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COOPERS BREWERY: A FAMILY FIRM COMPETING WITH THE BIG BOYS

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Abstract

The Australian brewing sector has been subject to ever-increasing concentration over recent years. Yet one firm, Coopers Brewery of South Australia, has managed to expand its market share in a highly competitive trading environment. This paper considers how Coopers, one of the few family firms 'of stature' in that sector, has succeeded. With fifth-generation family members in charge at the company, Coopers has been able to distinguish itself from its main competitors in the sector, two multinational conglomerates with a combined market share of over 94 per cent. Coupled with investment in production facilities, the case study firm's expansion into new domestic and international markets has proved to be profitable. Part of Coopers' success lies in the niche marketing strategies it has employed – strategies which emphasise the company's unique products and stress their history and traditions. The concept of the extended family is highlighted through the company's approach to its consumers and staff members. Philanthropic activities also enhance the company's reputation in the community at large. In summary, the case provides clear evidence of how one company has been able to draw on its traditions whilst at the same time maintaining its relevance to the market.

Keywords: Brewing, family business, niche marketing, Australia

Track: Case Study

Introduction

From its base in Adelaide, South Australia, Coopers Brewery can lay claim to being one of the few significant players in the brewing industry which is still in family hands. Concentration has been the trend across the Australian brewing industry, yet somehow, Coopers has managed to resist these developments and increase its, albeit small, share of the Australian beer market, whilst at the same time growing its exports. How has it managed to do this? What have been the strategies and tactics employed to achieve this? As this case reveals, much of the credit lies with the marketing techniques that have been employed by the firm. Niche marketing strategies have been implemented, which capitalise on the familial nature of the firm and emphasise the premium nature of its products. Drawing on fieldwork at the company's headquarters and in-depth analysis of secondary data, we show how a fifth-generation family firm has maintained its viability despite the intense competition emanating from its multi-national counterparts.

Industry overview

As an industry, brewing in Australia has been subject to extreme levels of concentration over recent years. Various smaller players have gradually been subsumed into larger entities, such that, at this point in time, two major players exist in the market: the Foster's Group and Lion Nathan. Together, these two firms have a combined beer market share of around 94 per cent with significant holdings in the soft drink market and other alcoholic beverage industries as well. Smaller players, including Coopers, make up the remaining 6 per cent of the Australian beer market. The Foster's Group has a market share of around 50 per cent, with its brands including arguably the most well-known of Australian beer brands, Foster's Lager. Whilst this product is heralded as the firm's flagship brand, and for many non-Australians will be top-of-mind when contemplating the quintessential Australian brew, the accolade of being the most widely-drunk beer in Australia in fact goes to another Foster's Group product, Victoria Bitter. Lion Nathan, with its roots in New Zealand, now has 44 per cent of the Australian beer market, following its recent acquisition of the Tasmanian-based J Boag & Son, which it took over from San Miguel, another international brewing conglomerate. Its so-called 'Power brands' include Toohey's New, XXX Gold and Hahn Premium. Both the Foster's Group and Lion Nathan emphasise their 19th Century beginnings, seeking perhaps to provide consumers with assurances as to their provenance; which is arguably of great importance in food and beverage industries. Yet the fact remains that, in terms of organisational structures, the nature of the products and the technology employed, 21st century brewing bears little resemblance to that of yesteryear.

A brief history of Coopers

When Thomas Cooper arrived in the then-colony of South Australia in 1862, white settlement had occurred only 26 years prior. Despite having trained as a stonemason in his native Yorkshire, Thomas Cooper quickly established himself as a successful brewer, devising Coopers Sparkling Ale and Extra Stout; products which are still made today. Upon his death in 1897, control of the firm passed to four of his sons. Two successive generations continued to develop the company throughout the 20th Century, maintaining the firm's traditional products, whilst introducing new lines such as lagers. By the mid-1990s, it was apparent that expansion in capacity would be needed for the firm to develop. To this end, a new state of the art brewery was designed for the Adelaide suburb of Regency Park. Dr Tim Cooper, a fifth generation member of the family, oversaw the development of the new site and is now Managing Director and Chief Brewer. His cousin, Glenn Cooper, is Chairman, with various other members of the Cooper family occupying seats in the boardroom and within the

