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STRATEGIES IN THE BREWING INDUSTRY IN BULGARIAN MARKET

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Abstract: *A number of strategies for managerial practice are under applying in various situations of variable success until we get to a set of typical basic strategies that are purposed to support the management for the selection of appropriate goal to be achieved. „The strategy is not only a function of the leadership. Marking objectives while outlining the main directions, when planning break-troughs, it serves to the leadership.” Realization of the corporate objectives of “Zagorka” JSc could be achieved through strategic approaches, with actions in various directions.*

Keywords: *strategies, competition, corporate objectives, brewing industry, strategic approaches.*

1. Introduction

The brewing sector in the country is to be characterized by strong competition. There is a high level of concentration in this sector because of the presence of large multinational companies that keep very high market share (“Kamenitsa” JSc, “Zagorka” JSc and “Carlsberg Bulgaria” JSc of market share of 96.6 % for 2011.) The rest of the brewery companies are “Bolyarka VT” JSc, “Lomsko pivo” JSc, “Agrima” JSc and “Ledenika & MM” JSc. This work is purposed to characterize types of strategies and their implementation in brewing industry.

2. Strategies in the Brewing Industry

A need of rethinking of the present marketing strategies appeared after 70-ties of the twentieth century when severely deteriorated world economy put under question the effectiveness of mass marketing. In order to increase the product attractiveness, differentiation and increase of the value the companies began to incorporate the element service (servicing) into the supply¹. On the mature markets, where the temps of growth are slowed down or even stop, it becomes difficultly to invade and to increase a market share. Because of that the attention is directed to preserving and expanding of the existing

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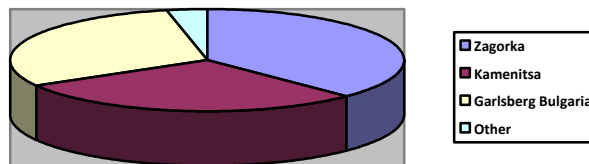
¹ Панайотов, Д., (2001), Стратегическо планиране, АИ”Ценов”, Свищов, с.27.

relations with the customers. As a result of that the loyalty to the customers takes priority whereas its primary strategic importance is preserved even today.

The company “Zagorka” JSc is a joint stock company of main subject of activity producing beer. Majority shareholder in the company is registered in Greece „Brewinvest“, a property of the most global brewing company Heineken and Coca-Cola Hellenic Bottling Company, being owners of 98% of shares of “Zagorka” JSc. Heineken possesses very attractive portfolio of strong trade marks.

„Zagorka” JS is battling the competition and its greatest success is that it has pushed “Kamenitsa” JSc out of the market for sales – see fig. 1.

Figure 1. Market share for brewing industry producers in the country²



Source: Data according to AC Nielsen

„**Kamenitsa**” JSc has broad product portfolio. The beer produced by the Company is of a low (economy) and middle price segment (special and luxury). The company markets 11 main brands - Astica, Bourgasko, Kamenitsa, Pleven, Slavena, Beck’s, Belle Vue, Dve., Hoegarden, Leffe, Staropramen and Stella Artois.

„Kamenitsa“ JSc is one of the main competitors of “Zagorka” JSc because of the fact that the company offers its products in the standard and luxury segment, where most of the products of “Zagorka” JSc are positioned.

„**Carlsberg Bulgaria**” JSc offers the following brands of beer: Pirinsko, Shoumensko, Budwieser, Carsberg, Holsten and Tuborg. The last four brands are licensed. The company offers beer of all type, quantity and packing in the low and middle price segment. “Pirinsko” lager beer 500 ml is comparatively cheap. It is positioned in the standard price segment. The brand “Tuborg” is one of the most valued and purchased foreign brand of beer.

The main competitors of the trade mark “Zagorka”Special 500 ml are “Kamenitsa” lager beer, “Shoumensko” Special and “Shoumensko” Lager beer. All these are brands of middle price segment and the brewing industry producers define them as “local premium” of a little bit lower price than the imported brands of beer that is produced in Bulgaria.³

According to specialists opinion the beer market is to be divided to imported, luxury standard (lager) and economy, whereas the market of beer is most sensible in the

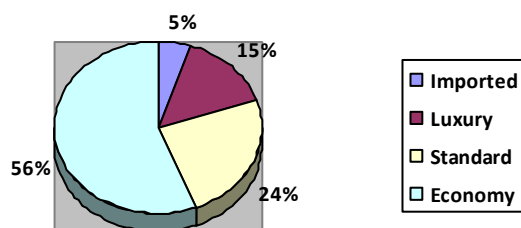
² Data according to AC Nielsen.

³ Source: AC Nielsen.

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economy segment - see fig. 2. “Zagorka” JSc holds most of all to high quality and excellent characteristic features of the beer it produces. It has positioned its products entirely in the standard and luxury segment, whereas a trend of increased numbers of loyal consumers of specific brand is observed during the last years. This fact since its turn obliges the brewery to keep a good level of the beer quality.

