



MAKING CASE-CRACKING GREAT AGAIN



CBS
CASE
COMPETITION



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BSc in International Business BSc in Economics & Business Administration BSc in International Business BSc in Economics & Business Administration

By providing a **customizable digital sales tool** to on-trade clients, Carlsberg can meet the **new consumer preferences** and **drive revenue growth**



Shifts in consumer preferences...

...create not only challenges, but also opportunities...

...leading to a fundamental question...

...that is answered with a customizable digital sales tool

Situation

- Carlsberg has experienced stagnant growth in their main region, Europe
- Main reason is the changing consumer preferences

New Consumer Preferences

- Consumers increasingly seek products with a premium feel
- Consumers increasingly prefer Craft & Specialty brews
- Experiences are highly valued

Question

- Carlsberg has a broad portfolio of Craft & Specialty brews with premium feel, **but the main question is how to push it through on-trade channels to supply end-consumers and create unique experiences that would lead off-trade sales, hereby increasing revenues with at least 5% by 2022 in line with the SAIL '22 strategy**

Answer

- Carlsberg needs to provide an innovative service, the Jacobsen Beer Tailor, that employ tailored methods to create perfect beer portfolios for on-trade clients



Implications of the customizable digital sales tool...

- Push Craft & Specialty portfolio** through on-trade to meet demand from end-consumers
- Create unique experiences that increase demand from end-consumers of Craft & Specialty beers** that is met by both on-trade and off-trade channels
- Increase digitalization and allows for unique data-collection** on on-trade and consumer insights

Causing...

- Defend market share
- Improve brand by differentiation
- Greater consumer insight through disruption

...that will drive revenue growth



5.71%
REVENUE
GROWTH

Executive Summary

MAKING CASE-CRACKING
GREAT AGAIN



In recent years, European sales of Carlsberg's 'Core Beers'-category have stagnated due to changing consumer preferences



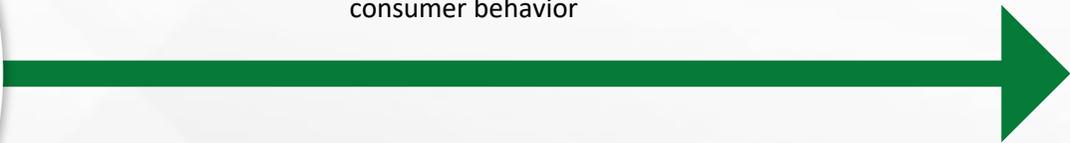
1%

volume growth across western European markets due to changing consumer behavior



There is a surge in demand for premium craft and specialty beers

+29%
Volume Growth in 2017




-983

million fewer liters of core lager brands sold in Germany between 2010 and 2015


-363

million fewer liters of core lager brands sold in UK between 2010 and 2015


-197

million fewer liters of core lager brands sold in France between 2010 and 2015


-108

million fewer liters of core lager brands sold in Italy between 2010 and 2015



Customers seek superior experiences in on-trade fitted to the specific needs

- Cees 'T Hart

Sources:
• Case Material, p. 32



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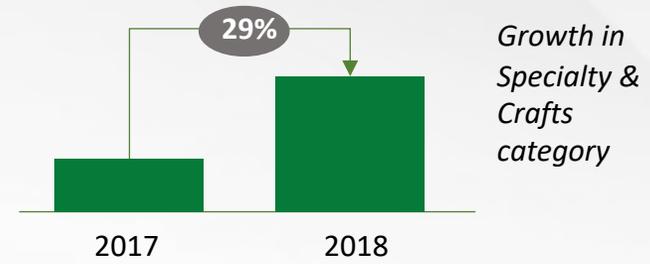
European consumers increasingly demand more **premium, specialty, and healthier products**



