

The
Economist

Intelligence
Unit

Canback

MANAGEMENT
CONSULTING
THROUGH
SCIENCE

EIU CANBACK'S EXPERTISE IN ALCOHOLIC BEVERAGES

August 2016

EIU CANBACK
Boston, Massachusetts
www.canback.com
+1-617-399-1300



Introduction to EIU Canback

Perspective on the global alcohol market

Alcohol expertise

Cases studies



EIU Canback is an elite management consulting firm anchored in science, predictive analytics, and consumer market knowledge

We serve clients through five practices: Strategy, M&A Due Diligence, Growth, Operations, and Organizational Performance

We operate globally with the world's largest companies as clients. This has taken us to 80 countries since our founding in 2004

We also offer analytic services with the Canback Global Income Distribution Database (C-GIDD) as our cardinal product

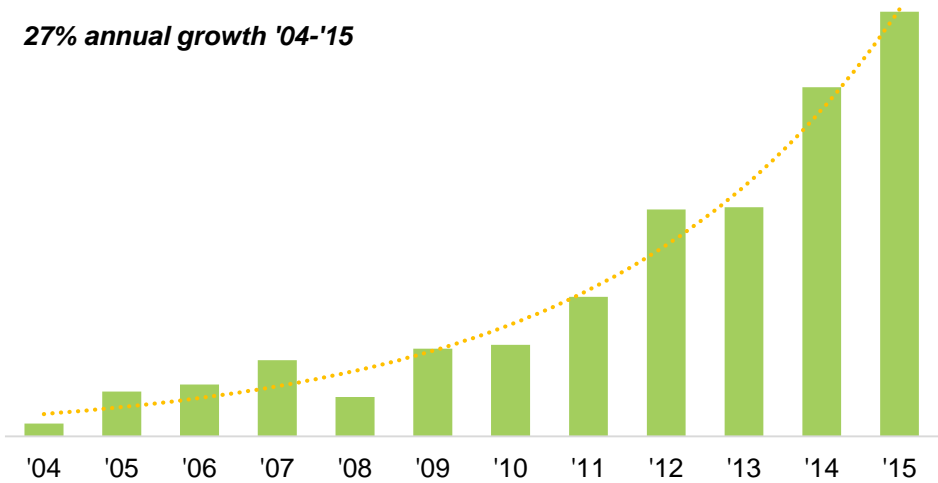
EIU Canback has been a subsidiary of The Economist Group since 2015



Canback is the fastest growing North American management consulting firm and has been for the last decade

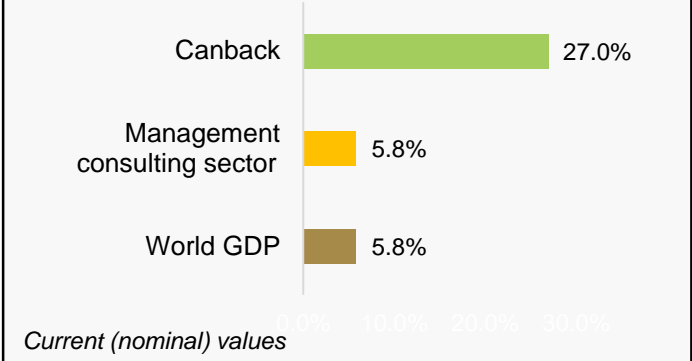
CANBACK REVENUE GROWTH

27% annual growth '04-'15



GLOBAL MANAGEMENT CONSULTING GROWTH

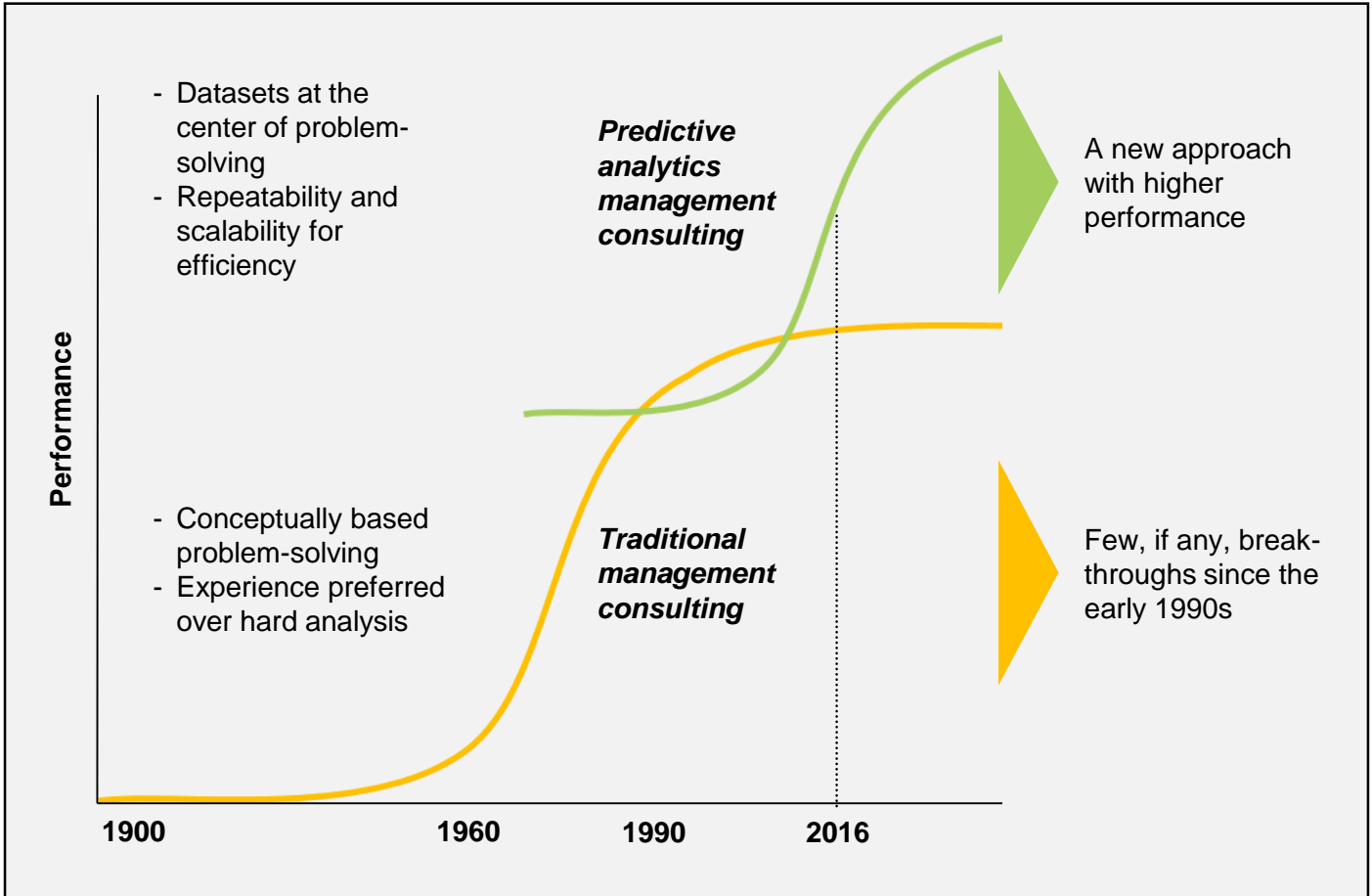
Annual growth '04-'15





The reason for the growth is our focus on management science and predictive analytics, which brings better results to client organizations

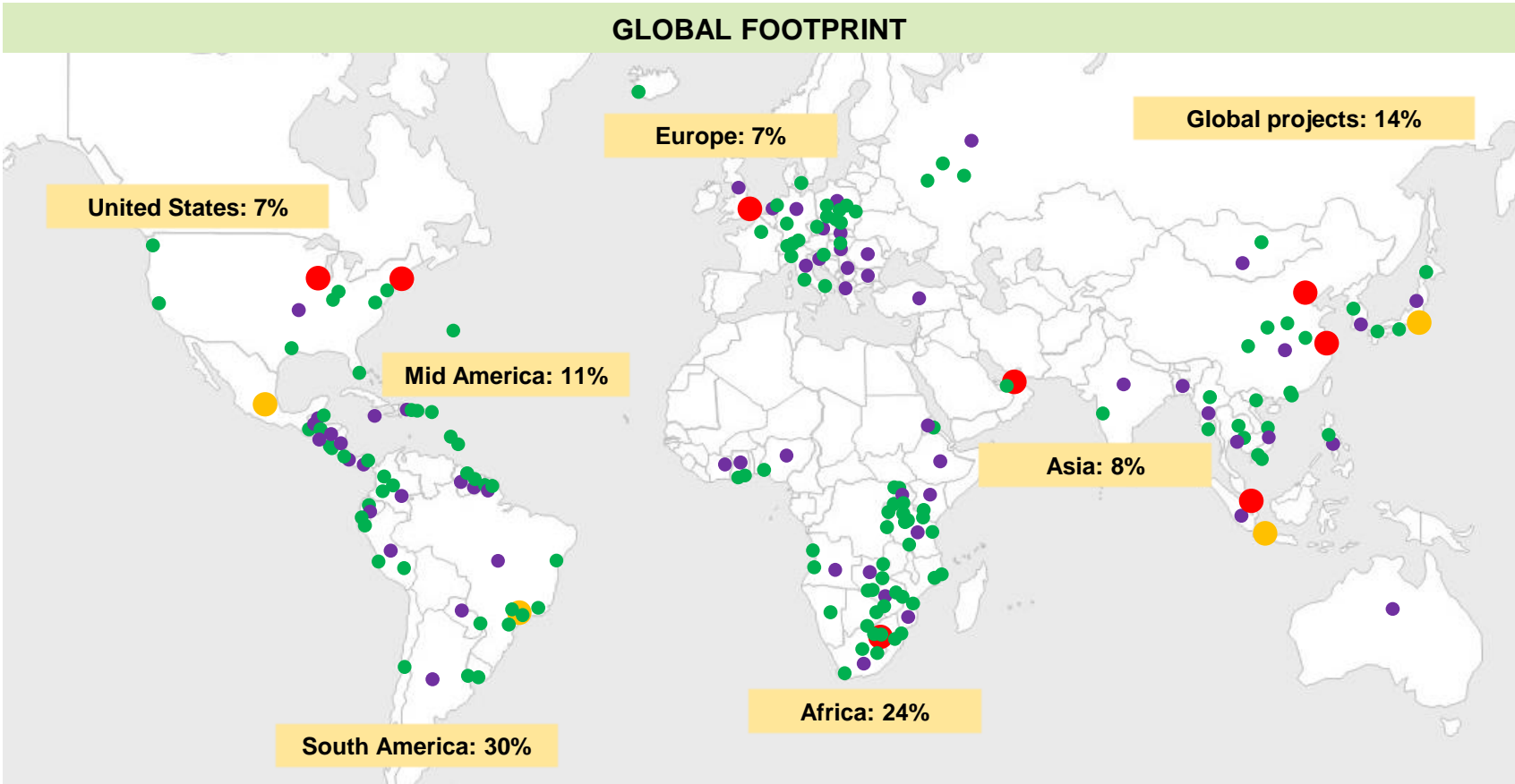
MANAGEMENT CONSULTING INDUSTRY S-CURVE



“The future is already here, it is just unevenly distributed”



Having worked on the ground in 80 countries, we have deep in-market knowledge. This augments the sharply analytical approach with real life observations

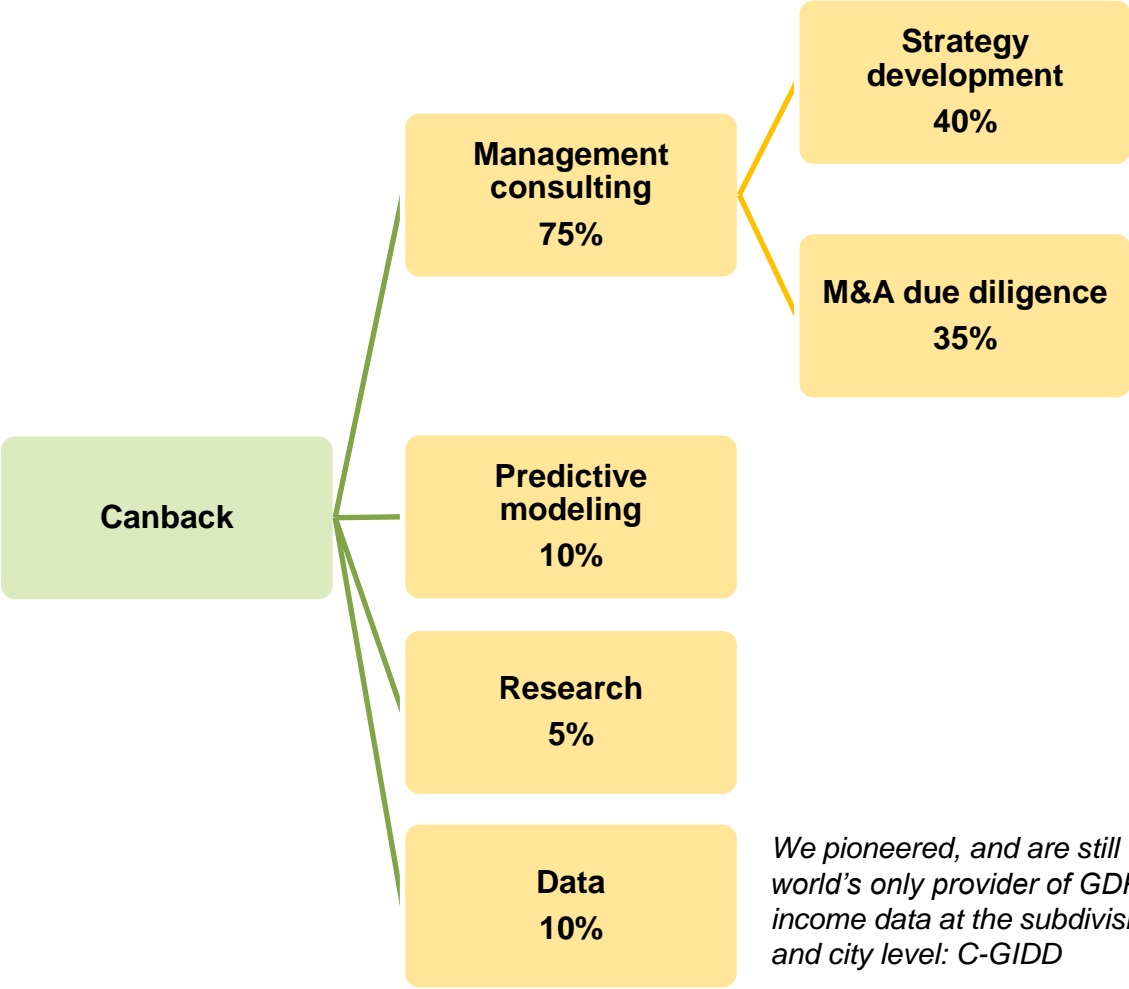


- Core office
- Satellite office
- Country projects
- Consultants work travel





Our focus is management consulting, but we also offer related services. Each service line has predictive analytics based on the scientific method at its core





