of this firm.

We were firstly interested on how measuring the business strategy and the performance of an international company. Since this moment we decided to focus on Carlsberg company and its evolution, in order to know how this company works to be still an international beer leader nowadays and how measuring its performance from an external point of view.

In order to answer those questions we tried to gather every point which for us was necessary. First, we would like to understand how the company had evolves in the Danish landscape and through the time. The second part of our work will show a more actual presentation about Carlsberg. In this part we will present the company, its evolution on different markets and its position in front its competitors. The third part will regroup our researches concerning the business strategy and performance and the analyse of Carlsberg. In this part we have collected all theories which were important for us to manage our
researches. We have made historical researches and used accounting theories to demonstrate marketing and organizational theories.

The result of this work was for us very rewarding. This work was not only a contribution of knowledge but also a supply of methodology.
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Introduction

Through this work project we wanted to answer the question: "How measuring the business performance of an international company?". In order to proceed to this study we have decided to take a Danish international company, Carlsberg. Carlsberg was for us the best example of a Danish international success. From our problem formulation had ensue two other questions: How Carlsberg, through its evolution, is still now a day a competitive company? And how measuring the performance of a company from an external point of view? We are both studying business and economics in France. We are both interesting in the business world and business environment. As we are in Erasmus programs, it was interesting for us to study the Danish culture including its economy and companies.

In order to answer those questions we decided firstly to understand Carlsberg evolution and then apply our theories on the actual Carlsberg. We thought that it was interesting to first understand the Danish environment at the creation of the company to understand the evolution of Carlsberg nowadays. Our researches were mainly based on organization theory, accounting, historical and marketing books and articles. We also took informations on websites. As we know that informations from website are not always reliable, we have verified all sources and we had compared and taken the most relevant one.

In order to answer our questions, we have decided to introduce some elements of the beer market. Our first part is going to present the historical part of Carlsberg and its evolution until now. The second part will describe Carlsberg and its actual strategy also on its different market and regarding its competitors. The third part will introduce all our theories that we are going to apply to Carlsberg.
Methodology

After the group formation, we were a group of three. We decided to split the work by main part according to the preferences of each. It was quite complicated at the beginning for us to understand this way of working. But after few weeks of researches we began to see the outcome of our work. Panicked the third person decided to leave the group. Finding ourselves alone, we decided to change our methodology of work.

Our methodology in this project was to analyse internal and external aspect of Carlsberg company. To made that we took theories that we applied on real data. We tried to combine theoretical aspect and our researches. We have read a lot of books, what was a very benefit for us because it permits us to get methods and a criticism mind.

At the beginning of our work, we wanted to make interviews to illustrate and justify our researches but as we did not have contacts in Carlsberg company, we could not have real exchange with them. Interviews would have been for us a good way to illustrate our researches.

In first time, we decided to split the work. Each of us had to find and read books, articles concerning our part. We were supposed to find and mix all informations to find the more relevant one. After few weeks of work we saw that this repartition of work was good but not efficient enough. So we took the decision to regroup all our researches and work together using Google document. This software permits us to work at the same time on one document. It helped us to have a group work even if we were not at the same place, what allow us to save some time in travelling.

At the beginning we did not understand the importance of meetings with the supervisor, but when we realized that the time was running we started to meet him almost once a week. We wanted to thanks Mr. Poul Wolffsen for his help and objectivity to our regard.
Introduction of our research

In order to begin our project we decided to make an introduction about the beer market. As we choose Carlsberg as subject of study we thought that it was interesting to understand the market in which the company evolves. The following part will explain the main characteristics of the global beer market and the Danish beer market.

The beer market is touching everyone, in the way that you can find beers in almost every stores and restaurants all around the world. Since the antiquity, the beer is the world's most consumed alcoholic drink. Beer is part of the culture of many nations and is often associated with social traditions. We can notice that in almost all restaurants and stores you can buy beer. Beer is one of the most profitable drinks. It allows increasing growth and increasing profits because it's a high margin product. The beer market can be considered as a successful business because it is profitable, meaning that sales often exceed costs.

In the following parts we are going to describe the global trends of the beer market and focus on the Danish beer market. The following data on the beer market have been collected on different websites, we have try to select the most relevant one. We have used the article: «Growing importance of brand development, innovation and partnerships » from SABMiller website and a study from Euromonitor International which is an independent company which makes strategy research on markets.

The beer market is leading since many years by Anheuser-Busch Company who is geographically and in volume, the third beer producer behind InBev and SABMiller.

In this time of crisis, the demand of developed market decreases and emerging country are now the principal source of volume growth. The global beer market did not change in 2011 concerning growth and development.
The global beer market is in geographical expansion since years. This expansion prompted Anheuser-Busch to step up its overseas expansions and InBev to gain a foothold in every corner of the world. The biggest beer market is in China, accounting 43% of the world’s volume growth and 37% of emerging markets volume growth. Nevertheless, in China, beer prices are low so profit margin is thin. Chinese beer industry is constantly in evolution and remains an important long-term trend, and might be one of the most profitable markets in the future. Brazil and Argentina have to face new trends of consumption on their market, like the increase of soft drinks consumption and the development of premium brands. In Peru and Colombia the premium drinks are already established. Companies try to attract young consumers by giving to the beer a trendier image. In 2011, the United States saw its sold of beer decrease due to the increase of the unemployment and the decrease of the purchasing power. According SABMiller's study, Australia is a promising market for the development of new and innovative brands. Europe is a contrasted market, where consumer trends remain challenging. In this market many other alcoholic beverages are in compete with beer.

We are going know to make a focus on the Danish beer Market. The Danish beer market suffered from an ongoing shift to wine, just as it had done over the previous decade. The Danish Government ran campaigns to show the need for consumers to be responsible by taking care of their health. The situation for advertising beer and other alcoholic drinks became even more difficult when the Alcohol Advertising Board decided to update and strengthen the rules for the marketing of alcoholic beverages in 2010.
I- Carlsberg and Danish Capitalism

Introduction Historic Part:

Why should we study Carlsberg History? That's the first question that you could ask. The brand Carlsberg has been founded by Jacobsen in 1847. At the beginning, it was a local beer, but now Carlsberg is a global company. We cannot study in details the 200 years story but we will try to focus on Carlsberg strategies during its history.

Carlsberg has emerged during a particular period by the end of the XIXth century. The XIXth century is a symbol of changes in Europe due to the Industrial Revolution. Humans developed new technology, new knowledge, that was the beginning of market and produced for export. Denmark had not resisted to this tendency. In contrary the geographic position permitted to Denmark to be the link between Scandinavian markets and European corporate. Obviously Carlsberg was part of this tendency. Carlsberg (and Tuborg) has dominated the Danish beer market during one hundred years (1880-1980) with 75 percent of selling.

That leads to study how Carlsberg «used» the Danish capitalism and his performance.

First of all, we will attempt to explain the influence of Danish capitalism with a focus on financial part, in order to give advantages, on the markets, for Carlsberg with for example invest in art (glypotek). In a second part, we will deal with the subject of technology, that will concerns the organization of the company and the measures which has been taken for make profit. The research for producing the «perfect beer » and the collaboration with many scientists due to the Carlsberg Foundation.

1/ Beginning of economics mind.