Consumer Trends



Consumers increasingly seek premiumized experience when consuming beer

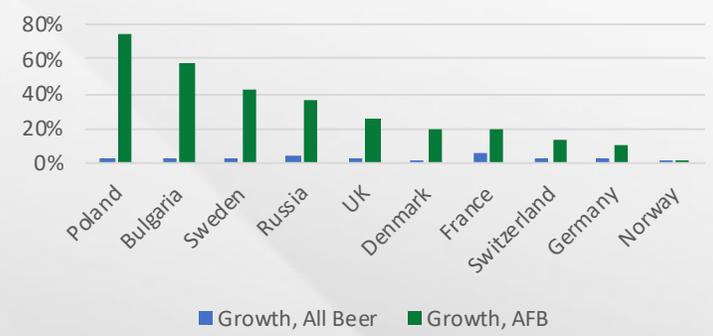


Consumers increasingly prioritize craft and specialty beer over well-known mainstream products

” ... speciality portfolio had another year of strong growth, supported by 1664 Blanc, which grew 49%, and Grimbergen, which grew by 14%. ”



Global health and wellness trend is on the rise, thus customers are demanding healthier products



Implications

- Companies supplying consumers with a premium feel can reap higher margins
 - Carlsberg initiated the revitalization and premiumization strategy of core brands
 - Carlsberg also increased strategic focus on craft and specialty beers
-
- It will become increasingly harder for companies to stay profitable without investing in specialization of portfolio
-
- Companies who are able to successfully deliver healthier AFB's has an opportunity to capture market share in a rapidly growing market

Sources:
• Case Material, p. 35,36



Within on-trade channels **customers increasingly value superior experiences** and a feeling of customization

As consumers demand for customized experiences increase...



- Atmosphere at the place
- Experience of going out



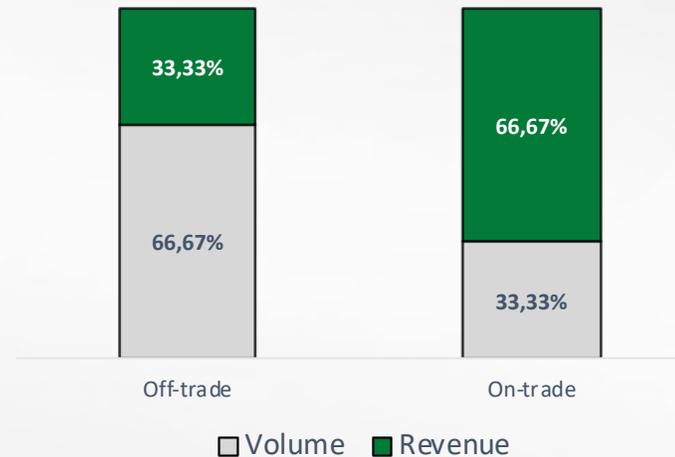
- Feeling of a draught beer being served
- A choice of potentially exotic beers



- Extra service breweries provide to on-trade customers

.... and it generating a better revenue compared to off-trade channels...

Sales channels - Western European



... the on-trade channels in Europe has become more attractive

“The on-trade channel is changing in Europe, with dry-led outlets... overtaking classic wet-led outlets... as prime places for brand building. While the off-trade channel... is expected to consolidate even further, leading to higher pressure on pricing.”

- Anders Bering, VP of Corporate Affairs



“Winning in on-trade has always been about superior experience for the customer and consumer, the big challenges is how to give them just that” - Cees ‘T Hart, CEO Carlsberg Group

Sources:
• Case Material,
p. 12, 13



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Carlsberg has to push its **Craft & Specialty beer portfolio** further by linking it to **superior experiences** through **on-trade sales channels**



Due to stagnating growth in Core Beers, and changing consumer preferences, Carlsberg has to pull more consumers to its Craft & Specialty portfolio...

