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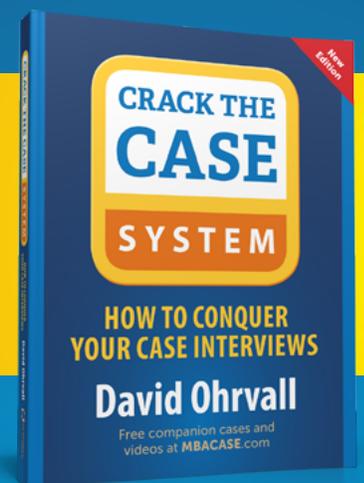
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CASE **506**

*E&M Brothers  
Beer*

**David Ohrvall**

FOUNDER OF [MBACASE.COM](http://MBACASE.COM)



**CRACK THE  
CASE**  
SYSTEM

## E&M Brothers Beer

Beijing, China

With growth in parent market (US) stagnating, company is looking at emerging markets to deliver the numbers.

**506**  
MINI  
★★★

**BEIJING, CHINA  
CITY FACTS**

- ▶ Capital of China, also known as Peking
- ▶ One of China's most developed cities, with its industry accounting for 73.2% of GDP
- ▶ Recognized as China's entrepreneurial center; the city is home to numerous venture capital firms



**TRAIN Profile**

Type	Region	Analysis	Industry	Number
	<p>BEIJING, CHINA Population: 22M Currency: Chinese Yuan, CNY</p>	<p>Merge, Acquire, Joint-venture</p>	<p>Beverages</p>	

**Solo Practice with Video Assist**

1. Find your videos
2. Set up
3. Listen to question
4. Recap
5. Create your plan
6. Present your plan
7. Stop and study
8. Reinforce



20 minutes

**Partner Practice**

1. Set up
2. Present the case question
3. Recap
4. Create your plan
5. Present your plan
6. Stop and study
7. Reinforce

## Interview Guide

### Initial Question

E&M Brothers Beer is a global beer conglomerate with a strong presence in the US and other developed markets. They are building market share in various developing markets across the globe. Their sales in the US are flat and management is under pressure from the Board of Directors to deliver a solid growth plan. To deliver the numbers, E&M Brothers Beer management is looking at emerging markets, specifically China.

**How would you help them build their growth strategy?**

## Feedback

Physical Skills	Weak	Strong
Body Language	①	② ③
Verbal	①	② ③
Listening	①	② ③
Thinking Skills		
Initial Plan & Output	①	② ③
Data Gathering	①	② ③
Data Analysis	①	② ③
Basic Business Intuition	①	② ③
Integration	①	② ③
2nd Level Insights	①	② ③
Total Score _____ / 27		

### Intro Facts (Tell the Candidate if Asked)

**Competitors:** There are 4 big beer companies operating in China accounting for 57% of total volume sold. 43% of beer volume is sold by a number of small regional players.

**Market / Landscape:** China is the world's largest beer market in terms of total volume of consumption. The 4 regions of China have different levels of socio-economic development. All the key cities (e.g. Shanghai, Beijing) are in the Eastern Region.

**Company Targets:** E&M likes to see new acquisitions double their market share by 2 yrs. as a result of strong marketing support.

**Price / Volume:** Give the candidate Handout A.

### Key Insights (Do Not Tell the Candidate)

**Per Capita Consumption:** Overall, China has per capita consumption of 21 bottles per person per year, low compared to other markets (Brazil: 45; UK: 100). China's, Eastern Region is the clear consumption leader with per capita of 48.

#### Acquisition Targets:

- Xingfu is the clear market share leader in the Eastern region. (Best choice.)
- Singing in Central and Flakes in the North East have profitable business models and are ripe for acquisition to give E&M access in those regions.
- Acquiring other small players will not add profitability.

### Mid-case Data (Tell Only at Appropriate Time)

**Consumption Occasions:** Give Handout B after discussion of acquisition targets. Ask the candidate for an interpretation. Insight: Need to drive consumption in the Eastern region by targeting new occasions (lunches, early afternoons).