For each client project, we assess the overarching business question and tailor an approach to deliver a solution

THEME	BUSINESS QUESTION
NEW GEOGRAPHIES	Which markets should be prioritized for a market expansion and what are the factors that determine this prioritization?
EXISTING MARKETS	How can market share be grown by identifying new consumers and new occasions or to win against competitors in existing segments?
FUTURE DEMAND	How can the business create demand projections for its major categories and brands that are robust and reproducible with a transparent methodology?
PORTFOLIO	What is the potential volume and revenue impact of a new brand or line extension?
PRICING	What is the optimal portfolio price architecture needed to obtain revenue and profit targets?
RESOURCE ALLOCATION	How should capital be allocated in capacity expansion efforts and marketing investment decisions



We are often cited in the press, research reports, annual reports, and investor presentations by some of the largest companies and organizations in the world





Introduction to EIU Canback

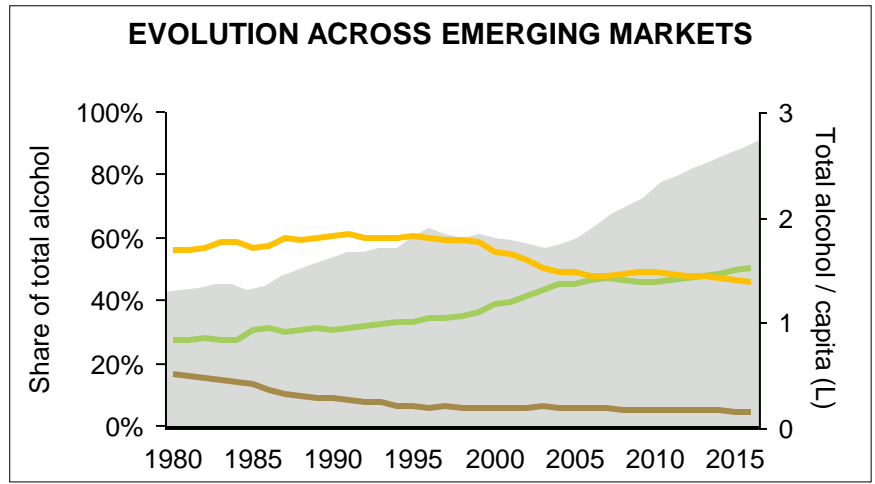
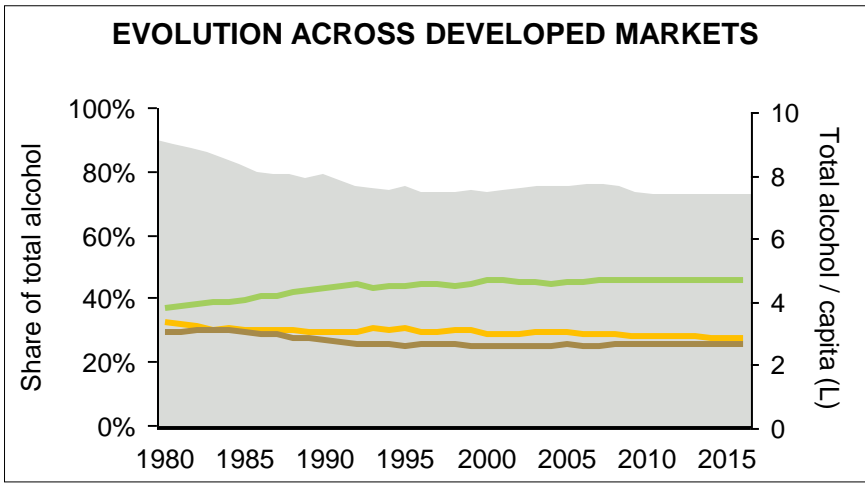
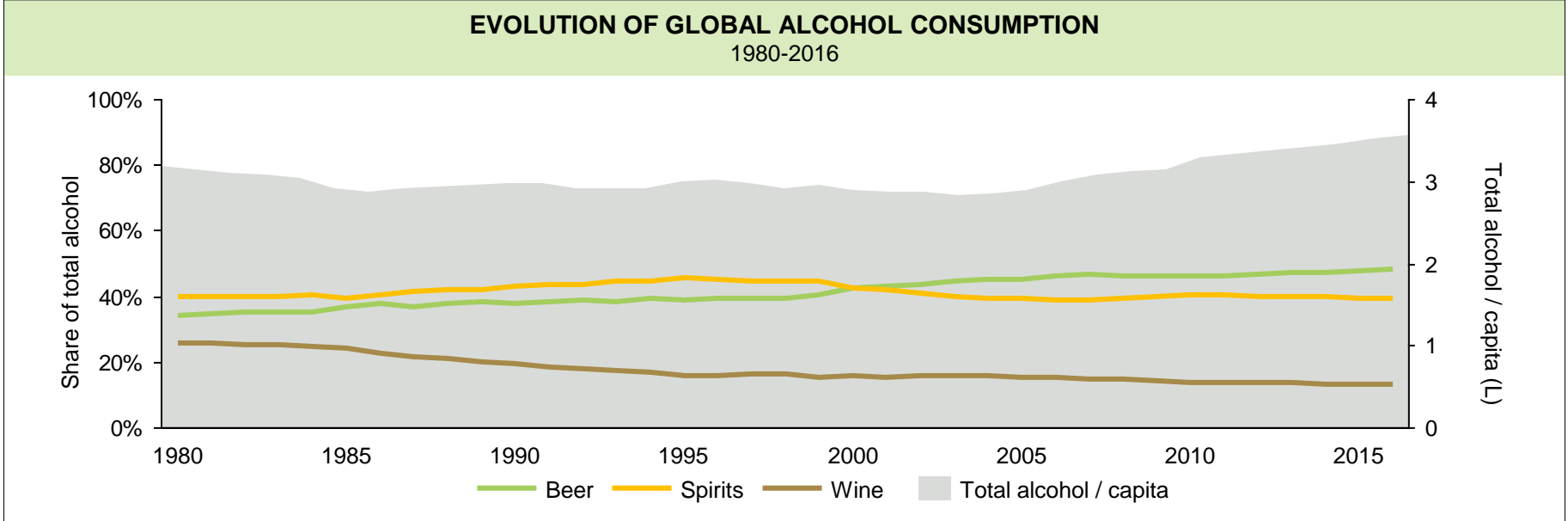
Perspective on the global alcohol market

Alcohol expertise

Case studies



On a global scale, beer has overtaken spirits as the dominant alcohol category on a per unit alcohol (LAE) basis while wine has steadily become less popular



Note: Alcoholic beverage intake is limited by the strength of the beverage consumed. Therefore, when comparing alcohol volumes and prices to each other, we employ LAE (liquid alcohol equivalents) analysis, based on the liters of pure alcohol consumed



Canback's diagonal determines whether a country is reaching its volume potential given income and population. Falling below the line indicates the potential for untapped volume

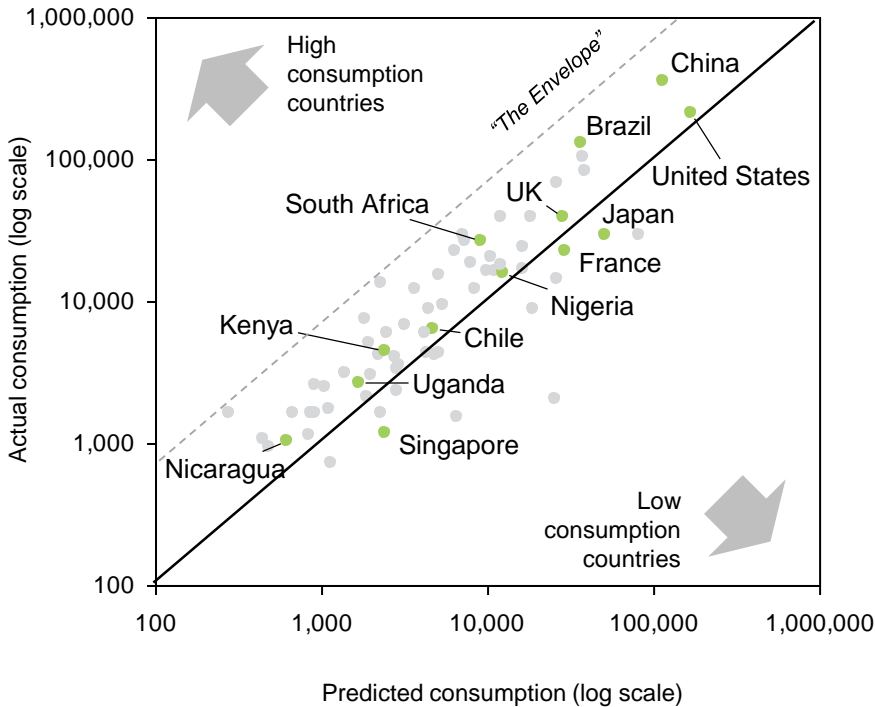
CANBACK ALCOHOL DIAGONAL

$$\beta_1(\text{Income per capita}) + \beta_2(\text{Population})$$

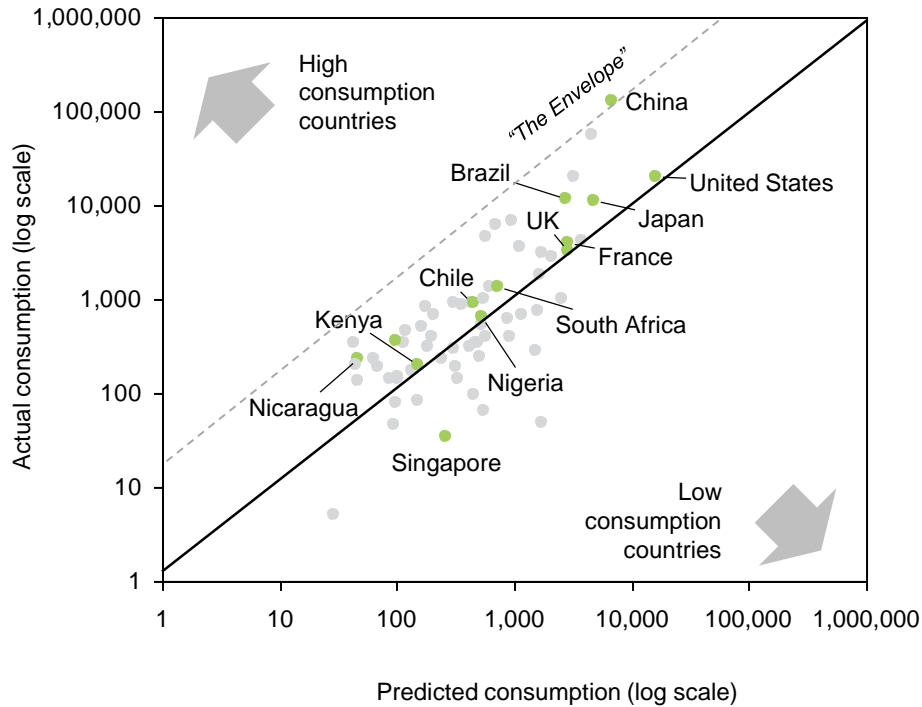
Based on a regression of the 62 standard Canback countries

The envelope - a maximum consumption given the size of the population and the average income. As countries approach the envelope it becomes increasingly difficult (but not impossible) to achieve beer growth above population and income growth

BEER CONSUMPTION AS A FUNCTION OF POPULATION AND INCOME*
khl, 2015



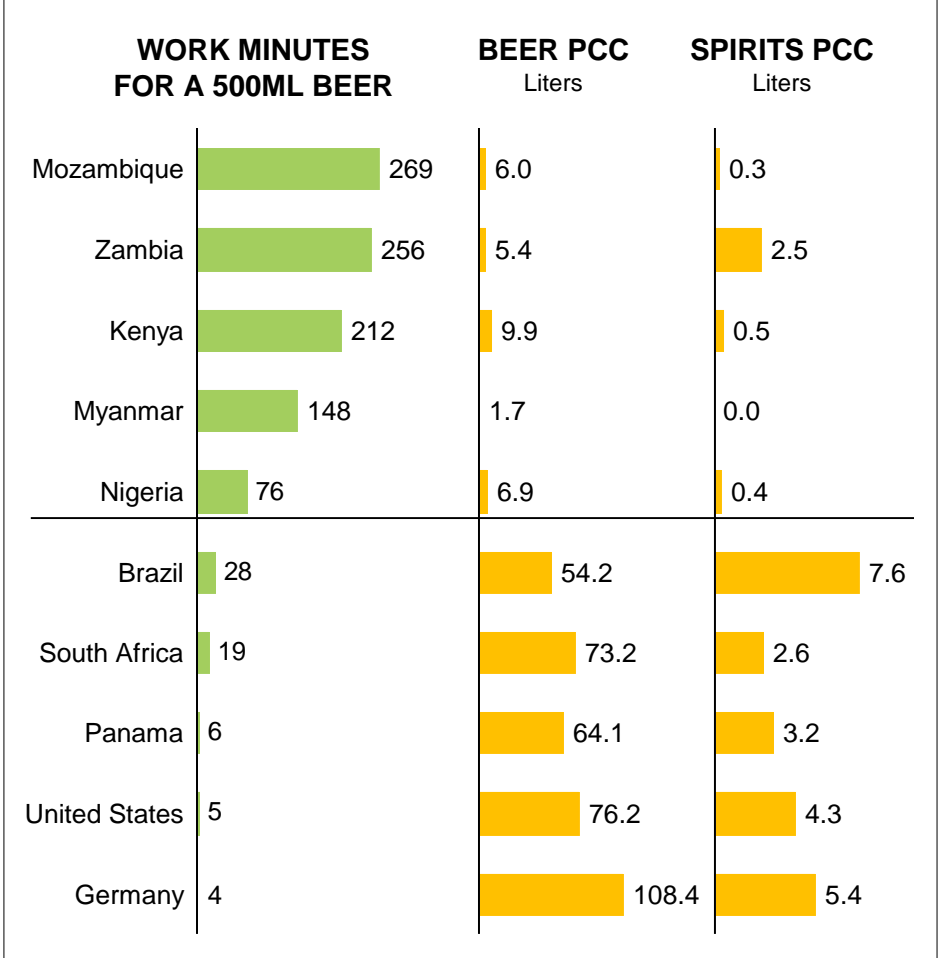
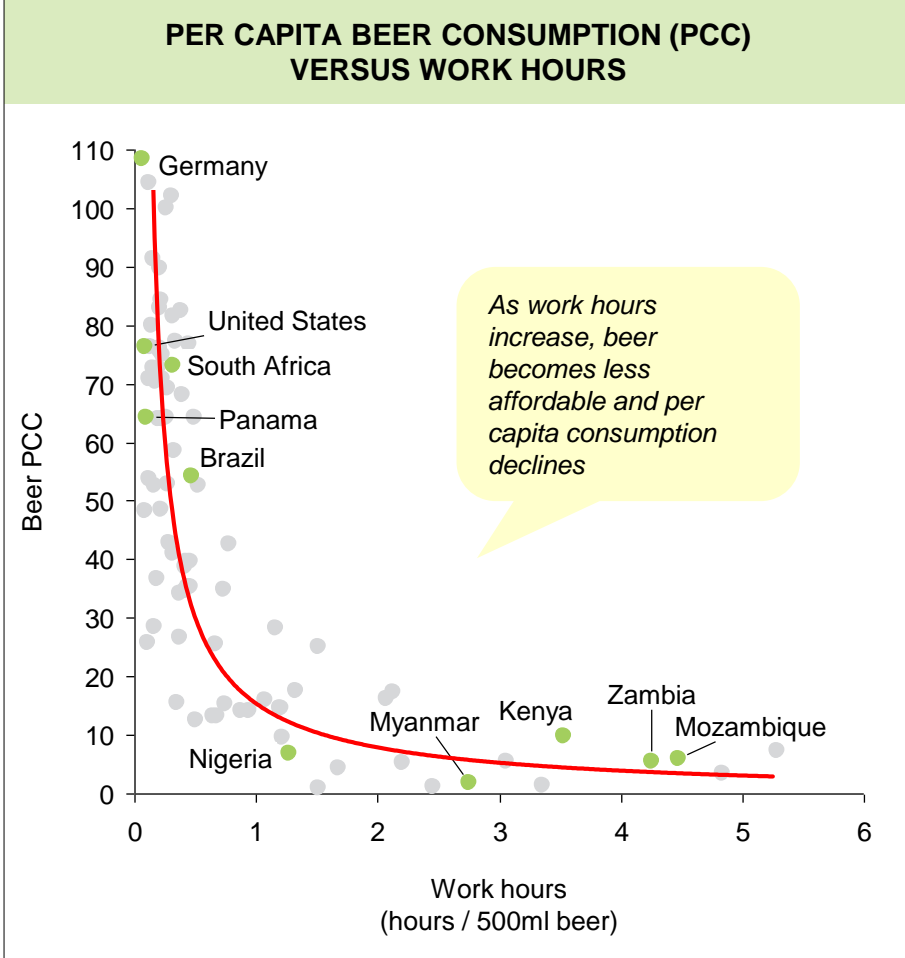
SPIRITS CONSUMPTION AS A FUNCTION OF POPULATION AND INCOME*
khl, 2015