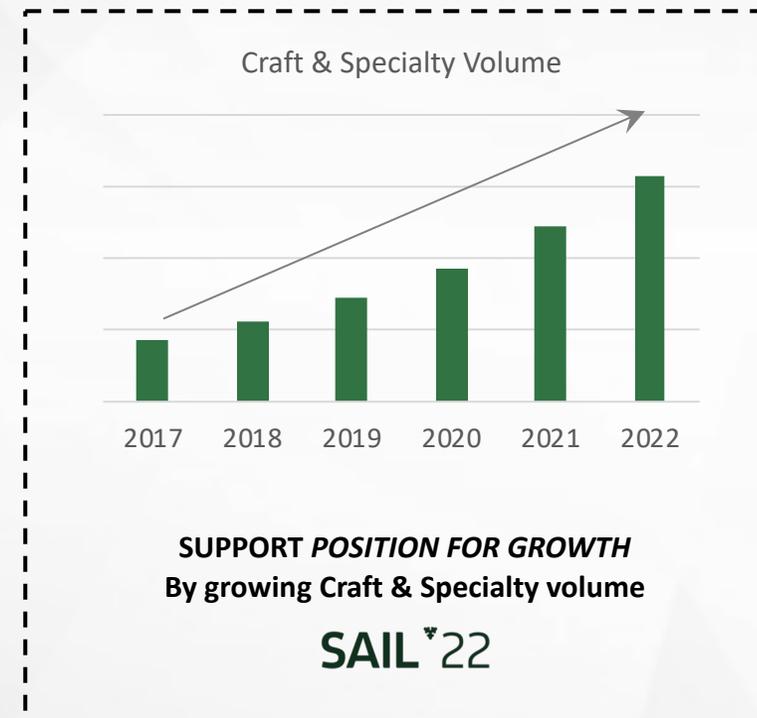
...by creating unique experiences through on-trade channels, hereby increasing both on-trade and off-trade sales and margins...

In order to do so, Carlsberg will have to incentivize on-trade channels to carry more Craft & Specialty beers and that together with Carlsberg initiatives create superior beer experiences



” *It is in on-trade where consumers will meet new innovations, where they will taste new products before they will buy them in the off-trade* ”

- Cees 'T Hart, CEO



SUPPORT POSITION FOR GROWTH
By growing Craft & Specialty volume

SAIL '22

Sources:
• Case Material, p. 48,

Analysis	Initiatives	Implementation	Impact
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MAKING CASE-CRACKING GREAT AGAIN



By launching an intelligent digital solution, **the Jacobsen Beer Tailor**, for on-trade clients, Carlsberg can push its craft and specialty portfolio to meet the new consumer preferences