company itself. The expansion of the brewery at the new site allowed Coopers to increase production and expand away from its South Australian heartland into the larger markets on Australia's eastern seaboard. Exports have also become more significant, with 35 per cent volume growth between 2006 and 2007. This has been achieved in part through an agreement with the leading British supermarket chain Tesco and also via an arrangement with the Outback Steakhouse Chain to sell beer in their 775 outlets in the USA. However, at 2.6 per cent of total sales, the company's sales in international markets are still a small proportion of their overall business.

With a market share of 3.2 per cent, Coopers could be likened to a proverbial David, with the misfortune of having to face two Goliaths. Indeed, once Coopers sought to expand, it can have come as no surprise that the company would start to attract the attention of one of the bigger players. It fell to Lion Nathan, then, to make the first move, with an AU\$420 million (£182 million) bid for the firm in 2005. Coopers resisted, successfully persuading its shareholders that the future lay in family hands as opposed to those of the multinational. Many of those shareholders are members of the Coopers family and the fact that the firm remains unlisted can only have helped in heading off Lion Nathan's overtures. Nevertheless, the takeover bid was a distraction, making a dent in profits as capital was expended on legal and other advisory costs. On the flipside, sales volumes have continued to grow in most regions of Australia, and the company's constitution has been re-written, thus preventing any future takeovers by large players. In order to understand the considerable effort that has gone into ensuring Coopers' success in recent years, the next section of the paper examines the various niche marketing techniques that the firm has used to maintain and grow its business.

Niche marketing at Coopers

Product considerations

In simple terms, niche marketing can be defined as fulfilling the needs of a tightly-defined market segment (Kotler and Keller 2006). Through its products, Coopers focuses on various niches, but the principal market for its main product group consists of those drinkers aged over 35 for whom product quality is important and price is not a primary consideration. Strategic research has been completed in the last few years to allow the firm to understand where their key markets lie. This has resulted in the following positioning statement:

‘Coopers – a genuinely different beer experience for people who appreciate discovering beer with character.’

Discussion of how Coopers enact the essence of this statement forms the basis of the remainder of this section of the paper.

The beer produced provides one of the key points of difference for Coopers and allows it to market to its various niches. Coopers produce a core range of ales, stouts and lagers which are available bottled and, in most cases, on tap or canned. The firm has concentrated on premium products which can be distinguished from competing brands by the cloudy nature of most of their beverages. The various products are suited to different occasions – the Best Extra Stout, for example, is reportedly a winter drink targeted at stout aficionados, whilst Coopers Regency Draught is suited to outdoor summer events as it is available in cans. As with some other brewers, a range of special limited edition lines is also produced from time-to-time.

In addition to its various beer brands, the firm also has major interests in two other markets: home brew kits and malt extracts. In terms of the former, Coopers has around 80 per cent of

the Australian market, making it by the far the leading producer of kits for the enthusiast who wishes to brew and consume their own beer and, in the process, make a significant cost saving over regular beer. The marketing collateral emphasises the quality nature of the product, and draws parallels with regular Coopers beers by stressing the fact that the same special strain of yeast is used in the homebrew kits and that the products are free from artificial flavours and additives. The company recognises that the market is a declining one, but alongside their other activities, it clearly has the potential to drive business to bottled, canned and tap products. As with the homebrew market, Coopers is the leading Australian player in the other main arm of its business, malt extracts. Malt extracts are used in various food products and the company supplies firms across the world with its range of malt products.