* Regression run on Canback standard 62 countries. Includes both formal and informal volumes



Work hours, or the hours an individual must work at average wages to buy a beer, allow for cross-country comparisons of affordability



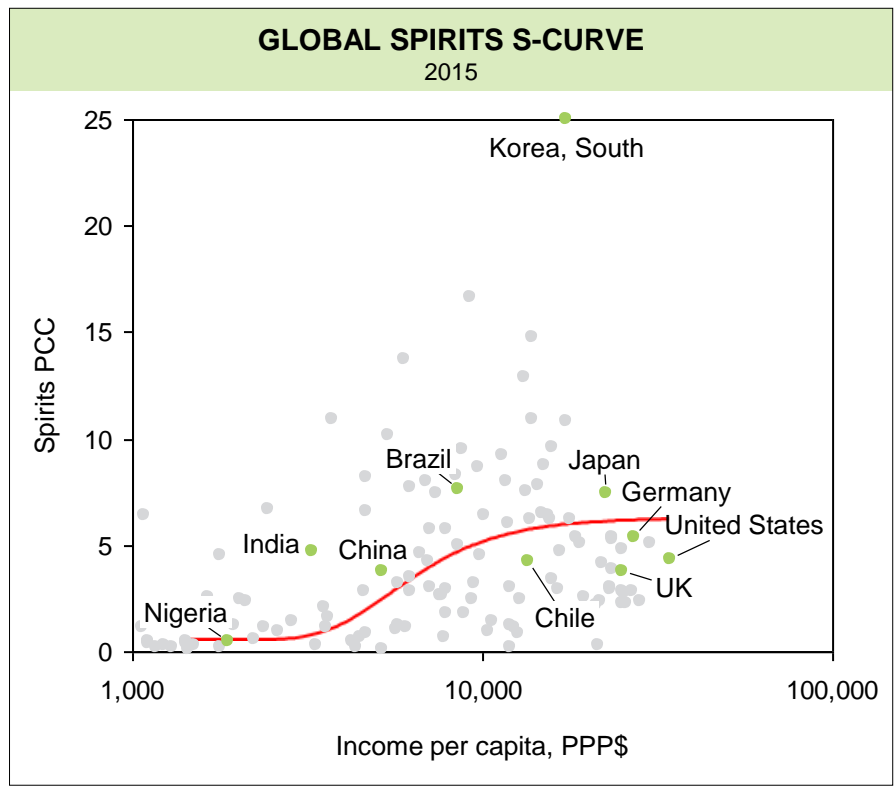
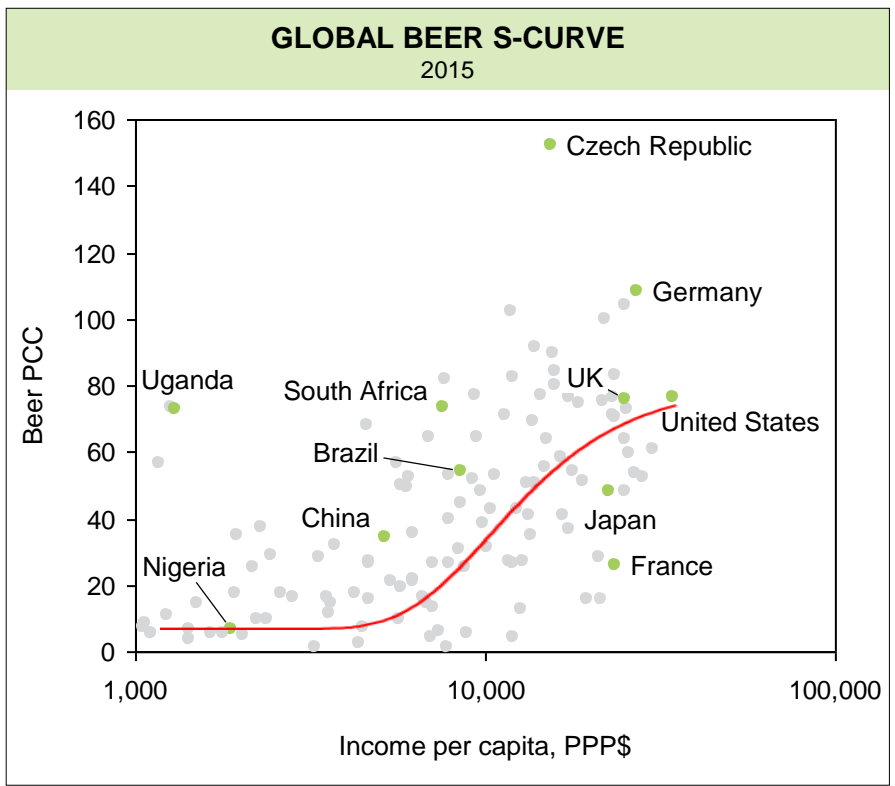
- Work hours accounts for both the price of beer and income per capita, providing a standardized measure of affordability. The work hours metric corrects for the disparities in economic stability and cost of living across global markets to allow for cross-country comparison
- Price declines proportional to income growth, leading to a quadratic decline in hours/minutes required as income grows

The global alcohol s-curve allows us to segment markets and predict future demand growth using historical market level data integrated with macroeconomic indicators. With additional data sources, the curves can be constructed by price point



CANBACK GLOBAL S-CURVES

The relationship between market development and income per capita can result in s-curves, which are useful to segment markets and identify inflection points for demand. The s-curve is segmented into three phases, **latent** – the initial phase of flat demand; **emerging** – a period of demand takeoff; and **developed** – when the market has matured and demand has plateaued



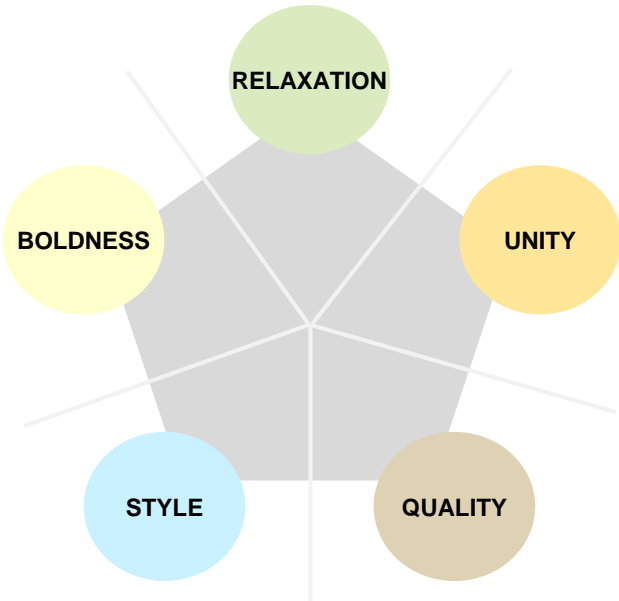
- Beer demand accelerates around PPP\$ 5,500 per capita and starts to plateau after PPP\$ 30,000
- The craft beer movement and its promotion of more expensive beers has prevented a complete flattening of the S-curve across developed countries

Spirits demand takes off before beer at around PPP\$ 4,500 per capita. However, the emerging stage is much narrower, as consumption begins to plateau at PPP\$ 10,000



Consumer segmentations at the global, national and subnational levels reveal which motivations and occasions are common across the world vs. which are region and/or country specific

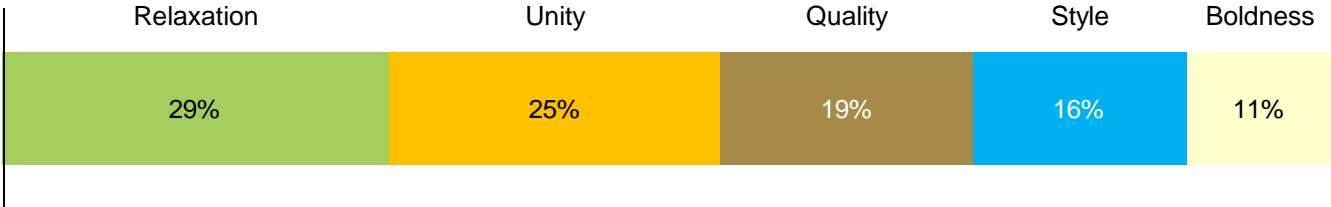
CONSUMPTION MOTIVATIONS



RELAXATION	Looking to enjoy an easy-going, low stress environment with an easy-to-drink product
UNITY	Choosing the favored drink option amongst a group as a means to bond and/or fit-in
QUALITY	Basing one's drink choice solely on personal preference and perceived quality
STYLE	Using category or brand image to establish a certain persona, such as wealthy, intelligent, masculine, etc.
BOLDNESS	A statement of individuality, asserting one's self through choice

GLOBAL ALCOHOL CONSUMPTION BY MOTIVATION

2015



Note: Motivation percentages based on LAE volumes
Source: Canback analysis



Introduction to EIU Canback

Perspective on the global alcohol market

Alcohol expertise

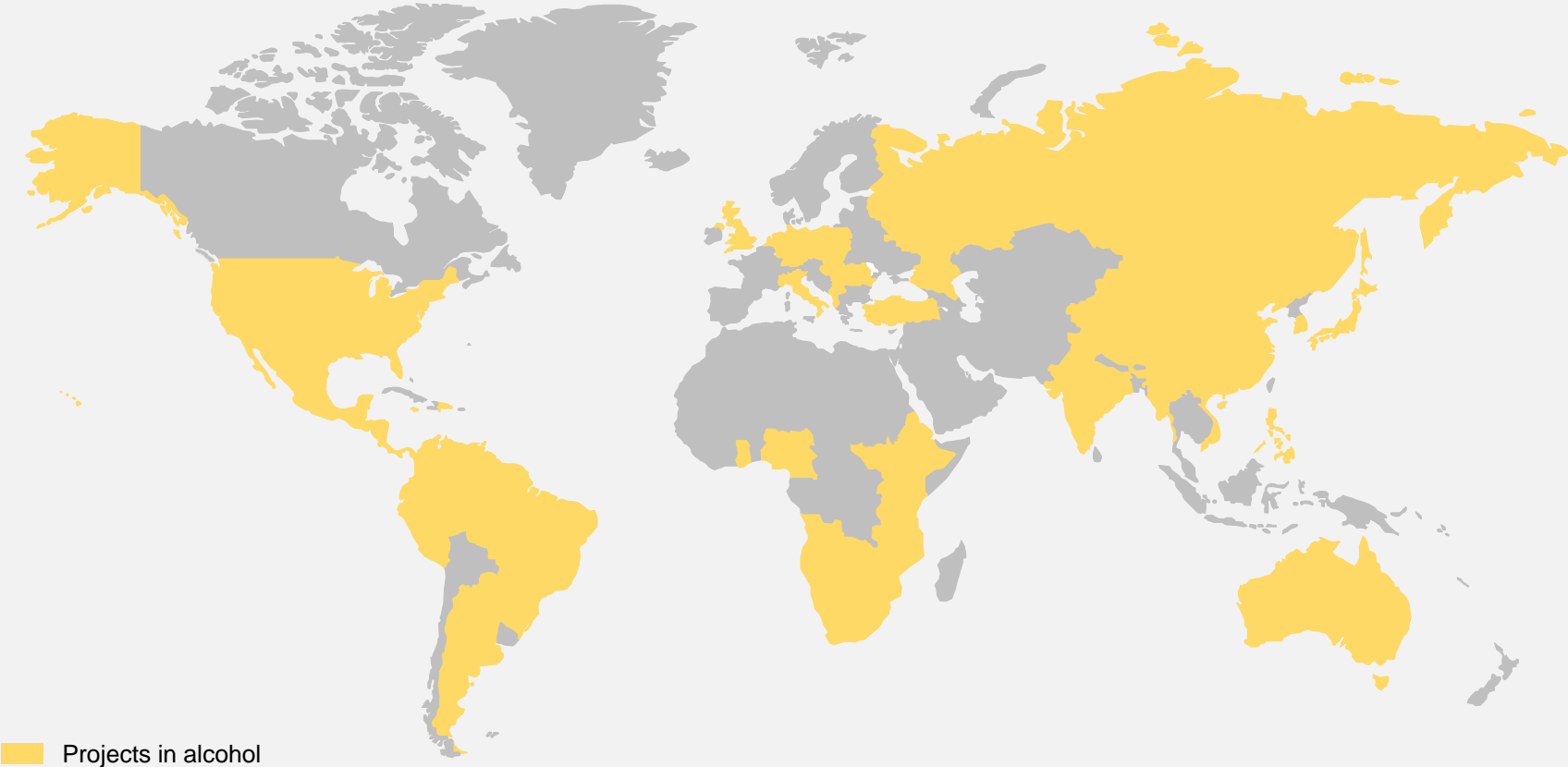
Case studies



EIU Canback has experience working with some of the largest alcoholic beverages companies in the world, and has done so on a global scale