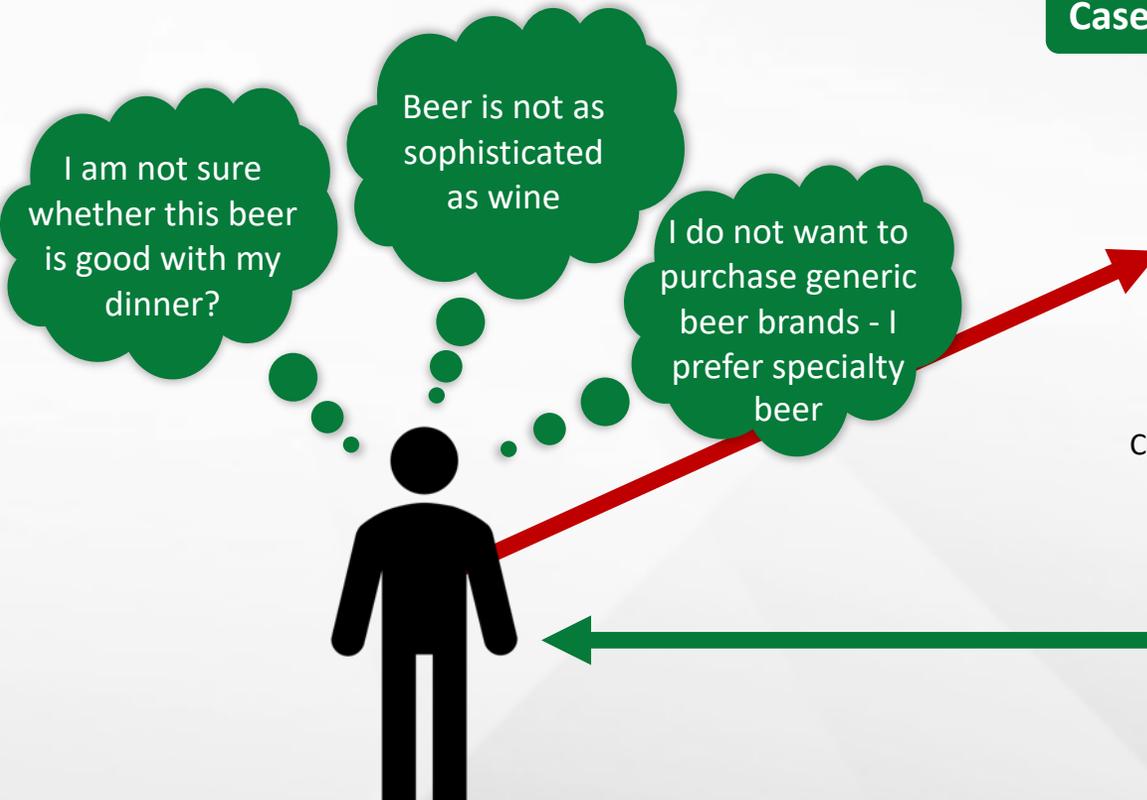


Experience-seeking end-consumers prefer a unique beer experience, but usually have limited options at on-trade sellers

On-trade sellers often offer a narrow range of beers and have little incentive to match their food with beer or learn about Carlsberg's extensive product portfolio

Through a digital solution that tailor beer pallets, Carlsberg can simplify their portfolio and incentivize on-trade clients to add more Craft & Specialty beers

Case: Restaurant Spuntino



Sources:



The digital solution combine **specific characteristics** from client questionnaire inputs with historical customer data and insights from **gastronomy experts** to tailor the **perfect beer portfolio** to the on-trade clients



	ENTERING THE JBT	CREATING A TASTE PROFILE	THE TAILORED TASTE PALLET	CONVENIENT PERIODICAL SYSTEM
VISUALIZATION				
DESCRIPTION	The on-trade client log into its profile at the respective geographical Carlsberg webshop	The on-trade client creates a taste-profile by entering specific characteristics appropriate to its industry type (e.g. restaurant or bar)	Jacobsen Beer Tailor processes the characteristics of the on-trade client and propose a tailored taste pallet according to customer data and insights from gastronomy experts	By the end of each period (e.g. month), the on-trade seller is able to re-order their tailored taste pallet, change their taste-profile or taste pallet, and get information on new trends that match their taste profile
EXAMPLE	COFOCO logs into their profile at CarlsbergOnline	COFOCO has more restaurants and will enter characteristics like the following, but not excluded to, for each to create their taste-profiles: <ul style="list-style-type: none"> • Main dishes on the menu • Target atmosphere <ul style="list-style-type: none"> • Price level • Location 	COFOCO will obtain its tailored taste pallets, which will contain at least one Craft & Specialty beer in each. However, COFOCO do still have the possibility of adding or removing beers	By the end of each restocking period, COFOCO is able to re-order their tailored taste pallets, change their taste-profiles or taste pallets, and get information on new trends or beers that match their taste profiles

Sources:
 • www.carlsbergonline.dk



Jacobsen Beer Tailor could supply significant benefits that support the **SAIL '22** growth strategy, for example by increasing **Craft & Specialty sales**, allowing for **unique data-collection**, and support a **digital mindset**



SAIL '22

IMPLICATIONS OF JBT

MAIN IMPLICATIONS

POSSIBLE FUTURE IMPLICATIONS

SAIL'22 GOALS IMPACTED



POSITION FOR GROWTH

- Incentives created by Jacobsen Beer Tailor will **push Craft & Specialty portfolio** through on-trade to meet demand from end-consumers
- The collaborative nature of Jacobsen Beer Tailor with on-trade clients will **create unique experiences that increase demand from end-consumers of Craft & Specialty beers** that is met by both on-trade and off-trade channels

- Potential to use Jacobsen Beer Tailor to push **AFB portfolio**
- Potential to use similar technology on the **Asian region**



EXCEL IN EXECUTION

- The digital nature of Jacobsen Beer Tailor **increase digitalization** and **allows for unique data-collection** on on-trade and consumer insights
- Jacobsen Beer Tailor's potential to directly propose beers of interest to on-trade clients **simplifies the communication of Carlsberg complex portfolio**

- **Big data** allows for greater analysis and forecasting of consumer preferences and trends, hereby improving **value management**
- **IoT** potential



STRENGTHEN THE CORE

- **Support the digital mindset** by utilizing a digital platform to incentives sales and understand consumer preferences