Emphasising tradition whilst maintaining innovation

A great deal of the company's marketing and branding centres on the history and tradition of the firm. This can be seen, for example, in presentation of the firm's history on the website and on marketing collateral such as flyers. Further evidence of this is apparent in the physical design of the products, which have a 'traditional' feel, not least through their labelling, which includes the firm's name in handwritten typescript. This logo is also apparent across other points of contact such as buildings, advertising materials and press releases; and has the benefit of having been long-used and hence recognisable amongst the customer base. The naming of the products supports this strategy – most include the firm's family name as a key element of the product name, contrasting with the firm's major competitors whose acquisitive behaviour has resulted in a wide assortment of product names which are reflective of the various takeovers undertaken over the last few decades. Moreover, all but one of Coopers' regular beers include either 'ale', 'stout', or 'lager' in their names. This gives a further traditional feel to the company's products, especially when compared to competing brands—Heineken, Budweiser and Hahn, for instance—who are increasingly foregoing the actual beer type on the name of their product and in any advertising.

As one of the few family firms which remain in the brewing sector, Coopers readily stress this particular angle to their business. In part this is apparent through the role of the two family members at the top of the business as spokesmen and advocates for the brand. By emphasising the presence within the firm of a continuous line of Coopers from the founder, Thomas Cooper, to the present management team and board, the firm is able to highlight the role of 'family values.' Whilst it may be the case that such values are inherently contestable, it is certainly the case that for many consumers in Australia, especially older ones, who, after all, form the main target market; they are likely to be important. The award in 2006 of a National Family Business of the Year Award had the benefit of bringing external recognition of the company's activities. Members of the family also have various roles on public bodies in Australia, including, for example, Glenn Cooper's chairmanship of the Adelaide Convention and Tourism Authority. Such visibility in the community gives further weight to the firm's claims to be a good corporate citizen.

Despite this emphasis on tradition, Coopers is very much a modern brewing firm, as is apparent in its investment in the new brewery site. With further recent expenditure on the labelling facility, Coopers now have the fastest bottling line in Australia – an impressive 1200 bottles per minute. Given that the environmental impact of corporations is now central to much public discourse, Coopers is also keen to stress its green credentials. In one of the driest states of Australia, water consumption is a contentious topic and to surmount this, Coopers points to the fact that it relies on its own aquifers as opposed to Adelaide's reticulated water supply. Operationally, energy efficiency is promoted, as are the recyclable nature of packaging

and the safe disposal of any waste. At the product level, the company points to the fact that natural ingredients, rather than artificial ones, form the basis of its beers. By setting store by aspects of the brewing process such as these, the consumer is given further reassurance that the company is one that can be trusted – pledges which smaller, family-owned firms are clearly more capable of giving than their larger rivals.

Philanthropy in action

The Coopers Foundation is a vehicle through which the company's philanthropic activities can be channelled. The Foundation invites charitable organisations in Australia to apply to it for monetary support, to a maximum of AU\$30,000 each. Applications are invited quarterly in the areas of medical research and health care, educational development for the young, aged care, and the promotion of family and community support based on Christian values. Whilst some of the Foundation's funding comes from tours of the brewery site, it is also evident that the company is channelling significant amounts of financial support directly to the Foundation. By providing a Foundation Office to oversee the activities, there is a further cost involved for the company in commencing such an undertaking. Nevertheless, such activities are indicative of the company seeking to 'give something back' and are commendable in an era when corporate malfeasance provides for many a primary association with big business.

Promotional levers

Coopers uses various promotional levers to encourage consumers to buy its products and to engender loyalty amongst the target market. Advertising is apparent across a range of media, including television, radio, billboards, print and various others. Common threads in advertising, which is handled by an external agency, include the unique nature of the product and the family concept. A PR agency is used to promote the company through the media and event management and sponsorship. Promotional opportunities have included 'Lagerland' in the southern summer of 2007, which involved specially trained 'Coopers Lager Ambassadors' visiting various public houses in Adelaide providing tasting sessions for consumers. Coopers has also developed a website which consists primarily of informational content on various parts of the company business. Information on the firm's activities is posted there, including, amongst other things, its products, history, activities in the community and details on the firm's businesses from a student perspective. Various beer-related merchandise is available through the company's online store, including branded apparel, barware and stationery items.

