

Achieving High Performance in Alcoholic Beverages

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Rigorous portfolio management, exceptionally efficient distribution and a commitment to continuous brand renovation distinguish the high performers in alcoholic beverages. In the future, the operational excellence that enables them to scale these strengths so successfully, especially in high-potential emerging markets, will be more important than ever.

The Future Outlook

Over the next five years, growth in both beer and spirits is expected to decelerate dramatically in Europe, slow significantly in other developed markets—and soar in Asia Pacific, Latin America, the Middle East and Africa. Players that can overcome the great consumer trade down in mature markets by persuading shoppers to pay more for “lighter” alcohol in novel flavors that they can drink at home will be well placed to maximize value. In emerging markets, China, India and Indonesia

offer strong growth opportunities, especially for premium spirits, while Africa's taste for stout is expected to intensify. Incorporating local champions into a portfolio that caters to local needs at both ends of the affordability spectrum will be key to boosting market share. A challenging global economy means that robust cost control, tightly managed product portfolios and highly focused marketing campaigns will be essential in both types of market.

"Accenture High Performance Business Research methodology¹ has been enhanced to take better account of positioning for the future. Our recent analysis of the alcoholic beverages industry, which will be refreshed regularly, covers the period 2011 to 2014."

1. Accenture High Performance Business Research methodology analyzes performance across five metrics: (revenue) growth; longevity (or total return to shareholders over time); profitability (or ROIC); consistency over five years; and positioning for the future (a measure of investors' expectations of the value of future returns). In alcoholic beverages, we analyzed a peer set of 13 publicly held, global companies to identify those that continuously outperformed their industry peers over economic and industry cycles and changes of leadership.



Industry Background

Alcoholic beverages have been through a period of intense consolidation. Spirits, which account for almost half of sector value, are almost as concentrated. As players struggle to digest recent acquisitions, the quest for operational excellence has assumed special significance.

In developed markets, cost-conscious consumers continue to stay home—with adverse consequences for both premium sales, especially spirits, and the profitable on-trade distribution channel. Mounting taxes on alcohol pose an additional threat to the

industry. In emerging markets, however, despite some shift toward local beverages and away from relatively expensive imports, premium sales (especially of whiskey) have remained buoyant. And increasingly affluent middle-class consumers continue to drive organic growth opportunities.



The High Performers

Against this background, high performers have been able to consistently increase revenues while maintaining strong profitability over a five-year period. They have also delivered higher returns on invested capital over both three and five years—a reflection of their higher levels of capital efficiency.

The Building Blocks of High Performance

These high performing companies owe their success to the mastery of three building blocks (Figure 1).

Market Focus & Position

The high performers have achieved strategic market leadership through a process of rigorous portfolio management that focuses on winning in both high-value developed markets and high-potential emerging markets, as well as in both premium and economy categories. They support

this process—and fill strategic gaps in their portfolios—with a strategy of selective local acquisitions.

Distinctive Capabilities

• Brand Renovation

Changes in consumer lifestyles—more health and weight consciousness coupled with a sweeter tooth, and the shift from on-trade to off-trade—make continual brand innovation critically important in this industry. And high performers are masters of the art. They renew their brands regularly, leveraging sophisticated analytics to keep track of evolving behavioral trends. Once new brand variations have been tested, they ensure a consistent consumer experience across marketing channels—with particular emphasis on digital and social networks.

• Route to Consumer

This is an especially important capability in an industry where the disparate nature of on-premise distribution results in such high

fixed costs. The post-recession shift to off-premise and especially mass retail has posed distribution challenges that no player has yet mastered. However, the high performers use a complex web of partnerships and distribution relationships to maximize scale—and manage complexity by combining sophisticated outlet segmentation with powerful cross-functional commercial processes to drive superior execution. Their robust sales and operations planning processes chart a route to market that supports rapid-response supply chains. And they invest heavily in trade spend optimization, matching distribution and promotions by aligning customer- and consumer-oriented segmentation.

• **Leveraging Scale**

High performers owe their outstanding economic profitability not only to critical mass within markets, but also to their ability to realize the

cost benefits associated with economies of scale. Thanks to operating models characterized by globally integrated and streamlined processes, they can cope successfully with the implications of divergent growth trends between mature and emerging markets by pursuing distinct strategies—managing “for value” in mature markets and “for growth” in emerging markets.

Performance Anatomy

By fully aligning their human resource and business strategies the high performers have developed organizations flexible enough to absorb acquisitions swiftly and created cultures that embrace change. Their workforce planning approach consistently recognizes outstanding performance, individual initiative and teamwork. They measure what matters and reward results. Job rotation and training programs ensure the development of skills appropriate to evolving needs.

Are You Ready for High Performance?

Intrigued? Accenture has worked collaboratively with the leading players in Consumer Goods and Services for decades, leveraging an unmatched combination of research-driven insights, experience and skills to help them achieve high performance. For more information about how Accenture can help your company achieve high performance, book a visit to one of our Customer Innovation Centres or contact us directly to begin your journey to high performance.

Figure 1. Three building blocks for high-performance businesses in alcoholic beverages.



About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 215,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com

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