CANBACK'S GLOBAL ALCOHOL FOOTPRINT

To date, EIU Canback has completed over 150 projects within the alcohol industry spanning across 6 continents and 58 countries





EIU Canback has maintained strong partnerships with clients in the alcohol industry through the years. The success of initial projects has led to ongoing collaboration across all parts of the value chain

ALCOHOLIC BEVERAGES PROJECT EXAMPLES

	2009	2010	2011	2012	2013	2014	2015	2016
Global beer opportunities	█							
Global spirits opportunities								█
Consumer segmentation				█				█
Beer pack mix initiative	█							
Source of Growth for beer and wine						█		
Country-by-country deep dives		█	█	█	█		█	
New beer style initiative	█							
Competitive strategy assessment			█					
Regional market beer mix models				█	█	█		
European beer demand growth				█				
Product category health initiative				█	█			
Acquisition evaluations			█	█	█		█	
Female RTD consumption opportunities						█		
Sizing SSA homebrew markets					█	█	█	█
Growing underserved occasions for beer						█	█	



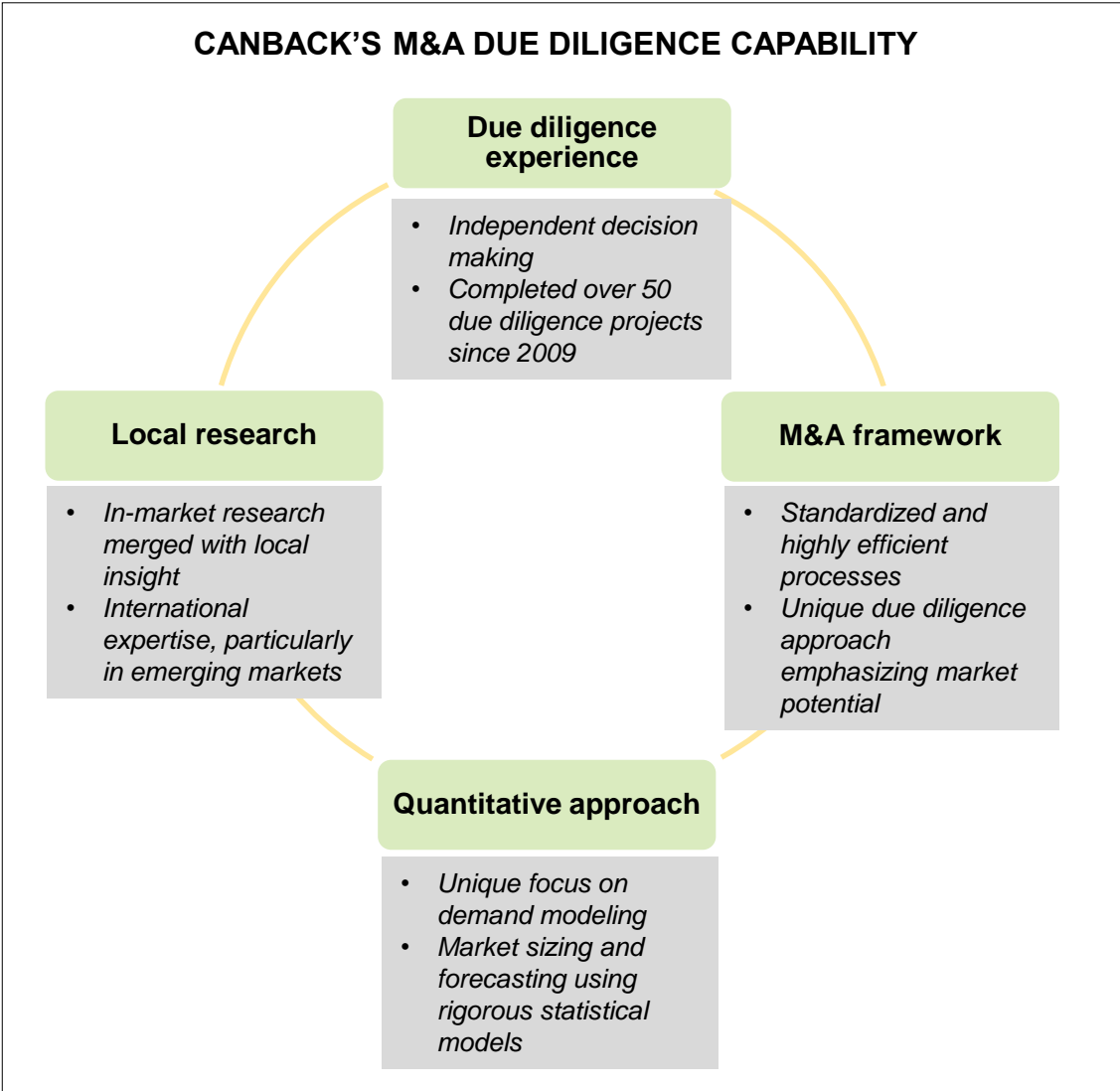
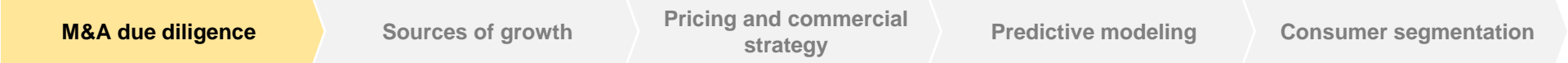
Our unique approach leveraging predictive analytics allows us to deliver client strategies unmatched by other consulting firms, through five different types of projects

ALCOHOLIC BEVERAGES PROJECT TYPES

Project type	Key questions	Examples
M&A due diligence	<i>Is there a significant opportunity in the market and is the target positioned to succeed?</i>	<ul style="list-style-type: none"> • Opportunity assessment for 2nd largest beer player in Brazil • Local spirits player evaluation in Africa • JV negotiation for a ready-to-drink (RTD) alcohol player in China
SOURCES OF GROWTHSM	<i>Strategic projects, with market deep dives. What are the growth opportunities and how large are they?</i>	<ul style="list-style-type: none"> • Strategic growth options for a Tanzanian beer, wine and spirits company • Route-to-market optimization across Latin America • Growth drivers for low-alcohol RTDs in Italy
Pricing and commercial strategy	<i>Strategic projects with a focus on execution and pricing. How can each step of the value chain be optimized?</i>	<ul style="list-style-type: none"> • Pack size optimization for beer in Colombia, Panama and Ecuador • On-trade beer price compliance in Sub-Saharan Africa • Modern trade channel strategy for beer in Colombia
Predictive modeling	<i>Size markets and predict growth with the use of cutting edge statistics and analytics. How large will the market be in 10 years?</i>	<ul style="list-style-type: none"> • Long-term beer and spirits global demand by category and price segment • Demand forecast following the introduction of cider and FABs in Asia • SKU-level forecasts for spirits
Consumer segmentation	<i>Understanding why consumers prefer certain categories and brands. What is motivating drinking habits and how will that change?</i>	<ul style="list-style-type: none"> • Consumer characterization by spirits type and occasion for a major spirits player in Latin America • Action segmentation of consumers spanning all categories across Sub-Saharan Africa



Canback has built its M&A due diligence track record through a combination of experience, technical strengths, and in-market capabilities



M&A due diligence projects

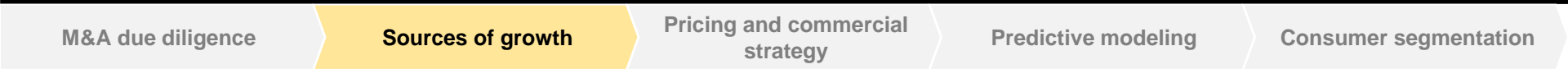
Since 2009, Canback has completed over 50 **alcohol-related** due diligence projects internationally

Over 80% of these projects were engagements for recurring clients

- USD 5 billion beer acquisition in Brazil
- USD 2 billion multi-beverage acquisition in the Caribbean
- USD 8 billion beer and spirits acquisition in Mexico/Brazil
- JV evaluation in 8 sub-Saharan Africa countries in spirits and beer
- Commercial due diligence for beer acquisition in Turkey



Sources of Growth projects explore opportunities across the value chain. In each engagement, Canback teams dare to think big and encourage senior executives to do the same



“Beyond the analytics, **what you do is dare to think big**. When you say we are actually capable of doing 10 times the volume we budget, we have to stop and think. Good consultants challenge management and have the imagination to think big.”

– Senior executive of USD 300 million company

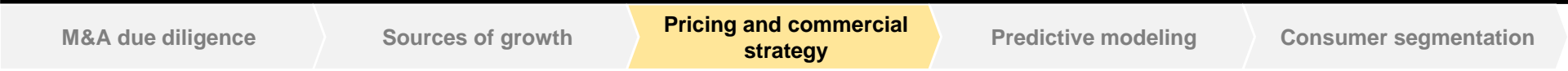
STRATEGIC SOURCES OF GROWTH FRAMEWORK AND EXAMPLES



The list above is not exhaustive. The seven categories outlined above are a starting point, but Canback customizes areas for growth by market.



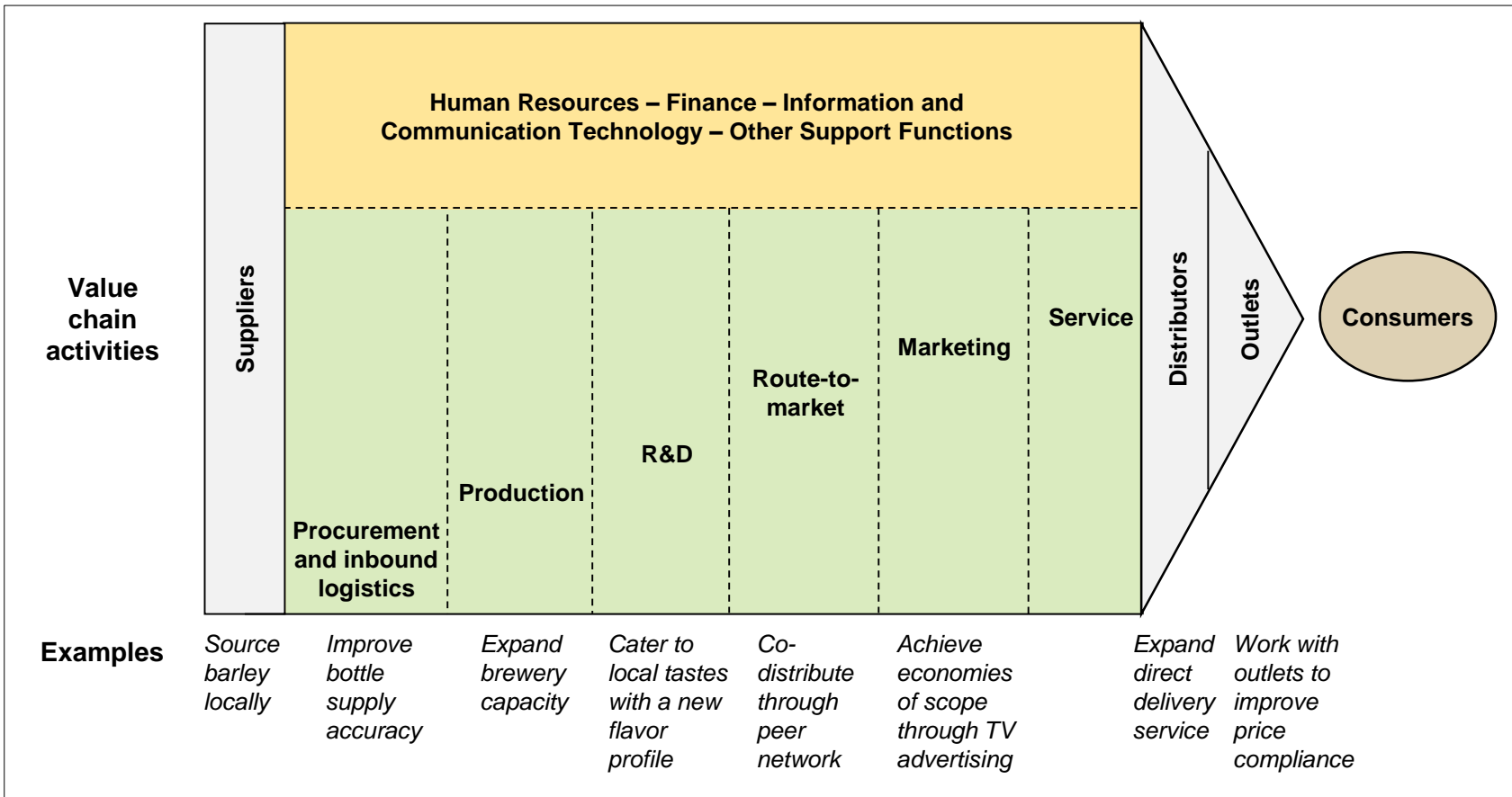
Commercial strategy projects seek to optimize each aspect of the value chain to maximize market potential, or focus on individual points including pricing, portfolio or route-to-market



COMMERCIAL STRATEGY DEVELOPMENT

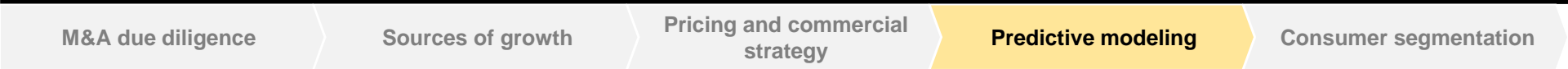
In the commercial strategy, we identify commercial improvement opportunities to capture market potential in areas including:

- Pricing
- Product portfolio
- Sales and marketing
- Route-to-market
- Channel strategy



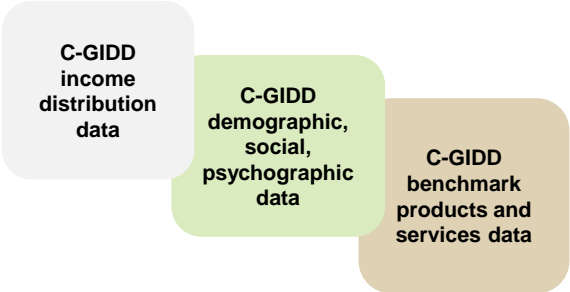


Canback is a trusted partner in predictive modeling, allowing clients to make more accurate demand predictions