Sources:
 • Carlsberg Group, Annual Report 2017



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The Jacobsen Beer Tailor pilot will focus on the **Danish market** and the **segment of quality restaurants and bars**

Projected stable beer volume

Strong brand in Denmark

Exceptional knowhow



Criteria for implementing the JBT in specific restaurants

Acknowledged restaurants and bars with a high volume

➔ To ensure that a possible failure is not due to a lack of demand for the restaurants' services

Appropriate mix of restaurants and bars with different menus, concepts and geographic location

➔ To ensure creation of different taste profiles

Medium to high-end restaurants and bars

➔ These on-trade sellers are more likely to care about creating value for the consumers through service and solid food/beverage portfolio as they rely on quality experience

Pilot test for 10 weeks to test proof of concept

Feedback on concept

1

2019

Expansion to Western Europe with focus on Germany, Italy and UK

Increase in awareness

2

2020

Partnership with restaurants and bars in Eastern Europe

Larger markets

3

2021

Sources:

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To onboard current and new on-trade clients, an **elaborate marketing campaign** is proposed in order to **incentivise** these on-trade clients

Carlsberg will **REACH** on-trade clients via direct contact, SoMe and events...

... in order to express end-consumer demands and **ENGAGE** the on-trade clients by communicate incentives, and finally...

... through a customized beer selection, selected marketing material and co-branding strategies, **ACTIVATE** on-trade clients

Current on-trade clients

Reach current 15,000 on-trade clients and key accounts in Denmark by...

- ✓ direct contact through **e-mail** and **phone**
- ✓ **social media**

Potential new on-trade clients

Reach new on-trade clients in Europe by...

- ✓ **social media**
- ✓ **industry events**
- ✓ **trade-shows**
- ✓ **word-of-mouth**



Tailored portfolio grants easier overview of complex portfolio and unique combination of products for individual seller



Shared data will help clients stay updated on trends and explore consumption patterns



Convenient reorder system allowing clients to easily reorder tailored portfolio



Economic benefits as a more specialized product can justify higher margins



Co-branding will help clients brand their own tailored portfolio with Carlsberg

*Personalized **training** of on-trade channels to provide great service*

*Deliver **marketing material**, such as personalized beer cards (menu cards for beer)*

***Co-branding** strategies for on-trade channels to end-consumers*

Next slide

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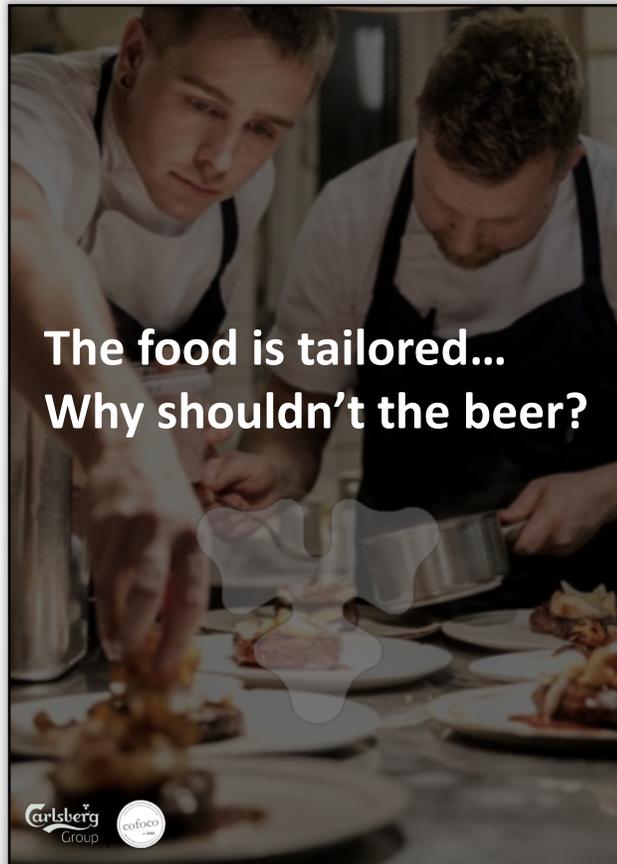
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In order to create **awareness** and **educate** end-consumers about the new tailored taste pallets and the way to **enhance the dining experience**, a **co-branding campaign** will be created