Figure 3: Market share of beer segments for 2010⁴



Source: AC Nielsen

In order to successfully achieve its objectives the company conducts successful investment program, interesting market initiatives for the consumers and partners, continuous development of its employees.

“Zagorka” JSc being a part of “Haineken” uses established and proved practices of the mother company related to trade, trade marketing, sales and innovations. **Corporate strategies the companies conducts are: strategies of growth, including:**

- **Market development** – products of trade mark “Zagorka” are offered not only in Bulgaria, but also in USA, Greece, Germany, Great Britain, Portugal, Spain and other countries through well developed distribution policy. This strategy successfully fulfills its purpose under the presence of unfilled production capacity, when the products are accepted on the existing market but the demand is satisfied but in the meanwhile new favourable circumstances appeared for penetrating into new markets. “The selection of new market is based on the purposed marketing research and taking into consideration the strengths of the company and favourable opportunities of the foreign country”.⁵

- **Product development** – over the years “Zagorka” JSc continuously invests in the development of trade marks of beer, which it produces and offers to the market. Introduction of PET bottle of 1 liter (Magnum bottle), 1,5 liter and 2 liters, “Zagorka Gold” and the motto of the new “Zagorka” “Design of a new generation”, which keeps the taste of the most Bulgarian beer presents a design of a new generation (the new PET bottles). This strategy implies similarity of products which permits maximization of the usage of company potential.

⁴ Source: AC Nielsen.

⁵ Kamenov, D. (1999), Corporate planning, forecasting and controlling, OCOM Publishing House, S. p. 69.

- **Leadership in expenditures** – the company’s leadership isn’t a matter only of enhanced market share, but it is needed to be noticed that it possesses the largest part of the incomes of beer at the lowest expenditures in this industrial sector. The low production and distribution expenditures favour the corporation to return the investments that are put up to the present moment and it continues to invest in the development of the product assortment. The increased productivity of labour leads to increasing of the competitiveness of the products regarding the price and quality against those of their competitors from one hand and also it helps to increase quality of life of the employees (i.e. creates better labour conditions and reduces the overtime). Achieving the leadership in expenditures requires the company to have large market share, cheap access to raw materials, optimized competitiveness of the production.

- **Strategy of focusing, i.e. on:**

- **Market segment** – when selecting a target market the company counts for such factors as size and buying power of the segment, number of competitors, number of suppliers. “Zagorka” JSc positions its products to certain groups of users. For e.g. the trade mark “Zagorka Gold” is targeted to female part of the consumers. Imported and luxury brands are targeted to people of stable income and good economic status because of their high prices and as overall the product portfolio of “Zagorka” JSc is targeted to people of high social status. Luxury beer is consumed by people who enjoy life, like the experiments and new challenges. When consuming the new beer from the portfolio of the company – Desperados, prerequisites are created of party atmosphere and unusual experiences. It differs from the rest of the brands in the product assortment of “Zagorka” JSc.
- **Product line** – it is related to continuous investments in the product development of trade marks. During the economic crisis the company restricted the range of the brands, because they need additional funds for their development. Strategic brands the company invests in are “Zagorka”, “Ariana” and “Heineken”.

Functional strategies are restricted to:

- **Marketing strategy** – it is directed to research of the market with its specific territorial characteristics, introduction of new forms of relationships with other trade organizations, specific price policy with other trade organizations, etc. The Marketing department is engaged with continuous research of consumer demand and put maximum efforts in order to satisfy consumers expectations in regard the quality of offered beer, affordable prices and professional service. Long distribution channels are used for realization of the ready production respective intensive distribution because of the mass character of the product. Future trends come from the direction of development of favorable conditions for designing and functioning of electronic marketing channels. Their development and effectiveness are directly related with the competitiveness through distribution alternatives in companies electronic business.⁶

- **Production strategy** – the production of the company products is realized according to standard processes and through effective usage of raw materials, water and energy. “Zagorka” JSc conducts continuously monitoring to prevent polluting of the

⁶ Веселинова Н., (2010), *Хоризонт 2020 пред икономическото знание на бизнеса, том I, Конкурентноспособност чрез дистрибуционни алтернативи в е-бизнес на фирмите*, с.111.

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environment and reducing of wastes. All issues concerning the environment are managed by introduced, supporting and continuously self improved “System for environmental management according to international standard ISO 14001:2004.

- **Technological strategy** – since privatization of the brewery during 1993 when “Zagorka” becomes part of the “Heineken” family, up to the present “Zagorka” has invested 220 million levs in modernization and expanding the production and it is turned into one of the most contemporary brewery in Bulgaria. During 2011 the company undertook a number of renovations, related to optimizing of the production process in the brewery. They are installation of a new filter, modernization of the storehouses for malt and building new storehouses.

- **Financial strategy** – it is based on the relation property – ownership point of view of the rapid turnover of money invested, the company does not intend to borrow foreign funds.