**Expect a precise answer:** Next, ask the candidate to calculate incremental volume share gained by increasing new consumption occasion in Eastern Region. Reasonable assumptions are fine.

**Give clue:** Ask "What are the various ways to quantify the growth opportunity? Can E&M reach its goal of 2x market share for newly acquired companies?"

## Case Flow and Milestones

### 1 Prep and Review

Read all the notes in the Interviewer Guide. Understand when to ask certain questions and when to give data and clues.

### 2 Present Main Question

Take on a personality (friendly, firm or foe). Ask one or two background questions. Present the question. Candidate will take notes, ask for a minute, form a plan and present it.

### 3 Answer & Ask

This is an acquisition and incremental consumption strategy case. Answer initial questions using the Intro Facts. As the candidate explains his plan, ask him how he connects the parts and push for more info.

### 4 Guide Discussion

Give the handout and follow the Mid-case Data tips. After the candidate interprets the data, give the clue. This clue should trigger a discussion of whether E&M can reach its targets in Eastern China.

### 5 Get Recommendation

The best recommendation is to acquire stake in Xingfu. It's strong presence in the Eastern Region can be leveraged by E&M to drive more consumption occasions like lunches and early afternoons.

GIVE CLUE

## Interviewer's Data Guide

### Step 1 – Determine where E&M is most likely to grow and how. Look at Handout A.

- Driving up consumption would point E&M to the east.
- Eastern consumers are heavier beer drinkers and are likely open to new ideas of how to consume more.

### Step 2 – Calculate reasonable growth in consumption. Look at Handout B.

- Use Germany's consumption for occasions as a benchmark.
- If Eastern China continues to develop more Western consumption habits, lunch and early afternoon shares could double.
- Double the consumption in these two areas to approximately 12%, which is still below the Germany number.
- This increase in occasion consumption would imply a net increase of 13% in total beer consumption in Eastern China.

Occasion	Eastern China	New Goal	Net Change	Germany
Lunches	5%	12%	7%	14%
Early Afternoon	6%	12%	6%	21%
			13%	

### Step 3 – Determine what share of this increasing market (or “pie”) E&M will capture.

- Of this E&M will grab double fair share ( $2 \times 35\% = 70\%$ ) since they are leading the category development initiative.
- Thus E&M will increase its volumes in eastern china by 8.4% of total beer sales (all brands) in eastern china.

Eastern China	Current Share	Net Increase (from Step 2)	Increased Consumption	New Share
Xingfu	35%	$70\% \times 13\% = 9.1\%$	$35 + 9.1 = 44.1$	$44.1 / 113 = 39\%$
Rest of the Market	65%	$30\% \times 13\% = 3.9\%$	$65 + 3.9 = 68.9$	$68.9 / 113 = 61\%$
Total	100%	13%	New basis = 113	100%

## Post Case Review

### Case Insights & Takeaways

- E&M Brothers Beer should acquire China's Eastern Region brand leader, Xingfu, to secure a large share of the market in China's top beer-consuming region.
- E&M could also consider acquiring a stake in a few smaller companies with strong presence in the mid-tier segment (Singsing in central and Flakes in North East). This strategy will give E&M a distribution network throughout China.
- E&M Brothers Beer should leverage the current premium brand in high per capita beer consumption regions of China (Eastern) to trade up consumers and drive more consumption occasions like lunches and early afternoons.

### Math Tips

- Scan and focus on per capita consumption in different countries and across regions of China.
- A quick review shows that the category is significantly more developed in Eastern China.
- Scan the volume and value shares. Story emerges around the strengths of different companies in different regions of China playing across different pricing segments. This data indicates potential acquisition targets.
- To calculate incremental volume share from new consumption occasions, benchmark to a high per-capita market occasions. To extrapolate find probable occasions that are low in China and set new targets using the benchmark market. In this case "lunches" and "early afternoon" were low in China. The new target was to double them to approach Germany's consumption occasions.

### What to Expect with Cases Like These

- For cases based out of emerging markets, it's common to find that the development indices in some regions / cities is significantly higher (equal to some of the best markets globally) than the rest of the country. This will impact growth strategy for those specific cities.
- Present all of your areas and show that you have considered other options. Don't jump to the perceived answer too quickly.