STATIC CONTENT

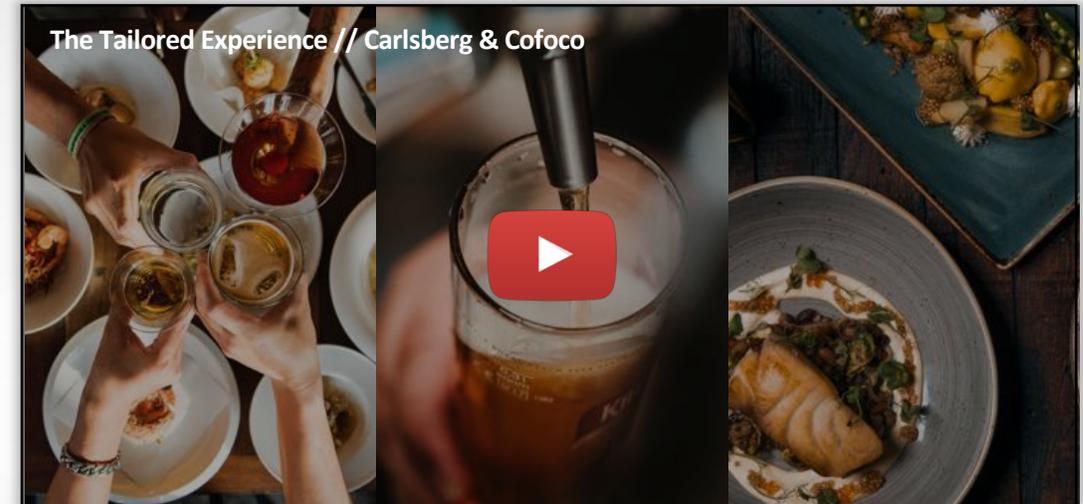


The aesthetic approach will associate Carlsberg's Craft & Speciality beers with greater quality and experiences

Format

- Static content
- Online and outdoor banners, print-media advertisement, and the like

MULTIMEDIA CONTENT



Creative use of multimedia create awareness and educate the end-consumers about the new tailored taste pallets

Format

- 2-3 minute promotional spot displaying Cofoco restaurants and their experience with the JBT and their tailored beer pallet

Sources:

- www.cofoco.dk

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By successful implementation of Jacobsen Beer Tailor, Carlsberg will increase sales by **5.71%** in Europe by 2022

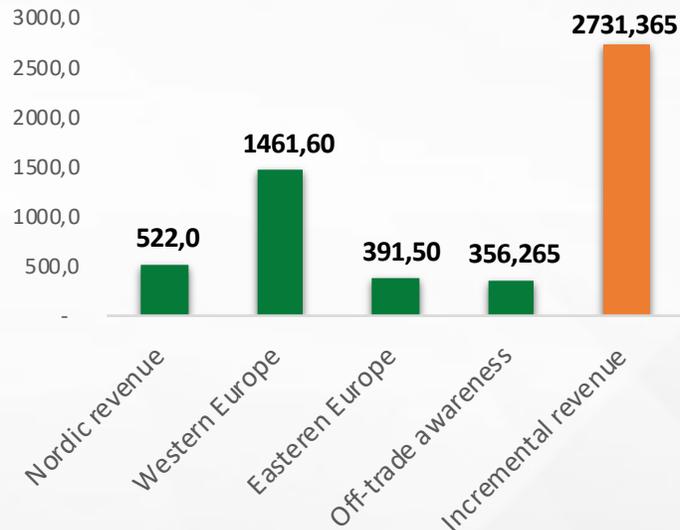


By implementing the JBT, the Carlsberg brand will increase by 5.71% in Europe...

... while creating a profitable business model through on-trade channels within three years...

... hereby strengthening the business through new revenue drivers

Total contribution to incremental revenue in 2021E (DKK m)



DKK 35,000,000

NPV

35 MDKK in NPV for the period of '18 to '21 based on the implementation of the proposed strategy (estimated WACC of 4.6%).