CANBACK'S PREDICTIVE MODELING EXPERTISE

Canback Global Income Distribution Database (C-GIDD)



The cornerstone of Canback's predictive modeling capabilities, C-GIDD is the world's only database with GDP, population, household income and spending data and forecasts covering:

- 210+ countries
- 690+ subdivisions
- 990+ cities, other urban, and rural areas

And with the flexibility to align seamlessly with outside data sources, unlocking actionable market strategies

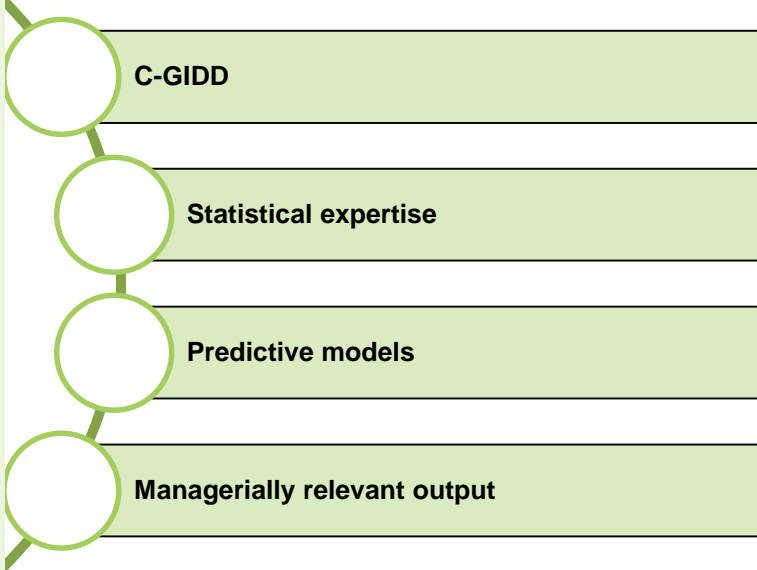
Nearly all of our strategically-focused products are accompanied by a predictive model, and we have also done a variety of "pure modeling" projects

We build models for a variety of different purposes:

- 10-year horizon predictive models for M&A due diligence valuation projects
- Short term (1-3 year) models with highly granular, monthly outputs for internal commercial planning efforts
- Very long term-horizon models (10-20 years) showing the ultimate market potential and overall trend of the market

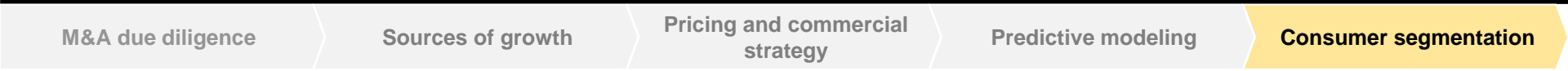
We employ a variety of statistical and other modeling techniques depending on the goal of the model

Our predictive modeling process leverages our core competencies:

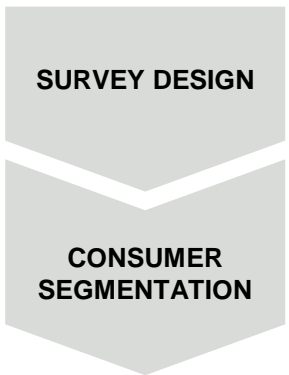




Canback’s approach combines proprietary socioeconomic data and state-of-the-art methods in survey design, consumer segmentation, and segment dynamic modeling

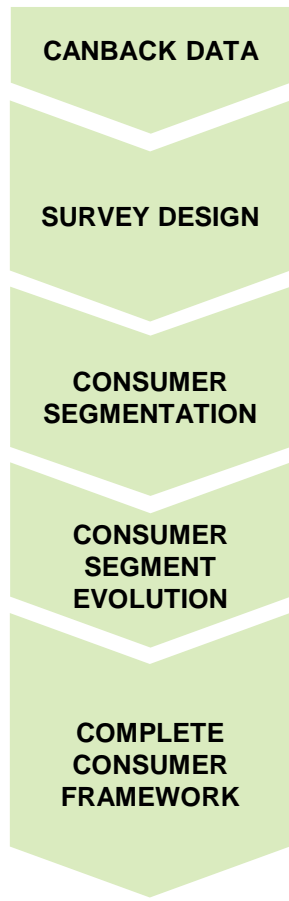


TRADITIONAL SEGMENTATION APPROACH



- Survey questions designed:
- Traditional macroeconomic and demographic indicators
 - Consumer insights
- Segment consumer into groups based on k-means clustering that are useful for:
- Developing marketing and sales strategies
 - Tracking

EIU CANBACK SEGMENT DYNAMIC MODEL APPROACH



- Income and socio-economic level data from C-GIDD
- Surveys developed through conversations with client and with their feedback
 - Survey questions based on global experience
 - Surveys consider consumer values and selection
- Segmentation into groups relevant to the client
 - Analysis uses robust statistical methods including but not limited to k-means clustering
- Ability to predict the evolution of consumers based on combined Canback and client data
 - Projections based on statistical methods that determine the most relevant predictors
- Canback provides a transparent consumer segmentation, with features including:
- Robust survey design, collecting all important data
 - External variables that reflect managerial insight and statistically-backed analysis
 - Consumer segmentation today and into the future

OBJECTIVE

Canback approaches segmentation both in terms of the current situation and how segments will grow so that insights provide the best return. Our model lets clients understand what is driving segmentation, and take into account both consumer values and selection preference.



Introduction to EIU Canback

Perspective on the global alcohol market

Alcohol expertise

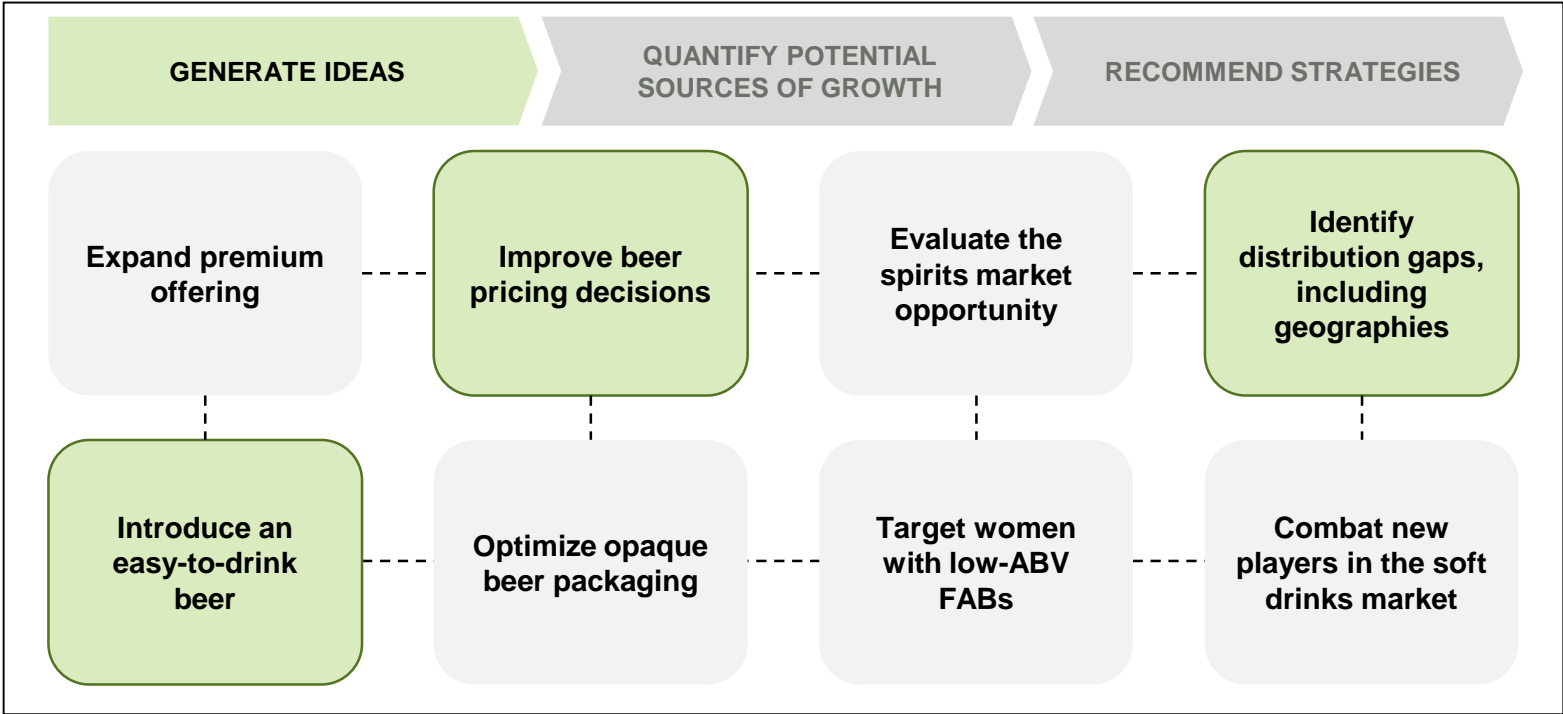
Case studies

- Sources of growth for the Botswanan beer market
- U.S. vodka consumer segmentation
- Due diligence for a beer and spirits target in Thailand
- Global spirits demand forecasting
- Price optimization for beer portfolio in Southern Africa



Canback teams have completed Sources of Growth projects in both affluent and emerging markets. An engagement in Botswana identified nearly USD 200 million in hidden value

SOURCES OF GROWTH STRATEGY IN BOTSWANA			
Client	Key question	Major considerations	Outcome
<ul style="list-style-type: none">Multinational alcohol companyMarket leader in beer, flavored alcoholic beverages (FABs) and soft drinks	How can the company grow beyond natural market growth?	<ul style="list-style-type: none">Price ladder optimizationGeographic strategyPortfolio expansion	Canback identified 300 million liters of additional volume and USD 200 million of revenue opportunities



All figures are illustrative



In Botswana, premiumizing a mainstream brand would fill a gap in the price ladder, serving to unlock latent demand in a growing premium beer market and improve margins

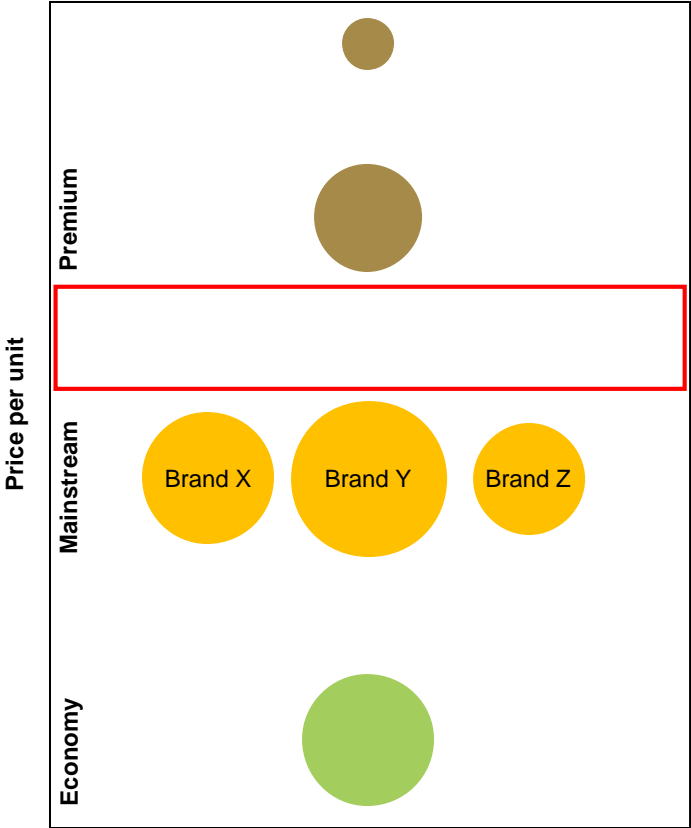
GENERATE IDEAS

QUANTIFY POTENTIAL SOURCES OF GROWTH

RECOMMEND STRATEGIES

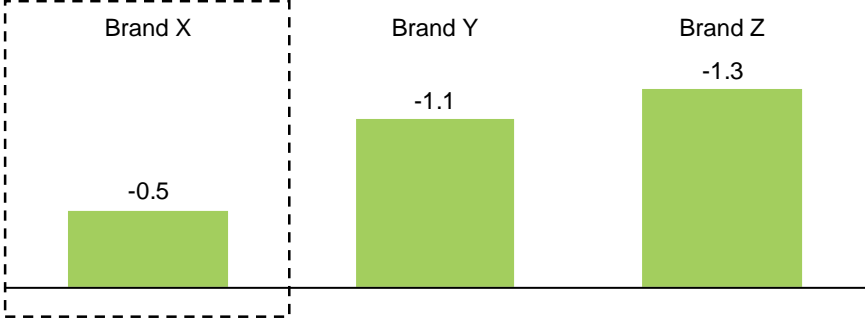
1. Improve pricing decisions

BEER TRANSACTION PRICE LADDER



BRAND-LEVEL PRICE ELASTICITIES

500ml returnable bottle



INSIGHTS AND METHODOLOGIES

- There is a gap in the price ladder for an upper-mainstream beer
- Case studies show that premiumizing a mainstream brand is a successful tactic for raising margins without losing volume
- Brand X is determined to be the product best-suited for premiumization through:
 - Brand-level price elasticities of demand
 - Consumer survey analysis
 - Market visit insights



Analyzing regional consumption trends highlighted weaknesses in the client's route-to-market structure. Canback recommended targeting high potential regions outside of Region A and B

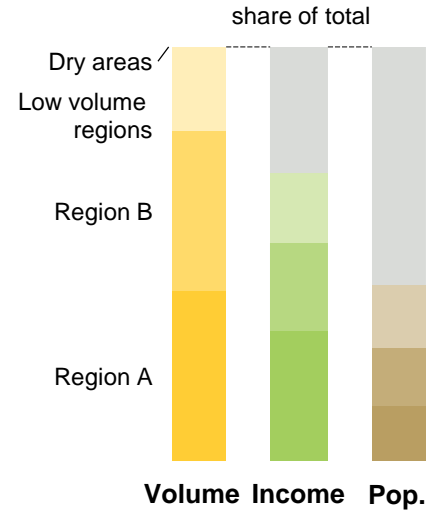
GENERATE IDEAS

QUANTIFY POTENTIAL SOURCES OF GROWTH

RECOMMEND STRATEGIES

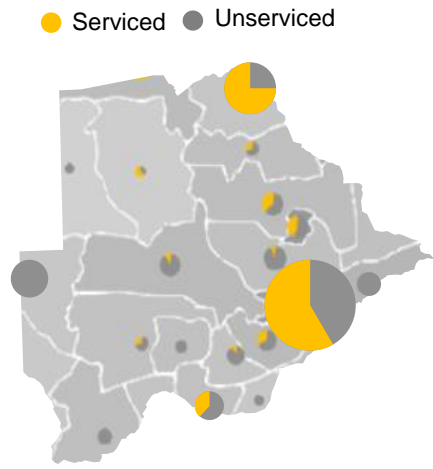
2. Identify distribution gaps, including geographies