## My Takeaways

To build skills and improve, you must apply what you learned to future cases. Take a few moments and review the interviewer feedback and jot down some key insights about your performance in the space below.

### Thinking Skills

My top 2 strengths are:

My top 2 soft spots are:

To address these problems I'll begin to:

## My Performance During the Case

Add up your points. → Total Score: \_\_\_\_\_ / 15

F	Form A Plan	R	Read My Audience	A	Anchor a Hypothesis	M	Mine for Answers	E	End the Case
points	<ul style="list-style-type: none"> <li>③ Structured, clean</li> <li>② Somewhat organized and logical</li> <li>① Messy, overlapping ideas</li> </ul>	points	<ul style="list-style-type: none"> <li>③ Good back &amp; forth, caught clues</li> <li>② Awkward, trouble with interviewer style</li> <li>① Interviewer not interested, couldn't follow</li> </ul>	points	<ul style="list-style-type: none"> <li>③ Solid hunch, pursued clue</li> <li>② Partial direction</li> <li>① No hypothesis at all</li> </ul>	points	<ul style="list-style-type: none"> <li>③ Specific questions, solid analysis</li> <li>② Missed some questions, some math mistakes</li> <li>① Vague questions, weak math, no linkages</li> </ul>	points	<ul style="list-style-type: none"> <li>③ Used facts and data, connected the dots</li> <li>② Some data, mostly understood connections</li> <li>① No data, no passion, no connections</li> </ul>

**E&M BROTHERS BEER**



**HANDOUT B**

**E&M Brothers Beer**  
Beijing, China

Total China	Vol Share	Val share	Price (Yuan) – Can (355ml)
Xingfu	15%	25%	5
Singsing	13%	22%	3.6
Flakes	18%	20%	3
Yingyang	11%	6%	1.8
Others	43%	27%	1.9
100%	100%		

E&M Beer Bros	Rev (%)	Vol (%)
Argentina	10%	6%
Brazil	34%	47%
China	7%	28%
Russia	14%	9%
UK	18%	5%
United States	17%	6%
	100%	100%

	China Regions				
	China	Eastern	Western	Central	NorthEast
<b>Bottles of Beer Consumption (per capita)</b>	<b>21</b>	<b>48</b>	<b>9</b>	<b>12</b>	<b>9</b>
Vol Share					
Xingfu	15%	35%	7%	8%	2%
Singsing	13%	15%	3%	27%	2%
Flakes	18%	19%	19%	8%	28%
Yingyang	11%	13%	4%	5%	27%
Others	43%	18%	67%	52%	41%
	100%	100%	100%	100%	100%



Occasion	Eastern China	Germany
Lunches	5%	14%
Early Afternoon	6%	21%
Nightcaps	23%	22%
Picnics	8%	17%
Evening Entertainment	58%	26%
	100%	100%

**What beer experts have to say about beer consumption occasions:**

- Lunches**                      Earliest occasion to sensibly drink beer. By this time we have not eaten much and it's best to enjoy a light beer ('session' bitter or lager).
- Early Afternoon**            An early afternoon beer with a snack is a welcome refreshment in the summer (when it will help you to cool down) or winter (to warm you up).
- Nightcaps**                    To relax and send you nodding off.
- Picnics**                        Fruity, crisp chilled beer to compliment picnic food.
- Evening Entertainment**    Beer cocktails to get a party going; luxuriant, darker beers.



**WORKSHEET**

***E&M Brothers Beer***  
Beijing, China



Today's date:

2. Be original with your data

4. Leave ample room for a structure and additional notes as the case progresses



3. Take clean and simple notes

E&M Brothers Beer  
Global beer conglom.  
US / developed mkts.  
Develop markets (WHERE?)

Sales - US are flat  
BOD pressure  
Must deliver #  
Target China (acquis.?)

Help them grow / partner? /  
acquis.?

Rev - no data  
Costs - no data  
Profit - no data  
Goals - growth

How should E&M grow?



Click or scan QR to see video.

Additional Study: For more questions to consider, review Section 13: Roadmaps.