During the beginning of XIXth century, the strength of Danish economy resided in the first agricultural sector.
We could see that the market was not adapted concerning the purpose of food. We can split the development of the agricultural sectors. First, the grain sale period during the period 1830s to the mid 1870s, this period was prolific for this sector. The prices and production had increased due to the new machinery and common politics. Instead, the transition of Danish agriculture is very fast and efficient concerning the production of crops to livestock based production. As with most large economic transitions, it was a complex development in which both technological, organizational and financial aspect were important. “The transformation of the agricultural sector in the 1880s and 1890s was economically the most important event in early Danish capitalism” as said Martin Iversen in his book “Nordic creating Capitalism”

Furthermore, the symbols of New Carlsberg was a swastika. Carl Jacobsen had the inspiration from his keen interest in collecting artwork from the Antiques. The symbol is known both in Ancient Rome and Greece (Carlsberg Museum). The word swastika in Sanskrit means: “That is good” and that is related with environment and more particularly the agriculture. In the end of 1945, the use of swastika was stopped, the World had forgotten that it was an original and positive symbol. It was a dilemma, the brewery did not want to be connected with the enemy, but on the other hand the trademark was a part of the breweries proud history and identity. But you can still see it as an element in the decorations at the buildings Carl Jacobsen have made in Copenhagen. Today the buildings are listed, the buildings are: The church of Jesus, the Brewhouse, the Elephant Gate, Carl Jacobsen's mansion, New Carlsberg Glyptotek, Carlsberg museum.

Early Danish capitalist development was marked by a dramatic transition in the agricultural sector in terms of production, organization and technology. In terms of production, the development of the agricultural sector can be divided in two main phases: the grain sale period and the livestock bases. In the grain sales period, prices and production increased and the total value of “Danish production measured in fixed prices grew from DKK 266 million in 1835
to DKK 479 million in 1879”. If we believe these numbers from Iversen books, we can say that this growth can be explained by the innovation of Industrial Revolution (machinery).

This liberal environment was profitable for the small business factory. The advantages of small business is that they generate lots of money. It is important to underline the healthcare of Danish economy due to the Danish government which received a compensation from Germany to lost the Sound Dues (tax when you pass in borderline of Denmark sea). This economics aspect permits to Denmark to take advantages against the other country.

In Denmark case, the financial sector expansion started in 1857 due to the proliferation of banks. But rapidly we can divided the Danish economy in two main parts. On the one hand was the capitalist profit oriented economy with industries, limited liability corporate and privates bank. We have to underline the importance of banks because they structured the Danish capital market. In order to establish a bank, permission did provide some regulation of initial functions and procedures, but once established the bank without any banking laws. The main aim of the state in these free conditions was to facilitate the founding of the new independent banks. On the other a cooperative economy that aimed to produce for national and international markets, this economy permits to save banks, make credit associations and this measure was very benefit for the agricultural sector. The main role of the saving banks was to finance property and their purpose was not to earn money but rather to facilitate saving and help to capitalise small investments that did not carry a high risk. “If we compares the structures of the Danish capital market during 1857 until 1914, we see the private banks deposits, the saving banks deposits and credit associations multiplied by two or four hundred each”. This increase proved the major change in scope of the agricultural sector.

“Furthermore, the saving banks were thus part of the cooperative economy and central to agricultural modernization. Danish monetary policy was basically designed to ease access to credit. One of its
main features was a continuous use of foreign capital resources. Denmark was continuously marked by liberal characteristics in terms of market economic principles, individual rights and high reliance on intense knowledge sharing with other societies. On the other hand, cooperative aspects have been a feature of Danish society since the mid nineteenth century: «help to self help», solidarity, traditions from many civil organizations and an intense negotiation tradition between private and public interest.” By this text, the authors said and show the link between the progression of the agricultural sector and the new way of thinking (capitalism).

In Danish popular History, the cooperative movement has since been regarded as a unique Danish national development. Denmark was in fact also the country in the world in which cooperative principles had the largest impact on economy. The rest of the world was crucial in the transition of the Danish agricultural sector but one key institution was surprisingly absent in the modernization of cooperatives as well as in the industrial Denmark, namely the Danish state.

The particularity of Danish economy refitting on three basics principles. The market was based on economic coordination; labour paid in money and the property rights. The Danish agricultural sector is the best illustration of these principles. The agricultural population possessed a field each but the gathering can be mixed with the other gathering for sell, generally that give a good profit for the farmer. Martin Jes Iversen and Steen Andersen define this process like a «co-operative liberalism». That underlines the liberal nature of the system everybody can product and sell if he respect the agreement.

Finally, we can define the Danish capitalism as a combination between Nordic egalitarian corporatism, British liberalism and German inspired organization methods. Nevertheless the main differences concerns to agricultural sector, Denmark was more influenced by capitalism. It was organized with leaders, associations and political parties. For example the lobby of Danish farmers dominated the liberal Danish party.
In economy it’s really important to know the role of state. The analysing of Iversen reveals “Danish state continued to be important and that the welfare system kept its social vision of equal access to education and health care. Danish ownership structures continued to be marked by historical national dependent particularities such as cooperatives within the agricultural sector and family foundations within the non financial sectors” That illustrate the way of thinking of the Danish capitalism. Danish capitalism can mix the finance and the leadership but with the thing of “it’s better for the society. That why Iversen and Sjorgen they have labelled «cooperative liberalism» because the Danish economic actors had historic roots in both cooperation and competition.

2/ Beginning of Carlsberg

In 1847 J.C. Jacobsen founded Carlsberg, based heavily on the invention of Carlsberg special yeast, named Saccharomyces Carlsbergensis, brought from breweries in Bayern (Carlsberg.com 2010). Carlsberg was the first Danish company to produce lager (now she commercialize with the name “Dark Lager”) - and they exported their first barrel of beer in 1868. Lager became a general drink and the quality of the beer was central to J.C. Jacobsen who even established a Laboratory. The “Laboratory” was an advantage of Jacobsen when he has started the company directly the science was an objective for him. Carlsberg is completely part of transition process of Danish capitalism. The industrial revolution permits to compare with competitors and share new knowledge. “The Bavarian brew methods were characterized by bottom fermentation under cold conditions and a slow secondary fermentation which lasted several months in cold cellars this lead to a carbonated, vinous, bright beer” (The Carlsberg Foundation, Glamann). Jacobsen established a small experimental arrangement in the cellar of his brewery and on 17 April 1838 he was able to offer a small ' Bavarian' brew to the local customers. “The market was present and Jacobsen realized that the imported German Bavarian beer was about to clear the way for a changing beer demand in
Copenhagen. But a precondition for exploiting this development was further knowledge of Bavarian brew methods and in the early summer of 1844 Jacobsen visited Munich for the first time. During the second trip (1845) Jacobsen acquired a share of the important bottom yeast from the German brewer Gabriel Sedlmayr. The yeast survived the long and difficult journey and in the winter of 1845, Jacobsen made a very successful brew of Bavarian beer. He decided to establish a modern brewery outside Copenhagen. On 10 November 1847 Jacobsen presented the first Danish 'Bavarian' brew (a dark lager) from the Carlsberg Brewery. The demand for Carlsberg beer was much higher than the presented output despite continuous extension of the production facilities.”(Nordic creating capitalism). We can see the brilliant mind of Jacobsen, this breweries was based on modern factory principles which them pick up during lot of trip. But as all market the competitors imitated Carlsberg, like Svanholm brewery and Aldersro. (Beer and Marble, Glamann). And J C Jacobsen introduced his son in the business but against him. This decisions has split his family, Carl Jacobsen was the manager of the Annexe Brewery (Ny Carlsberg) and the father of Gamle Carlsberg.