The company has also promoted the familial concept through the establishment of a loyalty scheme, named The Coopers Club. Established in 1996, the Club invites potential members to become 'part of the extended Cooper family'. For a relatively low annual fee of AU\$35, members receive beer-related merchandise, a regular club magazine, access to special club nights, a discount on merchandise purchases and other benefits. Through the concept of the broad family group, the stress is also on making the consumer feel that they have a certain amount of 'ownership' of the brand. For the company, product and brand loyalty is potentially enhanced through the establishment of the Club which, it can be surmised, is of most benefit in the South Australian market where brand loyalty is likely to be highest and the company commands almost a quarter of the beer market. The metaphor of the extended family is also relevant in how the company views its staff. With just over 100 employees, the paternal instincts of the firm are apparent in the ways that the company treats its staff, many of whom have been with the firm for decades.

With the move to the new site at Regency Park, Coopers became able to offer brewery tours for the first time. It also invested in a museum to complement them. To be sure, tours of

production facilities are not unheard of in the beer industry, with many companies allowing consumers to view the site where beverages are brewed. However, beer museums, whilst not scarce, provide something over and above the standard brewery tour. The benefits from the marketing of corporate museums such as the Guinness Storehouse in Dublin (Wohlfiel and Whelan 2007) and the Boag's Centre for Beer Lovers in Launceston, Tasmania (Lehman and Byrom 2007) are becoming increasingly recognised. Such sites have the potential for enhancing consumer interaction with a product by, for example, allowing a firm to communicate elements of the brand to its various stakeholders or by providing a site at which consumers can pay 'pilgrimage' to their favourite brands. In the case of Coopers, the actions of a former Chairman, who was careful to preserve various items from the company's past, were important in allowing the firm to display permanently the collection to the general public.

Certainly, with its relatively long history and significant collection, Coopers' AU\$250,000 investment in the museum would appear to be a suitable one, especially when its location is considered. The company's home state still represents a major market for their products, and by locating the museum in that state's capital, easy access for the core brand 'pilgrims' is facilitated. By charging a \$20 tour fee, which, as was discussed above, goes to the Coopers Foundation, the firm not only avoids the unwanted patronage of those whose primary aim is to drink free beer, it also sends a message to its consumer base that it is aiming to be a good corporate citizen, in line with its environmental activities. Other brand 'touchpoints' (Wheeler 2006) are in evidence at Adelaide Airport where the company has opened a bar, 'Alehouse', and a 'General Store' which retails Coopers merchandise. By eschewing more contemporary monikers, the names of these outlets evoke further the traditions of the company.

Conclusions

To summarise, Coopers displays many of the elements of a firm which is successful at serving its niche markets, and competing with industry players much larger than itself. From a strong base in one part of Australia, it has grown to become one of the major second-tier players in a highly concentrated industry sector, brewing, with significant other interests in two further markets, homebrew kits and malt extracts. In order to fulfil its aim of providing 'a genuinely different beer experience for people who appreciate discovering beer with character', various marketing tools have been utilised – the vast majority of which emphasise the traditions inherent in the company. As we have shown here, the company has been adept at communicating this key message using various promotional levers. In essence, the company very cleverly puts over that, whilst it is a family-run firm, that 'family' extends also to include its staff and consumers, especially those that are a member of the firm's own loyalty club. From a corporate governance perspective, it has also been able to draw on the loyalty of its own shareholders, many of whom are family members, to resist the attention of one of its major competitors.

Continued investment at the firm's new brewery, with both a manufacturing and marketing focus, has meant that expansion into new markets has been achievable. The future challenges surely lie in being able to recognise market opportunities, both on a geographic and product level, whilst at the same time providing the continuity of family ownership which has served the firm well to date. Should Coopers manage to achieve this, it may well be a long time before this unique brewer falls victim to one of its larger competitors.

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