REGIONAL COMPARISON



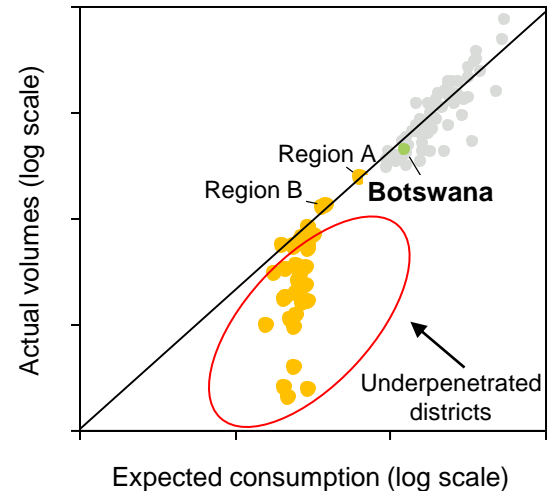
80% of beer volume comes from districts with ~30% of the population, so there is a large volume opportunity in penetrating dry areas

BEER OUTLET COVERAGE



Canback modeled the impact of servicing outlets on volume, controlling for regional differences to estimate the volume upside from servicing outlets in dry areas

BEER CONSUMPTION AS A FUNCTION OF POP. AND INCOME



Comparing the current volume with the expected consumption revealed the regions with the highest potential. Adding ease of capture to the model resulted in a prioritization of high potential dry regions



Case studies show a trend of switching from traditional beers to less bitter varieties. Botswana is well-suited for an easy-to-drink option given its growing preference for less bitter, low ABV beer

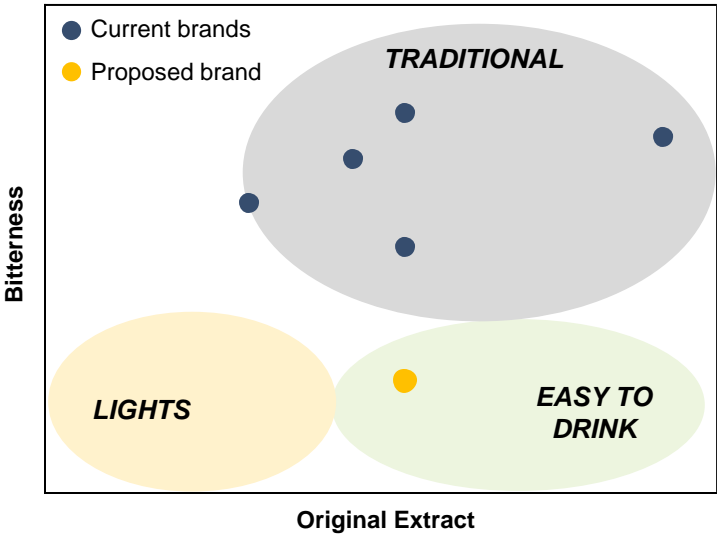
GENERATE IDEAS

QUANTIFY POTENTIAL SOURCES OF GROWTH

RECOMMEND STRATEGIES

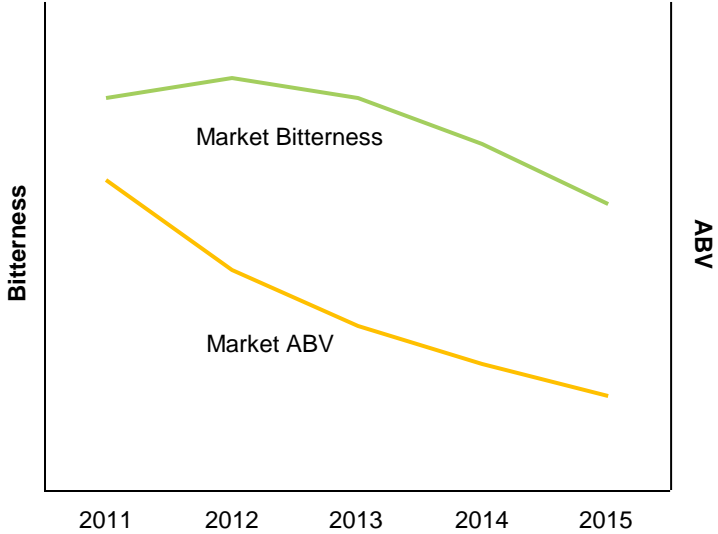
3. Introduce an easy-to-drink beer

TECHNICAL CHARACTERISTICS OF KEY BEER BRANDS



BEER MARKET TRENDS

Weighted average



- Most developed beer markets trend toward lighter and easy-to-drink beers, shifting from a more traditional profile. Botswana has yet to make the leap to low-bitterness unit beers
- Within the limits of the portfolio, Botswanan consumers have shown a growing preference for less bitter and lower ABV beer over time. Introducing an easy-to-drink beer with low-ABV would capitalize on this growing trend



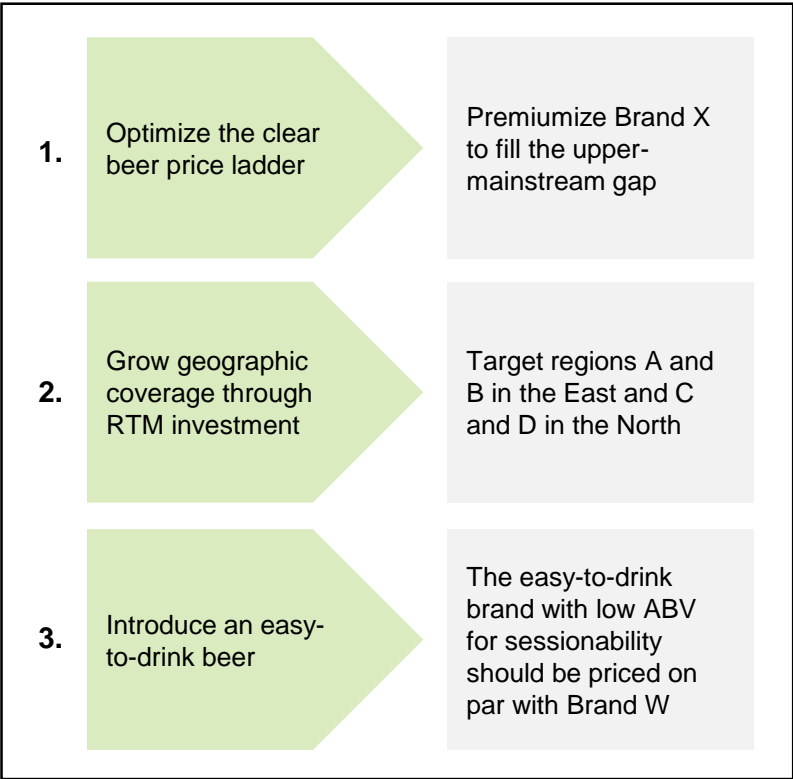
The price ladder, geographic, and portfolio growth opportunities were the largest evaluated, accounting for ~80% of the total revenue growth potential

GENERATE IDEAS

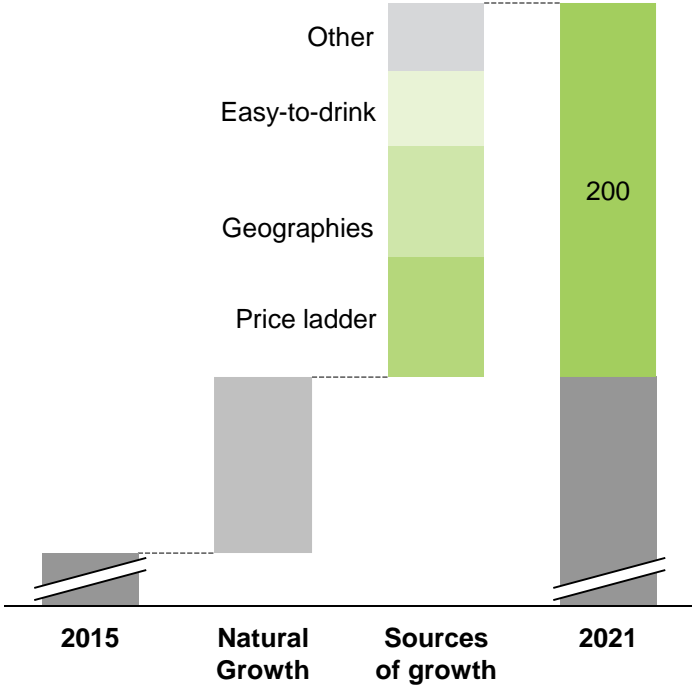
QUANTIFY POTENTIAL SOURCES OF GROWTH

RECOMMEND STRATEGIES

RECOMMENDATIONS



SOURCES OF REVENUE GROWTH M 2015 USD





Introduction to EIU Canback

Perspective on the global alcohol market

Alcohol expertise

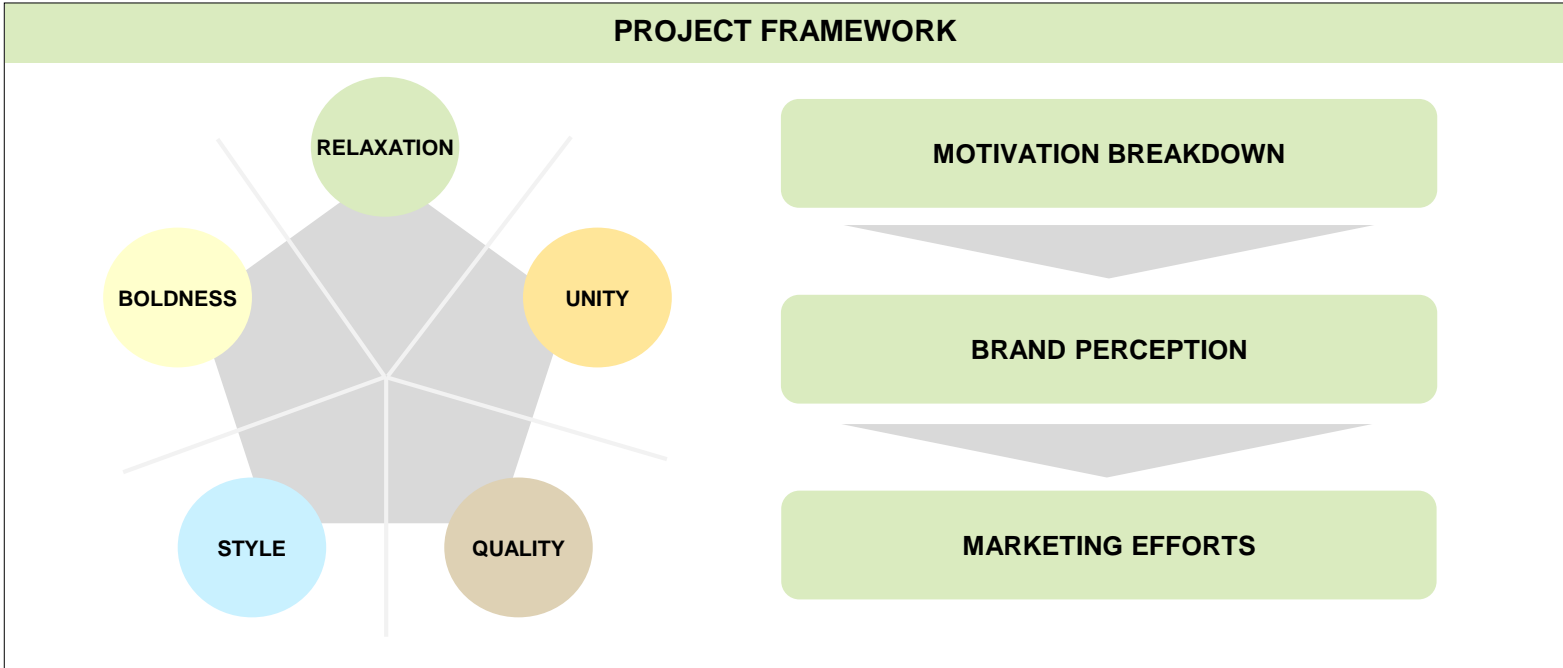
Case studies

- Sources of growth for the Botswanan beer market
- U.S. vodka consumer segmentation
- Due diligence for a beer and spirits target in Thailand
- Global spirits demand forecasting
- Price optimization for beer portfolio in Southern Africa



Canback provided a segmentation of vodka consumers in the U.S. that helped the client better understand and improve upon brand positioning

U.S. VODKA CONSUMER SEGMENTATION			
Client	Key question	Major considerations	Outcome
Multinational spirits company	Why and where are U.S. consumers drinking vodka and how do the client's offerings fit these preferences?	<ul style="list-style-type: none">• How do vodka motivations differ from those of other spirits?• What brands can be repositioned to appeal to a wider consumer base?	Canback recommended targeted marketing campaigns that helped the client better capitalize on vodka consumers' preferences





Nearly a quarter of U.S. vodka consumers associate the category with style and class. This association is less pronounced for total spirits and alcohol

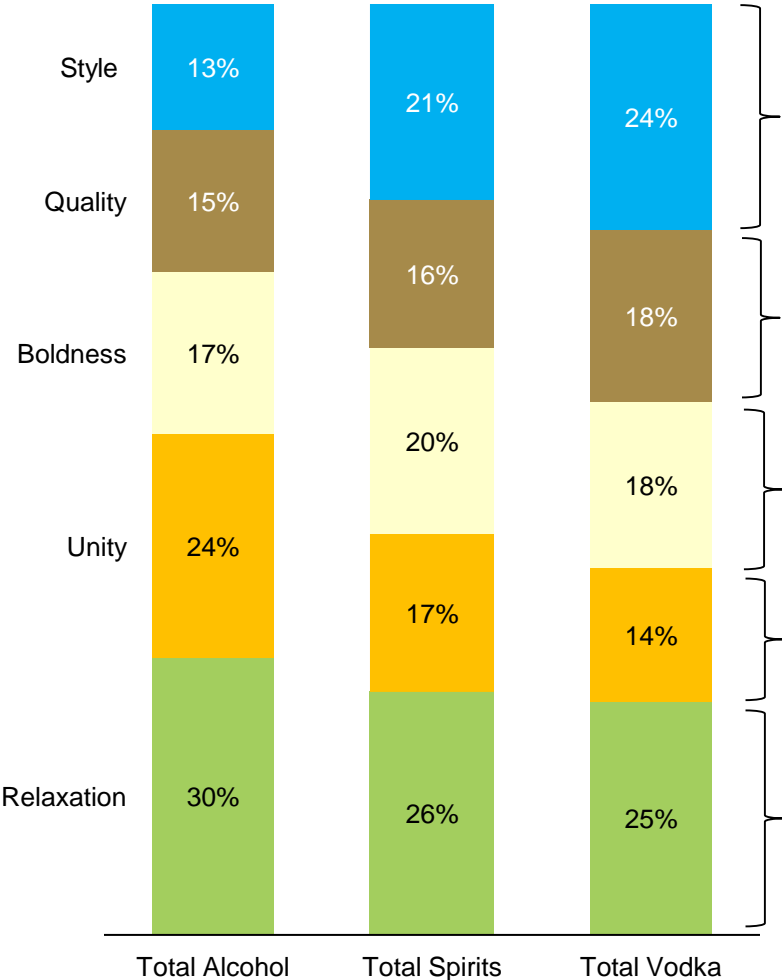
MOTIVATION BREAKDOWN

BRAND PERCEPTION

MARKETING EFFORTS

U.S. CONSUMPTION BY MOTIVATION

EXAMPLE OCCASIONS



- Formal business dinner
 - Special occasion at an upscale bar
 - Cocktail party
- At home consumption
 - Fine dining with partner/spouse
 - Wine tasting
- Craft brewery tour
 - Exploring a trendy bar
 - Trying new and less popular drink variations
- Night out at a sports bar or club
 - After-work drinking with coworkers
 - On vacation with friends
- Unwinding at home after work
 - Watching sports with friends
 - Casual meal with extended family