In three years, Carlsberg's revenue will be driven by:

- ✓ **Defending** market share through increased supply and demand of Crafts & Specialty beers
- ✓ Improved brand by **differentiation** through creation of premium end-consumer experiences
- ✓ Greater consumer insight due to the **disruptive** nature of Jacobsen Beer Tailor

Key assumptions:



- Margin for future sales and normal cost is based on margin for 2018

Cost drivers:



- Continuous development of platform account for 16.8 mDKK per market per year
- Operating cost is 3.4 mDKK per market per year

Expected exposure:



- Expected conversion rate in 2019 is 15% with 5% YOY growth over 3 years

Sources:

- Carlsberg Group, Annual Report 2017

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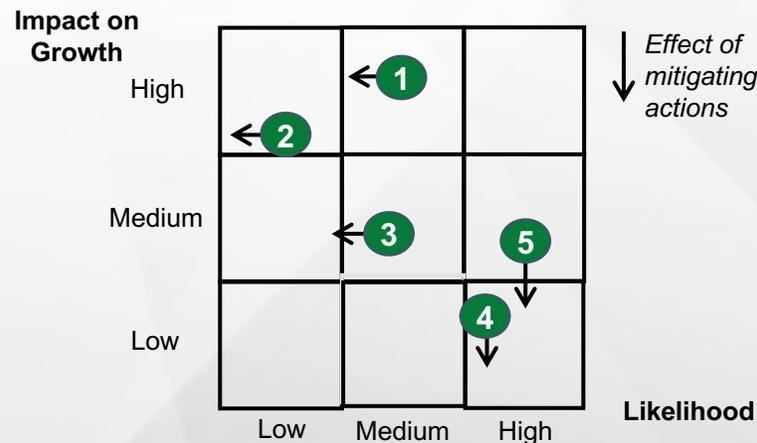


Employing a risk mitigating implementation strategy will **improve the upside potential** of the Jacobsen Beer Tailor



		2019	2020	2021	
Implementation	Development	Development of platform			
		Intelligent and Predictive Product Selection System			
	Testing	Pilot testing of platform In DK and then Scandinavia			
	Launch	Marketing Rollout	NORDIC LAUNCH	WESTERN EUROPE LAUNCH	EASTERN EUROPE LAUNCH
		Launch of platform			
Ongoing Improvements	Data collection and platform improvements				
		ONGOING IMPLEMENTATION OF CUSTOMER FEEDBACK AND DATA HARVEST			

Risk mapping



Risk

- End-customer willingness to substitute e.g. wine for beer
- Insufficient incentives for on-trade clients
- Scalability problems
- Technological flaws
- Competitors Imitate Strategy

Mitigating actions

- ✓ Extensive marketing efforts and co-branding with on-trade clients to communicate effectively the key features and advantages
- ✓ Communicate effectively the key incentives and advantages
- ✓ Provide online tutorials and training for use of the new platform
- ✓ Use pilot and launch markets to standardize and streamline processes
- ✓ Utilize collected data to pursue mass customization when possible
- ✓ Focus on quick feedback from pilot project
- ✓ Constant monitoring and iterations based user data and feedback
- ✓ Fast expansion and rollout (first-mover advantage)
- ✓ Establishing key partnerships in core markets

Analysis

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We recommend Carlsberg to **drive revenue growth** by utilizing a customizable digital sales tool



The main question...

...was decomposed into three complications...

...and solved by a customizable digital sales tool, supported by elaborate marketing activities

Stagnating sales of Core Beers



Stagnating sales of Core Beers pressure reliance on volume

Changing taste trend



Changing taste trend forces Carlsberg to push Craft & Specialty beers

Changing value generators



Consumer's increasing focus on experience forces Carlsberg to increase volume through the on-trade channel

Objective

How to push Carlsberg's Craft & Specialty portfolio through on-trade channels to supply end-consumers and create unique experiences that would lead sales, hereby increasing revenues with at least 5% by 2022 in line with the SAIL '22 strategy



SAIL'22 GOALS IMPACTED



POSITION FOR GROWTH

- Push Craft & Specialty portfolio
- Create unique experiences that increase demand from end-consumers of Craft & Specialty beers



EXCEL IN EXECUTION

- Increase digitalization and allows for unique data-collection
- Simplifies the communication of Carlsberg complex portfolio



STRENGTHEN THE CORE

- Support the digital mindset

Summary

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