In 1880s an increasing number of new breweries entered the production of Bavarian beer and by the 1880s fifteen such breweries in Copenhagen. But Kristof Glamann said, there was not open competition on prices and quality, it was «The competition in 1880s was not an open competition on price, but an indirect competition in terms of over measure, discounts, cash loans, in reality free gifts to the middlemen, lending of equipment...Following the foreign model the competition threatened to develop further into acquisitions of restaurants and shops». Fraenkel, the first official Carlsberg biographer described the Danish lager beer market in 1880s as «a Manchester like» and anarchistic market. Fraenkel appointed the beer markets like an anarchistic market because there are no agreements, no rules. The competition was not productive, for Fraenkel she is destructive and the beer market need to be an efficient network.
“In 1881, Tuborg breweries introduced pilsner beer to the Danish market. The new beer was, unlike other beers, bottled at the brewery and Tuborg established an alternative distribution network outside the traditional local distributors. The lighter pilsner completely changed the market. In September 1894 Tuborg joined the new Tietgen company and the chairman Harald Fritsche left no doubt about the intention of the merger. The result of Fritsche's invitation to further corporation with Carlsberg was realized in February 1895 when DFB and Carlsberg signed a ten year market agreement”. (Beer and marble, Glamann). Good news for Fraenkel and Carlsberg, the beer market was regulated in Copenhagen.

3/ Historical environment

The Danish country due to lot of wars with neighbourhood, was reduced in 1864 by two fifths of its land area and has lost a part of citizens.

This changing made the point of the transition between the Danish monarchy before 1864 and the country with plural linguistic and multicultural diversity. The movement of people and diversity of idea permits a rethinking on the society.

Furthermore, the abolishment of the Sound dues by a Danish national, a shipping tax on all traffic entering the Baltic Sea via Danish Sound who was established by the Danish monarchy in 1429, proved the willing of Denmark to enter in the Liberal World.

This idea was materialized by the famous «Trade Act» who was applicative in 29th December eighteen fifty seven. The Trade Act is the result of the Danish Free Constitution of 5th June eighteen forty nine who mark the schism with the Danish monarchy and promoted a liberal democracy with restricted suffrage.

We can see by the measure of the Trade Act, the influences of the father's of political economics, Adam Smith who promoted the free access of merchandise, the liberal market. Obviously, this liberal reform has been included in the Trade Act, because the guilds with a monopolist position was abolished. The functioning of guild was
archaic, because for practice a job you has needed to a «master» to entry in the guild. This master was responsible of you, he must given a food and a room for sleep. On the other hand, you work or he and he decided when your education is finish, the job's education could during 10 years.

During September 1899, the Danish market knew a little “revolution”, an agreement has created for regulated the market. The economy grew, the open minded of employer and journeymen too. They organized their own labour movement. The best example for our project is The Brewer’s Association established in 1899.

“The Brewer’s Association had three main purposes: first and foremost it coordinated the relations with the trade unions. Second, the association organized a cartel with fixed prices and division of the market. Third, the association represented the industry's interests in relation to the state” (The Carlsberg Foundation, Glamann).

The agreement of September 1899 is the results of lot of contesting. After few negotiations in May 1899, the agreement was signed in September due to many pressures. The agreement was important as it clarified that strikes and lockouts were not to begin without due notice.

This incident reveals the wish of decisions makers in the Danish economy to be efficient and make more profit. This way of thinking will be an advantage for the Danish companies.

Furthermore, the guild was in the town and it was impossible to a external merchant to come in town for sells his production. You needed to be in a guild for sells. This functioning was very far of the liberalism.

In the book, Iversen and Sjorgen make a point on the influences of USA after the Second World War. That is really interesting to see how the Danish capitalism has progress during this period. “During the early post war years the American influenced trade policy was an important counter force against continued national protectionism. In 1948, the US decided to support the rebuilding of Western Europe through the so called ' Marshall plan'. The plan was a result of the
slow pace of reconstruction due to currency problems, protectionism and a constant lack of dollars in western countries. The political division between the communist countries in the east and the capitalist countries in the west of Europe was a reality in 1946, when Churchill described the situation with his famous metaphor of the «Iron Curtain»

The Danish state can not choose because he has been delivered by US army.

As you know the Marshall plan consisted of donations and cheap dollar loans and “the aid to Denmark amounted to USD 278 million”. These funds were important for the reconstruction of the country in two ways. Primary, for the reconstruction of country who has suffer lot of damages, secondly this donations permits to USA to sell your production, machinery. In case to the agricultural sector they used US tractors more efficient, it will be explain the increased productivity.

In the late 1950s, we can notice the two elements which support the increasing of Danish economy are industrial efficiency with an expanding service sector and naturally the agricultural sector (export). But the market is self centred, that creates lot of tensions between businessmen and politicians. Businessmen want to opening markets but the politicians are anxious about that.

“In 1958, the Danish government published a White Paper on the effects of open competition on the industrial sector.

The paper was renamed «the Shock Report», and it predicted that lower production was likely within 40% of the Danish industrial sector should Denmark join the EEC. In fact, the development proved to be much more beneficial than predicted. The value of export from manufacturing industries rose from DKK 2.8 billion in 1957 to DKK 14.6 in 1970, or from less than 35% of total exports to almost 60%. Industry succeeded in exploiting new market opportunities and thus reinforcing their exports, particularly to the expanding markets in West Germany, Sweden and the US”. But how understand this expansion ? Seems that the “Shock Report” has said the contrary.
In order to understand this expansion, it is worth pointing out three different factors:

First, the export was oriented by lot of European markets agreements (EEC, EFTA and OECD). This agreements promoted and guarantee the exportation between countries. The increasing concerning the Danish economy could be explained by the geographical position. Denmark related the Scandinavian countries with the European continent and he has got common border with Germany.

The second explanation was based on domestic Danish institutional factors. “On 28th May 1957, the Social Democrat’s chairman, H.C Hansen, established one of the few majority based governments in Danish political history. The government initiated a business friendly policy in terms of new depreciation principles in order to strengthen industrial investment. The next couple of years saw a modification of corporate taxes and more flexible price regulation policy initiated by the monopolies and Mergers Commission”. This decision gives the necessary capital for industrial expansion and gives the possibility to private banks promoted cash loans.

Until the mid 1980s, the Danish economy has changed, she has knew a relatively decrease of her ownership: «it has been estimated that in the early 70s only 8% of the output was controlled by foreigners”. Conversely, the banks absorb the difficulty of Danish firms due to in fact “the Danish companies had international minority shareholders”. It is really important to underline the educational level in Denmark. This education gives a support to the Danish companies because the new generation is in progress that is why you have still global company like Carlsberg or Maersk in Denmark.

“The combination of increased international demand and more pro business financial, educational and legal institution thus constituted the foundation of the crucial industrial export which succeeded the agricultural sector as the prime engine of the Danish economy after 1957. The economic historian Hans Chr. Johansen has stated that from
1959 to 1970 structural changes were marked by two main tendencies—concentration and regionalization.” These two tendencies are really interesting because if we compare the Denmark with France we can see the same process. For example the north of France regroups the textile industry and the coat, the east used the iron extraction and Paris is the financial place. This comparison proved the assimilation of methods on European continent.

**Conclusion:**

The mid-1890s was the point of departure for almost two decades of strong economic growth in Denmark. The agricultural sector had succeeded in its transition from co production with the “cooperative organizational methods” and new technological inventions. Before the First World War the mechanization grew the industries. This changing is due to a new type of capitalism inspire by political choice. The new capitalism based on cooperation between the market, the state and decision makers promoted the liberal spirit. That includes organized the market, regulated by agreement, authorized the competition. According to Professor Geoffrey Jones, “Denmark, The Netherlands and Great Britain in 1914 were the last countries that still promoted a liberal, open trade different directions should be followed, the liberal path of weak and loose regulation or organized capitalism, with detailed regulation of market conditions and an influential state.” Geoffrey Jones is a teacher presents in Harvard Business School, his specialities is Business History. That’s why Iversen take is analysis. And why we finish by his text for explain the Danish capitalism.

