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**Pharmaceutical
Management and
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SEMINAR N° 3: ANALYSIS OF THE COMPETITIVE ENVIRONMENT

OBJECTIVES:

The objectives of this seminar are to familiarize students with the tools used in competitive environment analysis, evaluate the various items, and establish a diagnosis for the sector.

With the information supplied, we will determine the competitive forces in the environment according to Porter and establish a diagnosis for the Spanish brewing sector.

- 1 This sector is currently made up of six groups: Mahou-San Miguel (MSM), Heineken Spain
- 2 (Heineken), Damm (Damm), Hijos de Rivera (HR), the Compañía Cervecerera de Canarias
- 3 (CCC) and La Zaragozana, which together produce 99.83% of all Spanish beer.
- 4 Since the 2008 economic recession, the sector has been relatively stagnant, and lower
- 5 consumption has significantly affected production levels.
- 6 Beer consumption habits have changed, possibly due to the introduction of measures such as
- 7 the driving license points system and higher beer prices in restaurants, which have restricted
- 8 the consumption of alcoholic beverages.
- 9 The sector is characterized by productive structures with high fixed and maintenance costs.
- 10 Sizable investments are also needed to start up the activity. MSM, for example, implemented
- 11 a novel production process that aimed to limit the contact of beer with oxygen (which reduces
- 12 its useful life). This enabled the company to stretch the preferential consumption date by 30%,
- 13 improved the management of stocks, and had a significant impact on the cost of the product.
- 14 With regard to starting up the activity, there are governmental and administrative limitations,
- 15 since a great deal of drinking water is needed to produce the beer and clean the facilities, not
- 16 to mention the waste generated in the process.
- 17 Distribution in the Horeca (hotel, restoration and catering) channel is carried out through
- 18 concessionaires, whereby the brewer assigns each distributor a territory in which to distribute
- 19 and sell its products but does not fix prices. In the food channel (large chains, hypermarkets,
- 20 supermarkets, etc.), distribution is done through logistics services. Beer is a poorly
- 21 differentiated product, while these distributors are large and have both a high volume of
- 22 purchases and a low cost of change. The food channel represents 30% of sales in the Spanish
- 23 brewing sector.
- 24 The main substitute products for beer are wine, soft drinks, bottled water and juices. Wine has
- 25 a higher degree of alcohol and a higher price. Soft drinks, water and juices are priced
- 26 similarly to beer but distribution channels vary by geographical area.

27 There are several types of suppliers in the Spanish brewing industry. Suppliers of packaging
28 (bottles, cans, barrels and packages) have a high bargaining power because there are few of
29 them.
30 The raw materials used in the production process are malt, hops, water and energy. The hops
31 grown in Spain are processed by the Spanish Hops Promotion Company, **owned** by the
32 Spanish brewing sector. The prices of raw materials such as water and energy are regulated,
33 so the bargaining power of companies in the brewing sector is practically zero.
34 Suppliers of transportation belong to a highly atomized sector made up of roughly 184,000
35 companies, most of which are SMEs. Suppliers of storage, on the other hand, belong to a
36 sector in which 175 companies operate, ten of which make up 53.2% of the market.

INSTRUCTIONS FOR THIS SEMINAR

- Analyze each force of the competitive environment as explained in class.
- Refer each statement to the number of the line on which it appears and record your results in a table, showing your comments, the text that supports them, and the line number on which this text appears.
- Value each comment positively or negatively from the perspective of companies in the sector.
- When you finish, provide an overall assessment of the attractiveness of the sector for an external investor who is considering entering it.
- Upload your report to Moodle before the specified date in a Word or pdf file.