All figures are illustrative



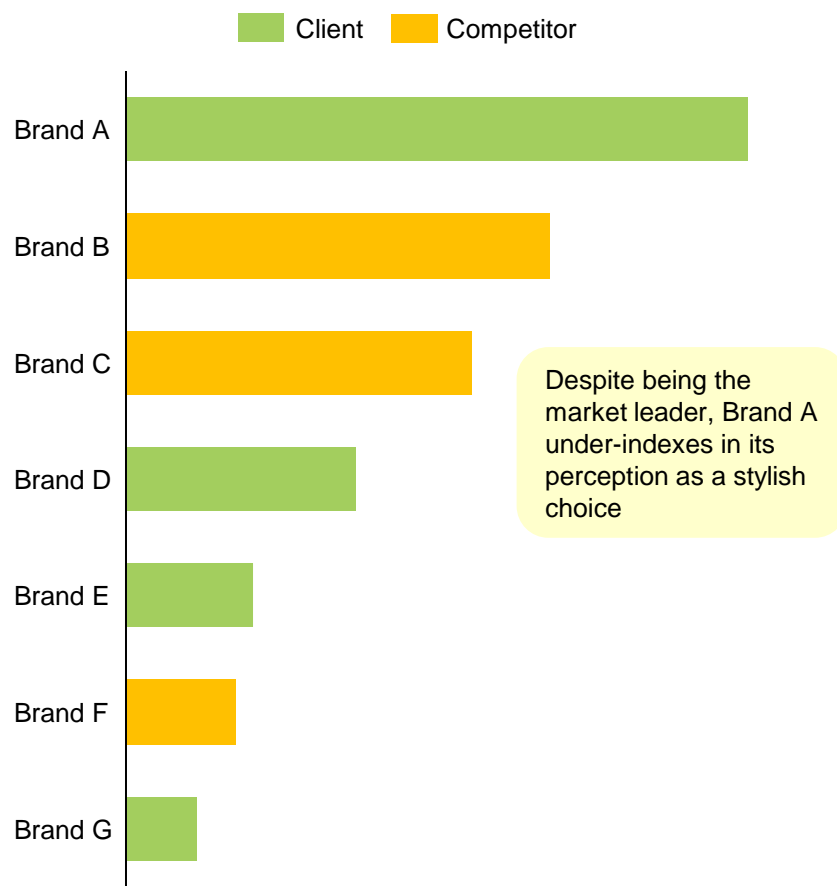
With almost 30% more volume than its closest competitor, Brand A leads the U.S. vodka market, primarily through relaxation-based consumption

MOTIVATION BREAKDOWN

BRAND PERCEPTION

MARKETING EFFORTS

U.S. VODKA CONSUMPTION BY BRAND



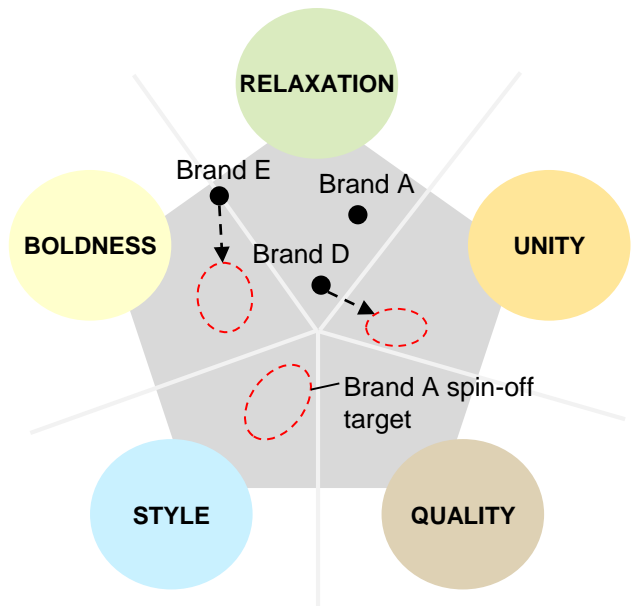
Despite being the market leader, Brand A under-indexes in its perception as a stylish choice

BRAND CONSUMPTION BY MOTIVATION

Style	Unity	Boldness	Quality	Relaxation
12.8%	24.8%	17.3%	11.4%	33.7%
31.0%	14.2%	19.3%	19.5%	15.9%
31.9%	3.7%	17.4%	20.3%	26.7%
0.0%	19.1%	14.0%	28.4%	38.5%
0.0%	0.0%	54.3%	0.0%	45.7%
53.0%	0.0%	0.0%	47.0%	0.0%
85.8%	4.1%	0.0%	0.0%	10.1%



Canback used its consumer and brand findings to produce several actionable recommendations, including the introduction of a premium spin-off of Brand A



CURRENT LANDSCAPE

RECOMMENDATIONS

Brand A has established strong brand power as a relaxation oriented product but isn't perceived to be as stylish as competing brands

Launch and market a high-end Brand A spin-off that will be more appealing to style motivated consumers

Consumers looking to be bold and express individuality make up nearly 20% of the market, yet only Brand E has been positioned to capture that potential

Begin a marketing/sponsorship campaign focused on new and trendy on-premise outlets that eccentric consumers frequent

Vodka under-indexes as a group oriented unity drink compared to total spirits and alcohol, in part because of its bite and lack of a distinct taste

Explore a partnership and advertising with a CSD producer to promote a popular and easy-to-drink combo beverage



Introduction to EIU Canback

Perspective on the global alcohol market

Alcohol expertise

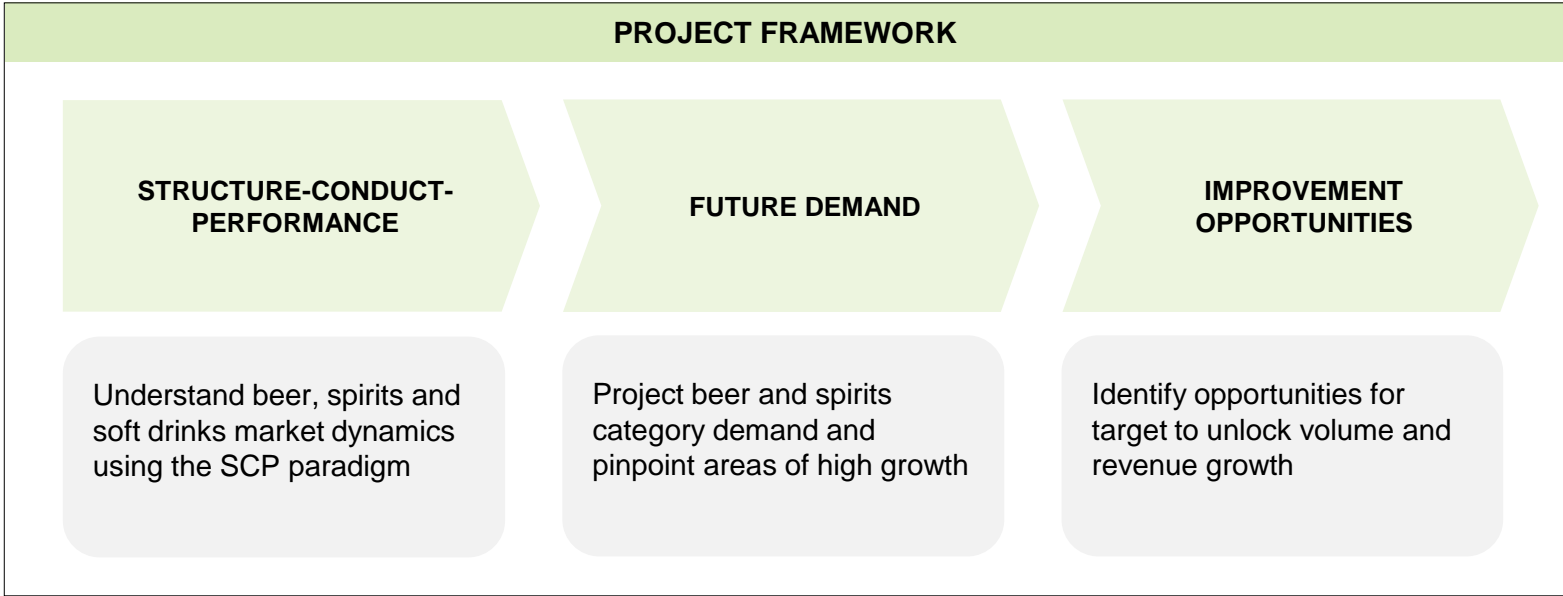
Case studies

- Sources of growth for the Botswanan beer market
- U.S. vodka consumer segmentation
- Due diligence for a beer and spirits target in Thailand
- Global spirits demand forecasting
- Price optimization for beer portfolio in Southern Africa



Canback routinely provides clients with in-depth due diligence work on industries, markets and players globally. In 2012, we evaluated opportunities in Thailand's alcoholic beverage market

DUE DILIGENCE IN THAILAND			
Client	Key question	Major considerations	Outcome
Asian alcohol company	Is there a long-term opportunity for alcoholic beverages in Thailand? Is the target a suitable partner?	<ul style="list-style-type: none">• Current trajectory for beer, spirits, and soft drinks• Actionable improvement opportunities for target player	Canback evaluated the opportunity in each alcohol category and quantified the revenue potential for the target





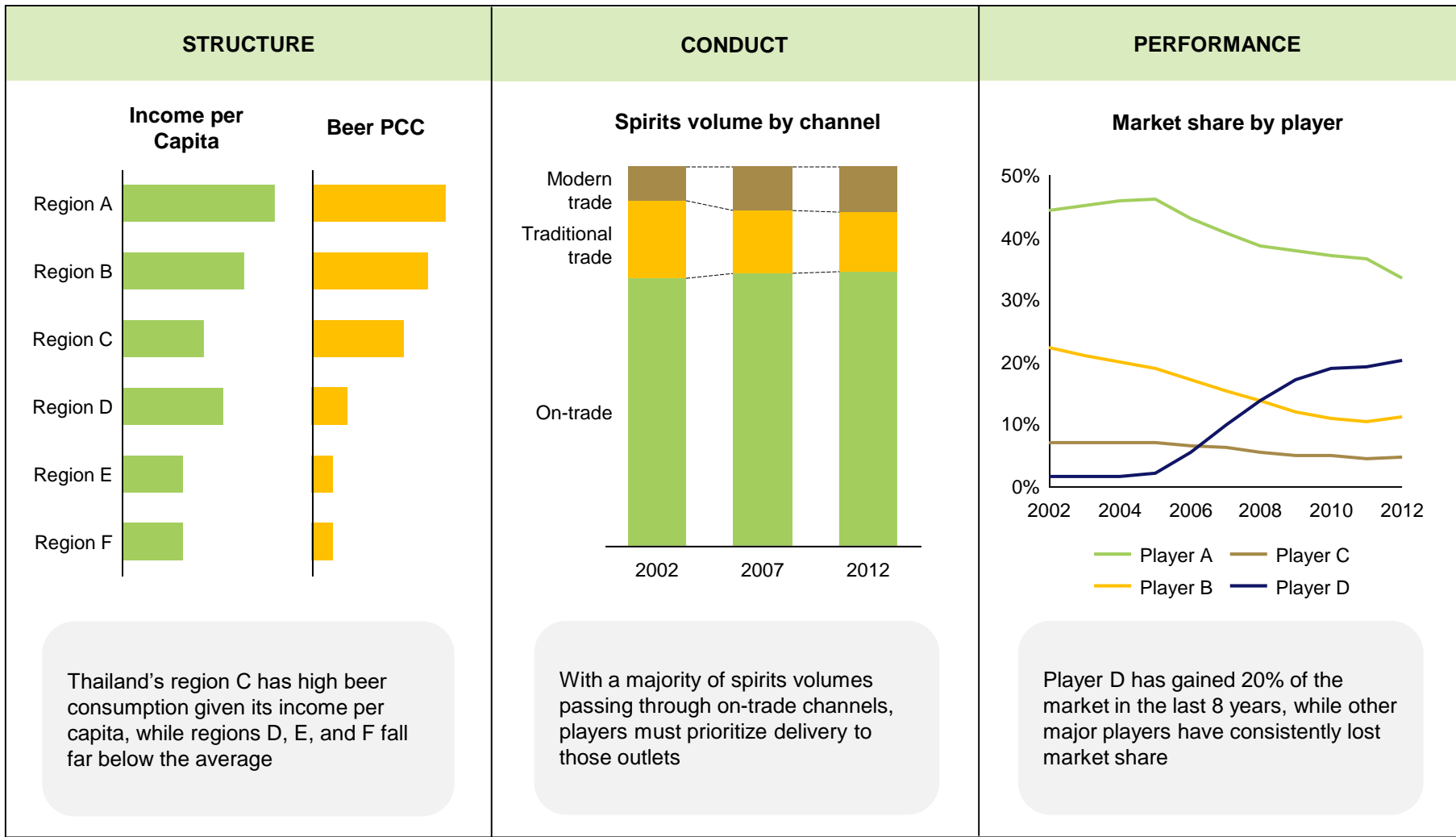
Insights from the SCP analysis show that Region C over-indexes on beer consumption and that Player D has quickly become the second largest player