**II- Carlsberg, a global company ?**

**1/ Global Company strategy**

**Acquisition**
Carlsberg has emerged due to a negotiation capacity with the different elements which make the economy, as State and competitors. The main strategy is to create a monopoly. For that, Carlsberg buy local breweries. After had bought local breweries in Copenhagen and in the Denmark, Carlsberg had envisaged to make an agreements with Tuborg, his man rival. Carlsberg could not compete with Tuborg due to Tuborg commercialized a pilsner beer. “The 1903 agreements trust has been described as the most peculiar agreement in Danish business history. It operated with one idea, common profitability and shared investment, simultaneously with two independent companies in terms of production and sale. This odd dualism proved to be problematic from the very beginning. Due to its success with bottled pilsner beer, Tuborg had by 1909 already paid DKK 3,35 million directly to Carlsberg and so Tuborg demand a new agreement for profit sharing. By the end of 1909 a compromise was agreed upon and in the following six years Carlsberg paid DKK 900,000 extra to Tuborg. But this compromise endangered the whole idea of profit sharing”.(Nordic creating Capitalism).

The agreement is not equal for both. That’s why Benny Dessau, Tuborg’s manager proposed a “partnership with Carlsberg. Accepted by the Carlsberg Foundation in 1921. In 1964 Carlsberg acquired the Danish company Wiibroe.

In August 1969, The Brewers Association applied to the Danish Monopoly Council for permission to raise Danish beer prices. The authorities rejected the application because the breweries' calculations showed that Tuborg had substantially higher production cost than Carlsberg. As negotiations began, the most difficult issues proved to be the questions of whether the head of the new company should take retained decisions about both companies. The merger was signed on 25 may 1970.(Nordic Creating Capitalism) Carlsberg and Tuborg continued as independent production facilities, but within the framework of one private limited company with a share capital.

Carlsberg is in monopoly situation, has dominated The Brewer's Association, the national price and marketing agreement continued until 1988(Nordic creating capitalism).
Carlsberg history is the history of a company who functioned with agreements for flood the market. These agreements permit Carlsberg to regulate the market for his advantages. Carlsberg multiplied the partnership and marketing agreements that why Carlsberg is one of leader on the beer market. Carlsberg technical organization was one of the few common elements. Licensing agreements included access to Carlsberg laboratory research and quality control, which gave to its partners an advantage on their home markets as the technology was transferred to local beers. But it also underlined the company's focus on the ability to produce a «quality» product rather than sell it.

**Exportations**

“Carlsberg and Tuborg both had historically strong links to the export market. Carlsberg began experimenting with export in 1860s, but really began to look at opportunities after 1869 when it sent its first modest exports to the UK and test exports to Rangoon, Singapore and Hong Kong. Tuborg was founded in 1873, specifically an an export brewery, although exporting did not begin until the 1880s when Tuborg's director used the many foreign contacts he had cultivated through his butter export company to place the company firmly on the world map”. (Nordic creating capitalism).

We can see the Carlsberg strategy with directly to the beginning of the brand, Jacobsen promoted his beer in the world. At the beginning, Carlsberg was sold more outside of Denmark than inside (The Carlsberg Foundation). The exportation is primordial for the brand Carlsberg, because it is a solution for flood the beer market. But Carlsberg is not present in every geographical area. That’s explain may be why Carlsberg is not the first global company concerning the beer.

When a company makes the decision of being present in a foreign market, it can be motivated by different possibilities.
The main reason is very related to the idea that there is an opportunity to expand their activity in new markets where it would be possible to reach a good position, to get new customers and profits. There are several methods that firms can use to penetrate in foreign markets; some of them are licensing, exporting, contract manufacturing, management contract, assembly operations, joint venturing, counter-trade, acquisitions, strategic alliance, and third country location. (Cherunilam, 2010)

The choice of partners and investment type was governed by a mixture of traditional attachments, chance and some conscious strategic choices. Investment in the breweries in Hong Kong and Malaysia was undertaken with its old export partner the East Asiatic Company, while other investments were a development of existing strong export markets such as the UK. However, many of the partnerships in this period were a result of interested breweries contacting Carlsberg enquiring about the possibilities of licensing the beer. This policy of taking a small stake was dubbed a «business card» strategy as it allowed Carlsberg to quickly gain a foothold in a market with limited investment. However, it also meant that Carlsberg rarely had a majority in the companies concerned, and therefore little management control.

**The new generation**

To continue to compete with them competitors, Carlsberg need to adapt his policy. Now, the policy resided in two ideas the licensing and minority partnerships. Carlsberg apply this two ideas with the chart of “Ten principles”. Which are explain in the book of Iversen: “Ten principles developed with outside management consultants. It laid out the ten characteristics of the brewing industry, and how Carlsberg was to react. The principles committed Carlsberg to focusing on the beer industry, investing in focus markets to achieve leading positions with a complete distribution apparatus and investing in branding with Carlsberg as the leading international brand, among other things.”(Nordic creating capitalism).
The problem of too many minority shareholdings was not directly mentioned in the principles, but it soon became clear that this was an important part of the new strategy.

"Increasing focus on marketing led in 2001 to a project called «Brand Spirit» to rejuvenate the Carlsberg brand and ensure global consistency in the way the brand was positioned and marketed. This project now took off under «the Must Win Battles» programme and reflected the brand strategy of a broad portfolio of local brands supported by an international premium brand, Carlsberg Beer. It marked a change of policy over earlier years when Carlsberg had existed in a vacuum, with few or no connections to local beers. Now, Carlsberg and Tuborg were a part of a portfolio that could be managed in terms of cost and sales efforts." (Nordic creating capitalism)

This new approach was only possible with tighter management control over Carlsberg majority owned subsidiaries, especially within production and distribution. From now on it would be marketing and sales that would drive production, rather than vice versa.

The new things of Carlsberg permit to the brand to be competitive and efficient in the beer market.

2/ Carlsberg and Competitors

We want to know the differences between Carlsberg and its competitors for that we are going to present the different beer group. In this presentation we are going to introduce the governance, type of management, business development (by area), framework strategy and see if the company adopt a responsible behaviour. This part is based on an annual report 2011. The annual report is a document published every years. He is used by the governance and shareholders. This document contains the activities, financial and accounting. The annual report permits to get a global vision of the company.
**Carlsberg:**

According to Carlsberg last declaration on its website, the company decided to develop and implement new responsible business practices. They wanted to show an image of the company more positive by making those modifications. The first goal was to show that Carlsberg is making "a positive contribution to society and environment".

"Our strategy to implement CSR reflects our GloCal way of thinking. We work together globally to identify our direction and priorities and integrate our strategy in our local business activities to ensure we grow in a responsible way. »

By Anne-Marie Skov, Senior Vice-President Communications and CSR, Carlsberg Breweries.

Carlsberg is a huge company, evolving on diverse market in all most 150 countries. All countries have different cultures and different approaches on product. The company has to deal with all challenges those countries and societies have. Carlsberg has to deal differently on all markets in which they operate to be the more efficient. The Carlsberg main strategy is called "the GloCal strategy". This word is a mix between two words: "Global" + "Local". By using those words the company tries to summarize the main lines of their strategy. Across this word, the firm expresses the idea of an international strategy touching Carlsberg Group on a global level while keeping knowledge on local diversity of each sector.

"With our global CSR framework, our local companies operate their own initiatives, for example Safety, Health and Environment (SHE) days in the UK, energy saving initiatives in Russia or community investment in Nepal along many others."