- **Innovative strategy** – the main innovative activity of the brewery is directed to improvement company products. This is to be realized through improvement of technological process at all stages of the production – from fermentation of the barley to bottling and quality service to the customers whereas some stages are prolonged and some are shortened. Resource supply together with financial and human resources and good functional relation between the departments that are engaged in the innovation process are of paramount importance for implementation of innovations. There is a trend of increasing of the importance and the need of participation of fairs and exhibitions, which gives an opportunity to the company to be informed for the innovations in the brewery sector. When implementing that strategy there are several stages to be realized: generating of ideas, evaluation of ideas, decision making for creating, implementation and realization of the product.

Penetrating into new markets of “Zagorka” JSc products and preserving of the present markets depends mostly on their quality and competitive advantages they possess. Determining factors of their development are innovation policy and the condition of the production technologies.

- **Investment strategy** – targeting the investments is an essential part of the investment strategy of “Zagorka” JSc. Main principle is to offer to the customers quality products, that are produced under high standards and requirements. In order to keep them successfully the company consider the importance of the investment, to be put in the production activity namely:

- ***in the field of technologies, in the equipment and assets in order to improve and increase the production activity*** – most of all the investments are used for reconstruction, improvement and modernization of existing production technologies. In that way the competitiveness of the company is increased and opportunities are created to improve the products offered with regard to any changes in the consumers demand. These investments change functional relations, information resources, unattractive operations are mechanized by these investments;
- ***Investments in safety labour and training staff programs*** – they are means to improve qualification and professional level of the staff, competitiveness of the employees in regard of the improvement of products. Investment control plays an important role in the investment process for “Zagorka” JSc. Proper elaborating and

completing of documentation for realizing the strategy, opening financing, quality fulfillment and achieving of the results desired are ensured through investment control.

3. Conclusion

"Zagorka" is certified by the Integrated Management System (IMS) for quality and environmental ISO 14 001:2004. The establishment, implementation and maintenance of this standard is to prevent pollution due to industrial and domestic activities of the organization in line with the socio-economic requirements and European standards. "Zagorka" is part of the international family of "Heineken" and includes in its portfolio leading brands Zagorka, Ariana, Heineken, Ariana Dark, Distribution, Amstel, Desperados, Starobarno. The company launched a ten-year plan for sustainable development - "create a better future" and show active concern for the environment. Its objectives include reducing the carbon emissions of companies owned by "Heineken" worldwide by 40% and water consumption by at least 25%. Since 2010, all refrigerators, the company offers are made on "green" technology, which means that they spent less amount of electricity. On a local level, "Zagorka"'s all programs are developed by the global platform "create a better future" and focused on the following areas:

- To be a good brewer
- To carry on green trading
- To engage employees in this policy;
- To show that Heineken, respectively. "Zagorka" cares for the community in which they make business;
- To be partner for development

These achievements shows that as a progressive company "Zagorka" is a leader in innovation and development of its portfolio of brands. It shows that "Zagorka" is driven by the ambition always to provide the highest quality products to its consumers. The International Quality Institute has organized for the 51 time a ceremony for the Monde Selection awards in Athens. During the ceremony, medals were given to all the products involved in the selection of the highest quality. Four of the "Zagorka"'s successful brands received gold medals - Zagorka, Zagorka Rezerva 2011, Ariana, and Ariana Dark. The awards were selected among 3,000 entries from over 80 countries worldwide. Therefore, we can draw the following conclusions:

First is the distinctiveness of the company's portfolio, which is connected with the search of ways for successfully brand features "Zagorka" market, so people can recognize it better among other beers.

Second, the corporation seeks to create an emotional connection between the brand and the very consumer by providing more market news

Third, "Zagorka" seeks to meet adequately the requirements of consumers of beer brand "Zagorka". During the current year, the company provides a number of updates on the optimization of the production process in the brewery

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Usage of competitive strategies by the company guarantees achieving of unique position on the market against the competitors. The success might be guaranteed if the company concentrates its efforts on the restricted set of competitive advantages.

New conceptions and strategies are under development, various priority objectives are put on.

The accent in contemporary marketing is migrating from transactions to relations and priority importance acquire long term on behalf of the short term relations.

The recommendations are as follows:

- Increase in market share as the Bulgarian beer market has great potential for further development.
- The company has the know-how and the staff to implement new or modified products that will strengthen the competitive ability.
- The company has resources to enter new markets abroad and should do it
- The company should increase its popularity by active advertising policy

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STRATEGIJE U INDUSTRIJI PIVA NA BUGARSKOM TRŽIŠTU

Rezime: Brojne strategije menadžerske prakse primenjuju se u različitim situacijama sa promenjivim uspehom, dok se ne dođe do niza tipičnih osnovnih strategija, čiji je cilj da podrže menadžment za selektovanje odgovarajućeg cilja koji treba postići. "Strategija nije samo funkcija upravljanja. Određivanje ciljeva dok se određuju glavni pravci, to vodi upravljanju." Realizacija korporativnih ciljeva u preduzeću "Zagorka" AD može se postići kroz strateške pristupe, sa aktivnostima u različitim pravcima.

Ključne reči: strategije, konkurencija, korporativni ciljevi, industrija piva, Strateški pristupi.