CSR: Corporate Social Responsibility is a form of corporate self-regulation integrated into a business model. CSR is a process which
goal is to keep responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who can also be considered as stakeholders.

In 2008 Carlsberg decided to establish a CSR governance structure in his group. The main goal was to build a global framework for CSR that would be adapted and used according the operations needs.

The company established three CSR departments:

- The CSR Steering Committee provides guidance for the company CSR strategy. This committee “oversees and approves our CSR policies, processes and performances”.

- The CSR Champions are divided in two categories, Country CSR champions and Group CSR champions. The Country CSR champions help for Group policy development and make reports for the CSR Unit on performance and progress in all operating country. Their have to identify local issues that are relevant and to implement the Group CSR framework. Group CSR champions are linked to business functions and have to feed back to the CSR unit on function-level CSR issues. Group champions are part of the Group strategy and are responsible for awareness and communication.

- The CSR unit is the heart of the CSR strategy. Its goal is to coordinating information for all CSR activity, guiding Group companies and functions concerning CSR. The Unit’s role is to develop and drive the Group CSR strategy in order to achieved CSR initiatives of Carlsberg Group.

The company ensures that local CSR are adapted to local circumstances. Carlsberg has since many years supported the communities where the company operates but the rapid growth of their business brings a greater responsibility. Carlsberg try to consider that the company's growth happens in a responsible way and that contribute to our communities. In order to be the most efficient the company works with their stakeholders and partners.
The growth of international trade shows the lowering of barriers to entry into national markets. The internationalization of the market has increased the rivalry between industries, which has lost their seller concentration and the increase of diversity of competing firm.

We are now going to introduce the Carlsberg company structure in order to see how the information is circulated in this group.

The governance is split in two parts, the Supervisory Board and the Executive Board. The Carlsberg group Executive Board regroups the CEO Jørgen Buhl Rasmussen and CFO Jørn P. Jensen. The CEO is the Chief Executive officer and the CFO is the chief financial officer. The structure of the governance is a pyramidal structure. That includes the CEO is the decisions makers. This team answers at its directive. But the management is shared in geographical area.

In few managers are responsible to this geographical area. In this geographical area you can found like the others company, the human resources manager, the employees, the secretary, the accountant etc.

Concerning the management, Carlsberg group aspire one things : “to be the fastest growing global beer company”. For that Carlsberg rely on the long term, it bought lot of brand of beers, recently Kronenbourg 1664, With different averages but principally local beer. The Carlsberg group regroup, Carlsberg,Tuborg, Baltika and Kronenbourg 1664 , and strong local brands such as Ringnes (Norway), Felschosschen (Switzerland), Lav (Serbia) and Wusu (Western China). Carlsberg is present in three geographical areas, Northern and Eastern Europe, Western Europe and Asia. It is important to say Carlsberg is present all around the world. The Carlsberg strategy decided to make a focus on three geographical areas. This focus permits to Carlsberg to be leader of markets of beer in few countries. (Numbers of selling) For example in Malaysia, Nepal, Kazakhstan, Uzbekistan ...

The group employs 41,000 people allocated over few sector. To fulfil its objective Carlsberg used a strategy concerning the
consumers and customers, more marketing, more communication. Carlsberg wants to give an authentic picture about the brand the group treats his picture; it promotes the well being of its employees, help the NGO. The group sponsors the UEFA EURO and advertises about alcohol problems.

The group Carlsberg is the fourth on the beer market, it is interesting to see a quantitative part. During the year 2011, the group has selling 118 millions hectolitre for net revenue which culminated at 64000 millions DKK (8.58 billion Euro).

**Anheuser-Busch Inbev:**

Anheuser-Busch Inbev is the leader of the beer market. It is belgo-brazilian group, it is the first brewer on the beer market. The governance is managed by an “organization Chart”, the CEO is Carlos Brito. The management structure is the same as Carlsberg, but with more Chief of geographical area, simply because the group Inbev is present in 6 geographical areas (Northern America, Latin America North and South, Europe central, east and west and Asia pacific.

The strategy of Inbev is based on ownership, Inbev has two hundred brands of beer in 23 country. That includes world brand like Budweiser, Stella Artois and Beck’s, multi country brand as Leffe and Hoegaarden. The Inbev success is due to leadership concerning local beer. Inbev employs 116 000 employees.

The let motive of Inbev is ”Best better company in better world”. That includes the collaboration between employees, setting objectives with businessman mind. Preserved his environment save water, reduce waste, used biomass for heater and used innovation for save natural resources (example in California used wind turbine).

The framework strategy is the link between the company and the customers, that’s why the brand of Inbev is really present on social network. (Twitter, Facebook, Renren, Welboo). They multiply events for
concern the customers, for example the Stella Artois World Draught Masters that creates partnership with the customers and draw him
The pictures brand is very important too, for example Budweiser need to represents the American dream. The innovation and renovation of product permits to strengthen the customer link for example, bottle Copaço Brahma in Brazil, Stella Artois cider for the UK market.
The most important growth markets for Inbev are China, Brazil and USA, few numbers of increasing of the brand:
- The ebitda represents 12607 millions USD (9583 millions Euro.)
- 399365 thousand of hectolitre.
- Benefits approximately 8000 millions USD (6000 millions Euro)

Heineken:

The Heineken history looks like to Carlsberg history, a familial company became an international company. Heineken is a Dutch group from Amsterdam. The CEO is Jean François Von Boxmeer. The type of governance is not revolutionary compared with his competitors. Heineken has 140 breweries in 71 country spread around the world, employs 70000 employees. That includes a diversity of beer, international, regional, local and specialities (Desperados) Amstel, Birra Moretti, Cruzcampo, Desperados, Dos Equis, Foster’s, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Tecate, Zlaty Bazant and Żywiec

The framework strategy is based on grow the Heineken brand “open your world”, for that Heineken by a global partnership with Facebook. Capture the opportunities in emerging markets for example in Africa or more recently in Mexico. The diversity of activities for example the financial sector, in Krakow there are the HEINEKEN Global Shared Services Centre.
This strategy permits in 2011 to make an Ebitda at 3,682 Euro, revenue: 17,723 millions Euro for 27,4 millions of hectolitre.
**SabMiller:**

SabMiller is one of the world's leading brewers with more than 200 beer brands and some 70,000 employees in over 75 countries. The CEO is Graham Mackey, the management is based in four points: "Creating a balanced and attractive global spread of businesses, Developing strong, relevant brand portfolios that win in the local market, Constantly raising the profitability of local businesses, sustainably and Leveraging our skills and global scale."

SabMiller gives a particular attention with the local brands, from the Italian style of Peroni Nastro Azzurro to the unique heritage of the world’s first golden beer, the Czech-brewed Pilsner Urquell; from the Northern European provenance of Grolsch to the American urban cool of Miller Genuine Draft.

The sustainable development is an advantage for the picture, that’s why SabMiller support local economic development in poor countries. Few numbers but if have to underlined the group sell soft drinks too: ebitda 5617 millions USD.

**Notes:**

The beer market is very prolific if we look the benefits by year for each company. We can say that Carlsberg is a competitive company but you can to be present in lot of country but if their markets are not really bankable you are not really in a competition. And you can go to a growth market and your local will be not really efficient, for example Carlsberg in China.

After this large presentation on Carlsberg company, we are going to present our theories about the business strategy and the performance.

**III - Business strategy**

1/The strategy performance
In this part we are going to try to define what is a strategy is and how we can measure a business strategy. Our researches include all aspects concerning the strategy and performance on which we wanted to focus our study.

“Strategy is the pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.”
Kenneth Andrews, the concept of corporate strategy (Homewood, IL: Irwin, 1971)

Through this study we are going to see how businesses are integrated to their environment and which are the key indicators to determine a company’s business performance.

The strategy

Business and environment

All businesses have to deal with their environment. The organization configuration has to involve many points such as the structure of the company, the culture, the marketing strategy, the environment...

According to Gresov, 1989, organization theory is defined as the ability for an organization to adapt itself to its environment. Three important steps are using to determine the ability of a business to adapt to its environment.

First the product market strategy decisions. The company has to match available resources and capabilities with the market environment in which it evolves, in order to achieve the business goals.

Secondly, the organizational culture. The company's culture permits to managers and employees to seen the environment in the same way and with the same vision.
And to finish the link between product marketing strategy and the organizational culture. This link permits the effective and efficient application of strategic plans.

It is important to consider the multiple characteristics of a company to know if the alignment of the business's product market strategy and the organizational culture correspond to the business needs. We are going to make the distinction between the product market strategy and the organizational culture according to the article, “The impact of product market strategy-organizational culture fit on business performance”.

The Product market strategy concerns the way how a company try to be competitive in the market it choose, respecting its goals. Product market strategy is one of the most important steps for marketing researchers. Marketers have a big input and influence and their research can contribute to the strategy exchange both within organizations and with managers. Organizational culture takes into account the set of shared values, beliefs, and assumptions that influence the network of an organization.

We are now going to see which the strategy’s role in the business success is and if it is a research for profit. Afterwards we are going to analyse the implication of international competitor.

*Strategy’s role in Success.*

The strategy of a business is to make a link between the company and its external environment. According to the book (contemporary strategy analysis, from Robert M.Grant) a company embodies 3 sets of characteristic keys; its goals and values, its capabilities and resources and its systems and organizational structure.
For almost all strategy decision, the heart of the external environment of a firm is its industry, which is defined by the relation between the company and customers, competitors and suppliers. A strategy is going to be successful, if it fit with the company’s goals and value, with its external environment, resources, capabilities, and its organization and systems. The lack between the firm’s strategy and its external and internal environment is a source of failure.

The SWOT permits to make a distinction between the external environment, opportunities and threats, and the internal environment, strengths and weaknesses of the company. The problem of these tools is the difficulties to distinguish strengths from weakness and opportunities from threats. A careful identification of these external and internal factors and an appraisal of their implications will clarify the researches.

The strategy is an important determinant of success in most of activities. In identifying the features of successful strategies we can find a link between an organization and its environment.

*Strategy as a quest for profit.*

Business creates value by production and by commerce. The value created by a company is distributed among 3 main parts, consumers, suppliers and other inputs and risk takers. All these participants have interests diverge from one another; this is the stakeholder view of a company. They all see the business as a coalition of interest group including shareholders, management and employees.

All groups have different interests. Shareholders look after the profit of the company; managers are in search of the increase of salary, perks, prestige and power. Employees seek for being paid, have good working conditions and a job security.
“Though strategies can be formulated by taking explicit account of multiple goals, the need to establish priorities and trade-offs results in vastly increased complexity”

The pursuit of profit as the first goal for a company is supported by 4 observations:
- It is the primary motivation of the owners of firm.
- It increase the pressure of competition
- It increase the external pressure
- For profit over the long term it requires that company develop employees’ environment to make them a better company's structure.

Implication of international competition

“Internationalization affects industry structures and competition through trade and International investment”

Internationalization offers investment and marketing opportunities to firms, but also increases intensity of competition. Porter Five Forces of Competition can be used to analyse the impact of internationalization on competition and industry profitability. Studying the external environment of an international company involves making research on many different economic aspects.

“If we define markets as nationally bounded and industries as the set of suppliers to a national market, then internationalization has important influences on entry, internal rivalry, and buyer power.”

The growth of international trade shows the lowering of barriers to entry into national markets. The internationalization of the market has increased the rivalry between industries, which has lost their seller concentration and the increase of diversity of competing firm.
Sponsoring

Sponsorship can be defined as supporting activities, events, or organizations by providing money or other resources. Sponsorship is given value to an event by supporting it. For international brands, sponsorship permits in return for the company to have advertising space during the event. It allows the company to be seen by all followers of the event.

Sponsoring can be provided by different communication channels. Each channel has its particularities. We are going to explain three of them. Television and radio spread sponsorship programmes, which can be seen by almost everyone. Sponsoring a sport event has the advantage of being attended and watched by all sports followers. Sponsoring art events also touch a different category of people. Those events are less following than sport events, but help to keep a more "classic" image of a business. According to Smith there is a six-stage process to decide what and how to sponsor.

Firstly, the company has to analyse the current situation. Secondly, define the sponsorship objectives, and agree on a strategy. Thirdly, the company has to find the tactics of the strategy and define the target audience. Finally, the company has to consider the resources needed to make a successful sponsorship.

The following part will focus on performance. We are going to analyse the performance through three main points, business performance, financial performance, and operational performance.

Business performance

In this section we will try to analyse and measure Carlsberg business performance. In order to do this, firstly we will try to clarify what we understand when we talk about business performance.

It is not easy to find a clear definition about what performance means. Even though many authors have studied about business
performance, it is very difficult to find a concrete explanation in the literature.

One aspect we should consider is the fact that it is interesting to differentiate between if we are defining the concept from inside an organization or from outside. Since we are studying a company, Carlsberg, which we are not involved, we will focus more on the outsider's point of view.

There are some differences between these two points of view. For insiders it is much related to business management and it is important to consider the business performance concept in the sense that it is a way to measure if a strategy is working or not. When managers run a new strategy plan in an organization it is necessary to control and to measure its evolution in order to know if the objectives are being getting or not.

We can conclude that from this perspective, the key point is that business measurement is a tool used by managers to make decisions that help the organization to achieve some fixed objectives. For outsiders, on the contrary, performance is more relevant in order to try to deduce what an organization is going to do in the future, what kind of actions is going to execute and what results is going to get according to this actions. (Neely, 2002)

Once we have approached the concept of performance, we will study the different ways of measuring the business performance and we will try to apply them to Carlsberg. There are two main perspectives since from it is possible to analyse it: the financial perspective and the operational perspective.

Financial performance

The traditional way of measuring performance is through the financial perspective; it is what we understand when talking about performance measurement in a narrowest sense. Using some financial ratios it is possible to analyse the financial situation of a company,
to detect financial problems and to know which part of the business they come from. Some of these ratios are:
- Current assets divided by current liabilities
- Current assets less inventories divided by current liabilities
- Inventories divided by cost of sales
- Sales growth
- Profitability: return on invested capital, return on sale, return on equity

We need to keep in mind the fact that though accounting seems to be an objective discipline, financial performance measurement has some limitations in the sense that it is possible to do some kind of creative accounting. This does not mean the company is lying at all, but it is possible to have different results depending on what kind of accounting methods they use. We need to know as well that companies usually have the real accounting, which is something for internal control and management, and an accounting that they show to stakeholders, where they try to show the best company image of themselves.

Operational performance.

The operational performance must be considered when talking about measurement performance in a more extensive sense. This way of measuring a company’s performance considers some operative indicators related to marketing.

As they mention in the article “Measurement of business performance in strategy research: a comparison of approaches”, “Under this framework, it would be logical to treat such measures as market-share, new products introduction, product quality, marketing effectiveness, manufacturing value-added, and other measures of technological efficiency within the domain of business performance”
2- Application on Carlsberg

We are going to apply our researches concerning the strategy and the performance on Carlsberg.

Carlsberg Strategy

Carlsberg business environment

In this first part we are going to study Carlsberg and its environment. As we saw it higher, according to Gresov, 1989, organization theory is defined by using 2 steps in order to determine the ability of a business to adapt to its environment.

First concern the product market strategy decisions. Carlsberg has already a define market. The company’s goal is to sell beers whose please to most people. The company doesn’t bet on the quality of their products, they aim a more popular rank. Carlsberg and Tuborg beers are more known for their cheap price and for their taste.

The second step concerns the organizational culture. Carlsberg has an organizational culture well manage around the same vision. The company is already using a diagram to illustrate the direction of the whole organization. The Carlsberg wheel shows important steps which represent the core strategic areas. Concerning consumers the company objectives are to make sure that they "Iconize Carlsberg" by for example sponsoring events create new beer for special events, like Christmas... All those investments are made to permit to Carlsberg to overtake other international or local brewers.

Employee’s goals are to make that the company is beer referent, collaborating with customers to drive category growth. They have continuously to improve and implement Carlsberg best practices by enhancing the reputation as a responsible global brewer, like with the integration of Corporate Social Responsibility (CSR).

Exporting can be defined as “the practise of sending or carrying merchandise to a foreign country for trade or sale.” (Geetanjali, 2010; 169)
According to Cherunilam, a company should consider this way of entry in a new market when one or more of these conditions are present:

"The volume of foreign business is not large enough to justify production in the foreign market:
- Cost of production in the foreign market is high
- The foreign market is characterised by production bottlenecks like infrastructural problems, problems with material suppliers...
- There are political or other risks of investment in the foreign country
- The company has not permanent interest in the foreign market concerned or that there is no guarantee of the market available for a long period
- Foreign investment is not favoured by the foreign market concerned
- Licensed or contract manufacturing is not a better alternative". (Cherunilam, 2010; 154).

We will try to suppose the reasons that motivated Carlsberg to choose this alternative in different markets.

There are two ways of accomplishing exporting; we have direct export and indirect export. In the direct export the company sells itself its products in the foreign market in such a way that it has the responsibility of doing all the marketing activities as well. However, in the indirect exporting, the manufacturer company requests some other firm to sell its products in this new market.

These two methods have some advantages and disadvantages, so companies should choose one of them according to their own characteristics and situation.

The indirect one is more common in the case of companies that are starting their internationalization, so they are not very familiar
with exporting activities and whose sales in the foreign markets are not very relevant. The risk assumed by the company is lower than using the direct exporting, but the control that can have in the process is lower as well.

Carlsberg use the sponsoring to link those 2 steps. The sponsoring permits to the company the effective and efficient application of strategic plans.

Carlsberg sponsoring

Sponsorship is a way well known and used by Carlsberg for its marketing operations.
For Carlsberg, the sponsorship is good way to create the brand character and associations.
The company have selected two way of promoting this brand. By those both sponsoring Carlsberg tries to link the consumption of beer to its consumers.

The main one is with sport. Carlsberg beers are now associated with football. The brand tries to be represented on all important events, like for example the sponsoring of UEFA EURO 2012. Carlsberg is looking after the ramp up of the digital marketing activity around its sponsorship deals with Liverpool, Tottenham and Arsenal football clubs. Carlsberg tries to surprise his audience by being on the cutting edge of technology. This action was appreciated for example during the Euro 2012 championship, when Carlsberg knew a big success with its Facebook and mobile campaigns.

The other sponsoring used by Carlsberg is to invest in music events. The Tuborg beer is now a day seen as a beer for young people. Carlsberg used the name "Tuborg" for his music sponsoring, which is now becoming an important name on the music scene across Scandinavia and Eastern Europe. For example Tuborg has been sponsoring the largest rock festival in Denmark since 2002, “the Roskilde annually festival”, which attracts more than 75 000 music fans and lead international performers.
The target of those two sponsorships is all most linked. The company wanted to associate the consumption of beer with celebration time, touching football fan first and then a majority of people use to clubbing or going to festivals. Carlsberg sponsorship is not summarized by advertising used, but also by the incitement of drinking Carlsberg products. Sponsoring those events permit to participants of events to discover Carlsberg products.

Sponsorship is not only concerning and reaching consumers. Through this action the company involve all employees, who are proud and more watchful concerning efficiency of they operation. The main example is with the sponsoring of football team, employees became fan and proud of supporting this team with which they work.

Carlsberg strategy.

The strategy of Carlsberg is to make a link between the company and its external environment. According to Carlsberg goals and value, the company tries to combine its capabilities and resources with its organizational structure in order to be the most efficient.

Through this way of internationalization, a company (licensor) lends to another (licensee) the use of its rights, copyrights or know-how on products and processes, so this firm, the licensee can make its products and sell in in the concrete market it operates. The licensee company will must pay royalties depending on the sales volume in exchange of it.

It is a very common way of penetrating in a new market because of it is not necessary to do an important investment, so the risk that the company must support is not especially strong.

Carlsberg has used licensing during decades in different places. The company has different partners who brewer its beers all over the world. The first market where Carlsberg was present using this way of entry is Cyprus, in 1967. Other countries where the firm has applied this method are: Croatia (since 1972), Finland (1972), Italy, where the license
The production of Tuborg begins in 1975, Great Britain, Hungary and Nigeria, (1976), Malta, since 1981 through Simonds Farsuns; Japan (1986), China, Namibia, Honduras and Poland; Romania (1998), Turkey, through the partner Türk Tuborg; Egypt, where it is produced the non-alcoholic beer Birell; Ireland, where is brewed by Guinness; New Zealand, in 2004 through Independent Liquor; West Africa, through the license partner Solibra and, finally, Australia in 2012, through Cooper Brewery.

We are going to make a SWOT to make the distinction between the external environment, opportunities and threats, and the internal environment, strengths and weaknesses.

**Internal analysis**

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
</tr>
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<tbody>
<tr>
<td>- Carlsberg has a fame brand and already established.</td>
<td>- As Carlsberg is an international company and has to coordinate all its informations and actions through its organization.</td>
</tr>
<tr>
<td>- The company displays a lot of innovation, creating many short-lived beers such as Christmas beer...</td>
<td>- Carlsberg products are sell all around the word, the company have to adapt his product to every market following trends and innovation.</td>
</tr>
<tr>
<td>- The company has already loyal customers with strong relation established.</td>
<td>- Carlsberg products are more known to be “thirsty beers” than “tasty beers”, this categorization of products removes them from a part of customers.</td>
</tr>
<tr>
<td>- Carlsberg benefits of a strong management organization.</td>
<td></td>
</tr>
<tr>
<td>- Beer is one of the most profitable drinks. It allows Carlsberg to make growth and increasing profits because it’s a high margin product.</td>
<td></td>
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### External analysis

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The economic crisis encourage consumer to consume cheaper products such as beer, by on the other hand...</td>
<td>- It also slows down the consumption of a part of consumers which can not follow the price.</td>
</tr>
<tr>
<td>- Carlsberg has many opportunities to enter in new markets. The company is already present in 29 countries.</td>
<td>- The company has to face a strong international competition.</td>
</tr>
<tr>
<td></td>
<td>- Carlsberg has to compete against substitution products, such as other alcoholic drinks and soft drinks.</td>
</tr>
</tbody>
</table>

Carlsberg is already well established in Denmark. Carlsberg is part of the Danish culture because it is one of the historical companies of the country and through its actions such as sponsoring. The main Threats of Carlsberg are on the international market, where it has to face many competitors.

### Carlsberg Performance

In this following part we are going to analyse more quantitatively Carlsberg Financial and operational performance.

#### Financial performance

In this part we are going to analyse the business performance of Carlsberg by a financial analysis. All data have been taken from the annual report of Carlsberg.
The return on invested capital (ROIC) tries to see how well has been invested the capital to generate returns. The formula to calculate it is: \((\text{Net income} - \text{dividends})/ \text{total capital}\). As Carlsberg mentions on its website, it is the "operating profit before special items as a percentage of average invested capital".

The values of this ratio for Carlsberg during the last years are:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC</td>
<td>11,7%</td>
<td>8,2%</td>
<td>8,2%</td>
<td>8,8%</td>
<td>8,4%</td>
</tr>
</tbody>
</table>

On its website, the mention that “Return on average invested capital continued to grow in Northern ¬ Western Europe, increasing from 17,2% to 18,3% due to improved profitability and reduced asset base. In Eastern Europe and Asia, return on average capital employed declined due to lower profitability and capacity expansion respectability. In total, return on average invested capital for the brewing activities declined slightly to 9,4% (9,8% in 2010)”.

Observing the table we can see that the evolution of this ratio is not especially satisfactory in the sense it has been decreasing since the year 2007.

Analysing the evolution of the sales is an intuitive and easy way to know more about the evolution of a company. In the case of Carlsberg we have found information in its financial report about the sales expressed in hectolitres, but not in monetary units.
Observing this table we can say that the evolution of the sales for Carlsberg is positive; it has kept growing up every year in terms of beer and other beverages as well.

**Operating margin:**

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<tr>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,8%</td>
<td>13,3%</td>
<td>15,8%</td>
<td>17,1%</td>
<td>15,4%</td>
<td></td>
</tr>
</tbody>
</table>

This operation measures how well a company controls its costs. It is calculated by dividing the company's profit by its revenues and expressing the result as a percentage.

The higher the profit margin is, the better the company is thought to control costs. In this case we can see that the profit margin had increasing from 2007 to 2010. This increase shows that the company had controlled its cost. It is an important operation because it is used by investors to compare companies in the same sector and also between industries to determine which are the most profitable.
This calculation measures the company financial leverage. It is equal to long-term debt divided by shareholders' equity.

To analyse it we must take in consideration that if the ratio is greater than 1, a large part of assets are financed through debt. Vice versa, if the ratio is smaller than 1, it means that assets are financed through equity.

In this case Carlsberg had a very high ratio of 0,99 in 2007. At this moment not all most assets were finance through equity. As we can saw it further the company began to have a decreasing ratio, which made the company a more secured investment for shareholders.

### Interest coverage ratio:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>4,38</td>
<td>2,31</td>
<td>3,14</td>
<td>4,76</td>
<td>4,86</td>
</tr>
</tbody>
</table>

This ratio is used to determine how readily a company can pay interest on unexpected debt. It is calculating by dividing a company's earnings before interest and taxes of one period by the company's interest expenses of the same period.

The lower the ratio, the more the company is touch by debt expense. If a company’s interest coverage ratio is 1, 5 or lower its ability to pay off the interest expenses may be a problem. If the coverage ratio is under 1, it means that the company is not make enough profit to pay its debts.

In this case Carlsberg company has since 5 years a interest coverage ratio higher than 2 and up to around 5. This means that the company can easily cover its interest on outstanding debts.

To conclude this financial part, according to our researches, we saw that Carlsberg has a good financial position. The sales of the company keep growing up every year. Concerning the operating margin, the company controls its cost and had since four years decreasing its
Debt/equity ratio to become more secured and encourage shareholders investments.

Operational performance

Cash-flow operating activities per share: (DKK)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>51,2</td>
<td>65,8</td>
<td>89,3</td>
<td>72,1</td>
<td>57,7</td>
<td></td>
</tr>
</tbody>
</table>

This formula permits to measure the firm’s financial strength. It is calculated by dividing the operating cash flow less the preferred dividends, with the common shares outstanding. This operation is used to know the after-tax earnings plus depreciation of a share basis.

The cash-flow operating activities per share can be used as an indicator of a company's profitability. The cash flow per share concerns the company ability to generate cash.

In this case we can see that Carlsberg had its cash-flow operating activities per share which had increasing from 2007 to 2009, passing from 51,2 to 89,3. Since 2010 the cash flow per share is decreasing and in 2011 was almost at the same level that in 2007. The company was more able to generate cash in 2009 than in 2011.

Pay-out ratio:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>20%</td>
<td>15%</td>
<td>14%</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>

The pay-out ratio is the among of earnings given in dividends to shareholders. A low percentage of pay-out ratio means that the company prefer retaining its earnings rather than paying out dividends.
But if the pay out ratio is low it means that the company secures the dividend, because smaller dividends are easier to pay.

In this case we can see that Carlsberg have an average payout ratio of 17%. The pay-out ratio was in 2007 and in 2008 at 20% and had started to decrease from 2009 to 2011. This decreasing of the percentage of pay-out ratio can interpreted as a decision of the company to secure the dividends of its shareholders.

Share price (DKK):

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>498,1</td>
<td>171,3</td>
<td>384,0</td>
<td>558,5</td>
<td>405,0</td>
</tr>
</tbody>
</table>

This graph shows the price of one Carlsberg company’s share. We can see that there is no trend, prices evolve years by years according to Carlsberg activity and action provide at this moment. The average price of Carlsberg share since 2007 until 2011, is 403,38 DKK, about 55 Euros.

Earnings per share (DKK):

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24,3</td>
<td>22,1</td>
<td>23,6</td>
<td>35,1</td>
<td>33,8</td>
</tr>
</tbody>
</table>

This graph shows the earning per share. The earning per share is increasing since 2007. Even if the pay-out ratio had decreasing during these years, the fact that the share price had increasing explained why the earning per share is also increasing.

To conclude this part on the operational performance we can say that Carlsberg try to give a secured image the shareholders and consumers. According to all data from Carlsberg report we had analyse that the company have a good ability to generate cash, better in 2009. The company’s pay out ratio decrease since 2008, but this movement can
be interpreted as a secured decision for shareholders who wan to invest. The share price is not constant since 2007, but these modifications can be due to the company’s investment or actions during this period.

**Conclusion**

Our project work has permitted to analyse Carlsberg Strategy, its advantages and its disadvantages. Now we can said that Carlsberg group is very competitive due to a global influence, financial performance, by its innovation and its sponsoring. Carlsberg is not just a brand of beer, it’s a group with financial, political and global influences. But a few of its partners (Local beers) are not really competitive in their markets. If we can give an advice for Carlsberg Company is that they have to found a way to be the leader of other new markets. They maybe have to open new markets in new geographical area.

Carlsberg have succeeded to establish its brand as a fame one in many Scandinavian countries. The brand has found a good way with for example sponsoring, to be closer to its consumers and motivate its employees. In order to develop the brand in other international places, Carlsberg have to find a new way to develop the loyalty of its customers all around the world.

We have studied Carlsberg history, strategy and performance. But if we would like to know the real impact of the Carlsberg Strategy on its selling, we have to analyse the financial report in details. But we have preferred to choose environmental aspect.

Our project formulation is “How measuring the business performance of a company”, studying Carlsberg and its performance have allow us to understand that there was many different way of making this analysis. Through our work we have chosen two different way of measuring it. The first one, concerning the strategy was more theoretical and the second on performance was more based on data. In the strategy part we have learn how to measure and analyse the environment and the strategy of a company. In the performance part we
have learn how to measure the performance of Carlsberg by more from a shareholder vision.

Carlsberg is an international company based in many countries. The brand has found a way to sell cheap products with sufficient quality. Carlsberg is now a day not only a beer producer and seller but also a brand. The company, by all its actions, has found a way to be known internationally.
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