STRUCTURE-CONDUCT-PERFORMANCE

STRUCTURE-CONDUCT-PERFORMANCE

FUTURE DEMAND

IMPROVEMENT OPPORTUNITIES



All figures are illustrative



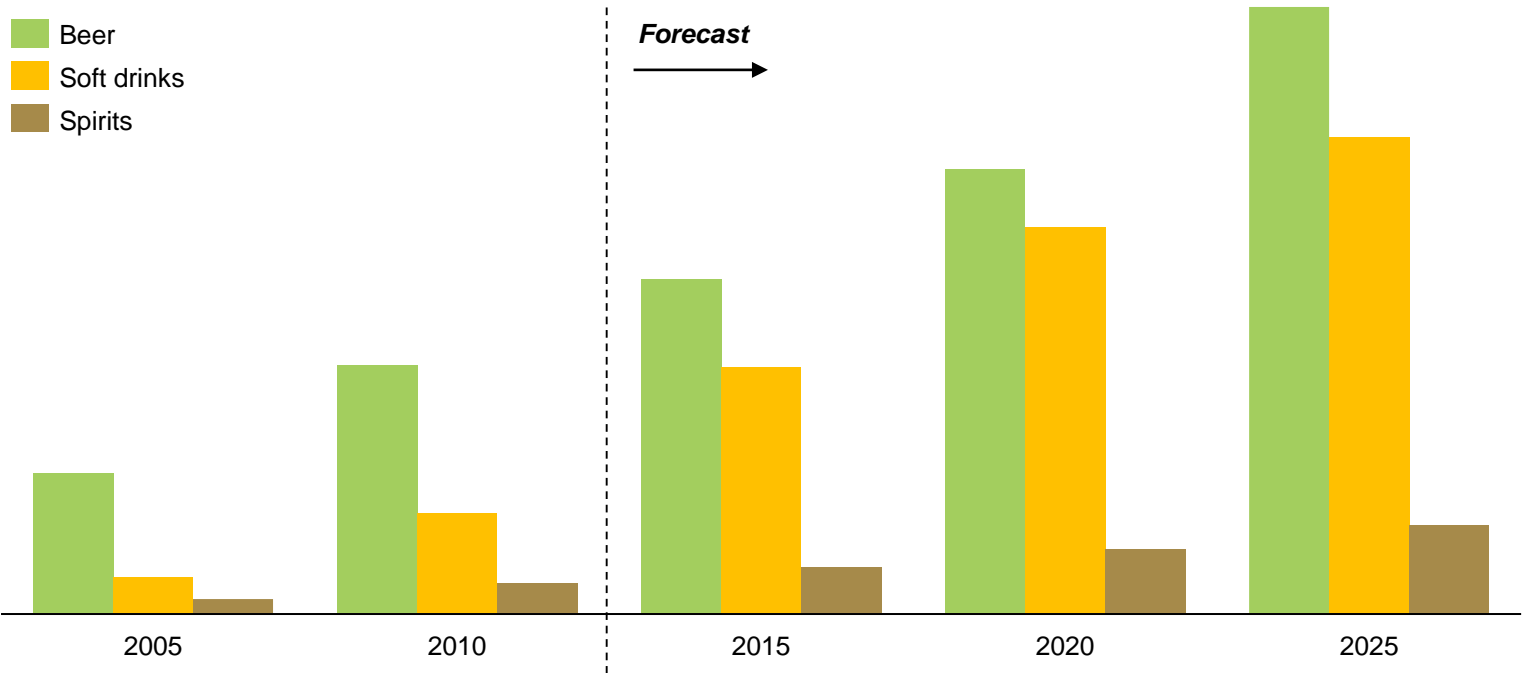
Canback provided future demand projections to better quantify the opportunities presented in the target country, predicting substantial relative growth in soft drinks

STRUCTURE-CONDUCT-PERFORMANCE

FUTURE DEMAND

IMPROVEMENT OPPORTUNITIES

FUTURE DEMAND FOR BEER, SPIRITS, AND SOFT DRINKS



- Beer is predicted to maintain its position as the leading category through 2025, but government efforts are expected to help soft drinks close the volume gap
- Spirits volumes will experience high growth over the next 15 years. If illicit spirits can be successfully converted into officially taxed volumes, the category will grow even faster



After identifying key improvement opportunities for the potential partner, Canback presented detailed recommendations for how a combined operation could unlock maximum incremental revenue

STRUCTURE-CONDUCT-PERFORMANCE

FUTURE DEMAND

IMPROVEMENT OPPORTUNITIES

THE TARGET

The target is the largest alcohol player in Thailand, with majority share of the beer category and a small presence in spirits and soft drinks. While it has experienced consistent growth in recent years, it has lost market share to new entrants

CATEGORY	RECOMMENDATIONS	POTENTIAL REVENUE*
Mainstream spirits	<ul style="list-style-type: none"> • Introduce a mainstream offering in the southern regions • Capture consumers switching from illicit to official spirits 	USD 103 million
Premium spirits	<ul style="list-style-type: none"> • Introduce a super premium spirit to complete the price ladder • Engage consumers as incomes rise to drive the shift from mainstream to premium products 	USD 42 million
Soft drinks	<ul style="list-style-type: none"> • Refresh what has become a worn-out brand • Broaden portfolio with new traditional flavors • Introduce and promote malts 	USD 37 million

* Represents organic growth + actionable gains from combined client and partner operations
All figures are illustrative



Introduction to EIU Canback

Perspective on the global alcohol market

Alcohol expertise

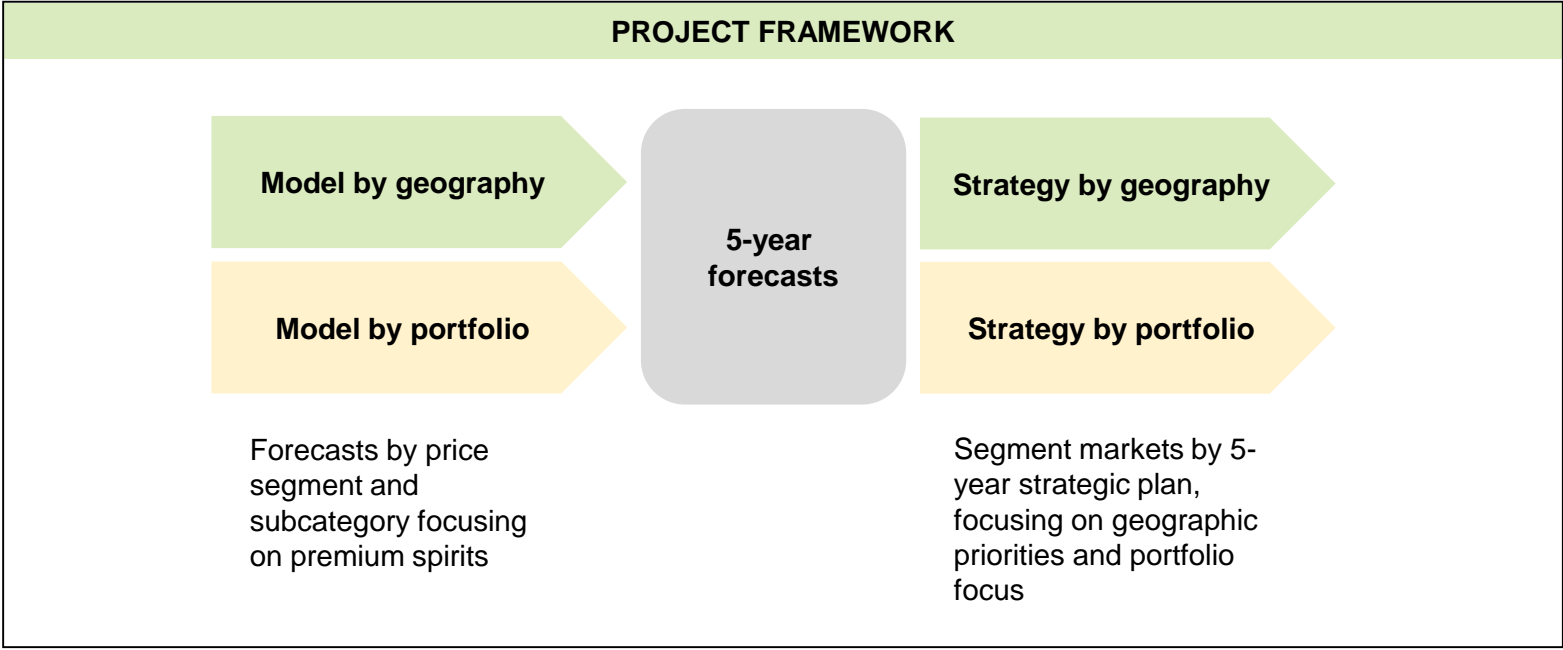
Case studies

- Sources of growth for the Botswanan beer market
- U.S. vodka consumer segmentation
- Due diligence for a beer and spirits target in Thailand
- Global spirits demand forecasting
- Price optimization for beer portfolio in Southern Africa



In 2013, Canback modeled demand in 30 countries globally and formulated a global expansion strategy, allowing the client to focus on high potential markets

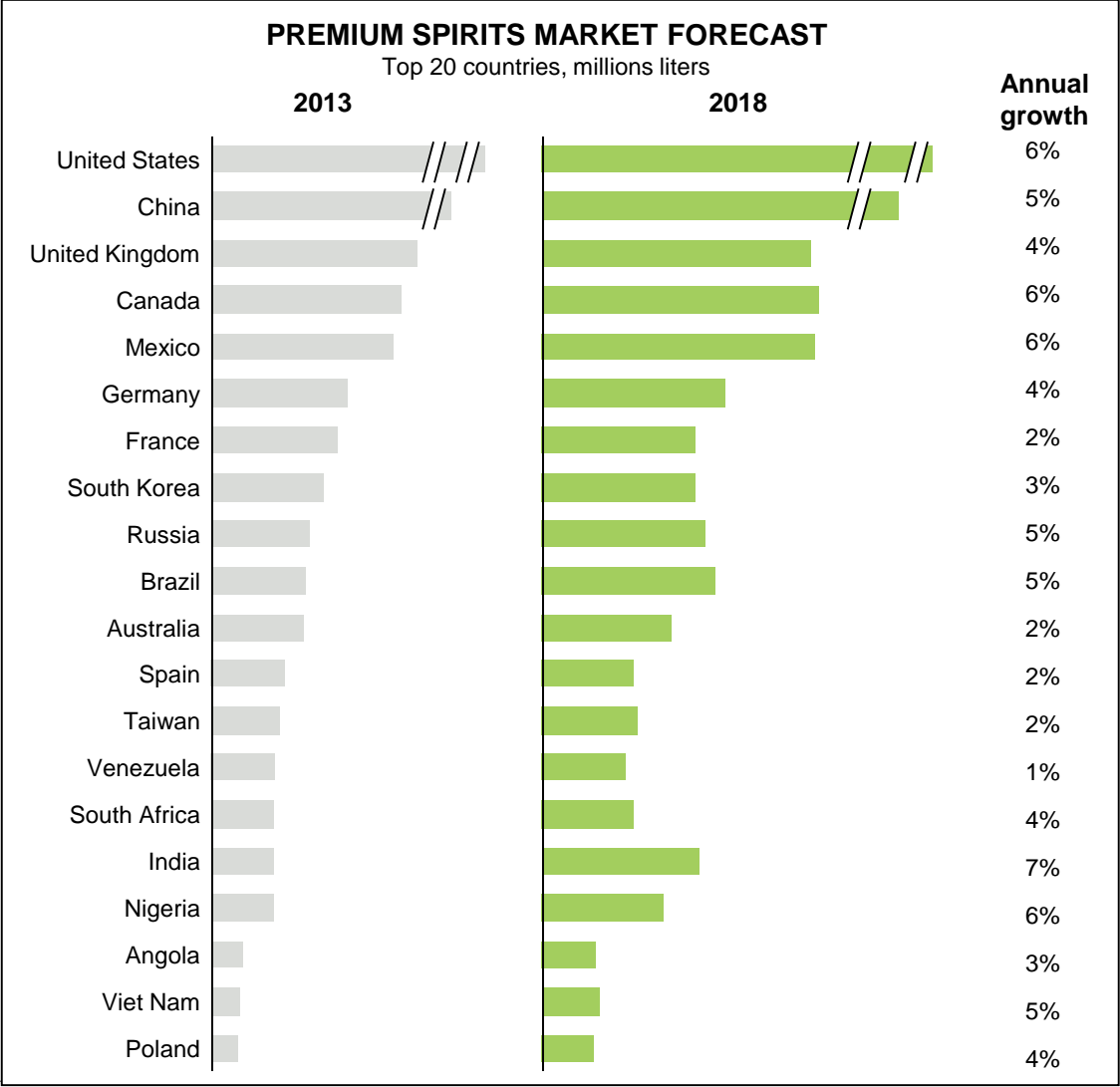
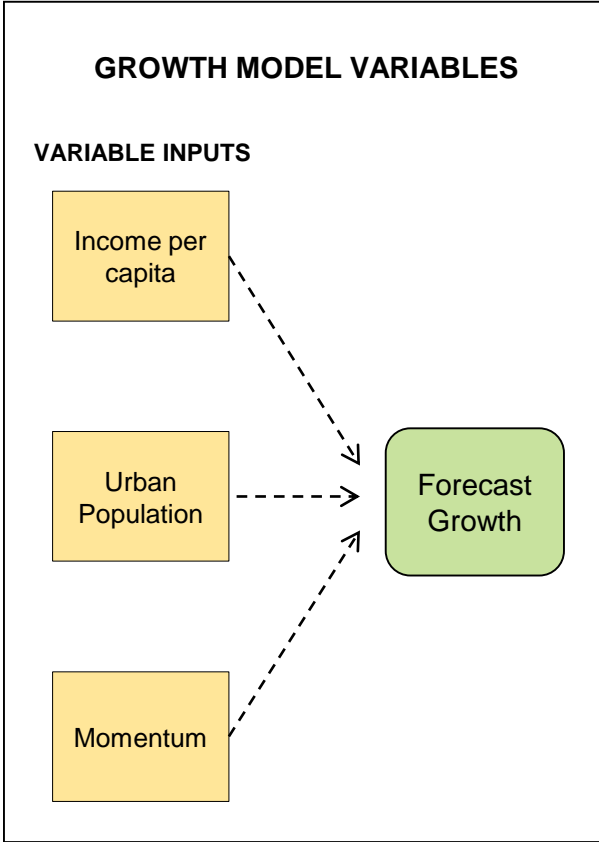
GLOBAL SPIRITS OPPORTUNITIES DEMAND MODEL			
Client	Key question	Major considerations	Outcome
Multinational spirits company	Which markets hold the greatest potential for the client over a 5-year time frame?	<ul style="list-style-type: none">• Target consumers for premium vodka, whisky, rum and brandy• Long-term growth	Canback assessed the opportunity in 30 countries globally and presented a targeted global strategy for the client





The premium spirits category was modeled using macroeconomic variables as well as category momentum. The United States, China, and India are expected to outperform

MODEL BY GEOGRAPHY **MODEL BY PORTFOLIO** **STRATEGY BY GEOGRAPHY AND PORTFOLIO**



All figures are illustrative

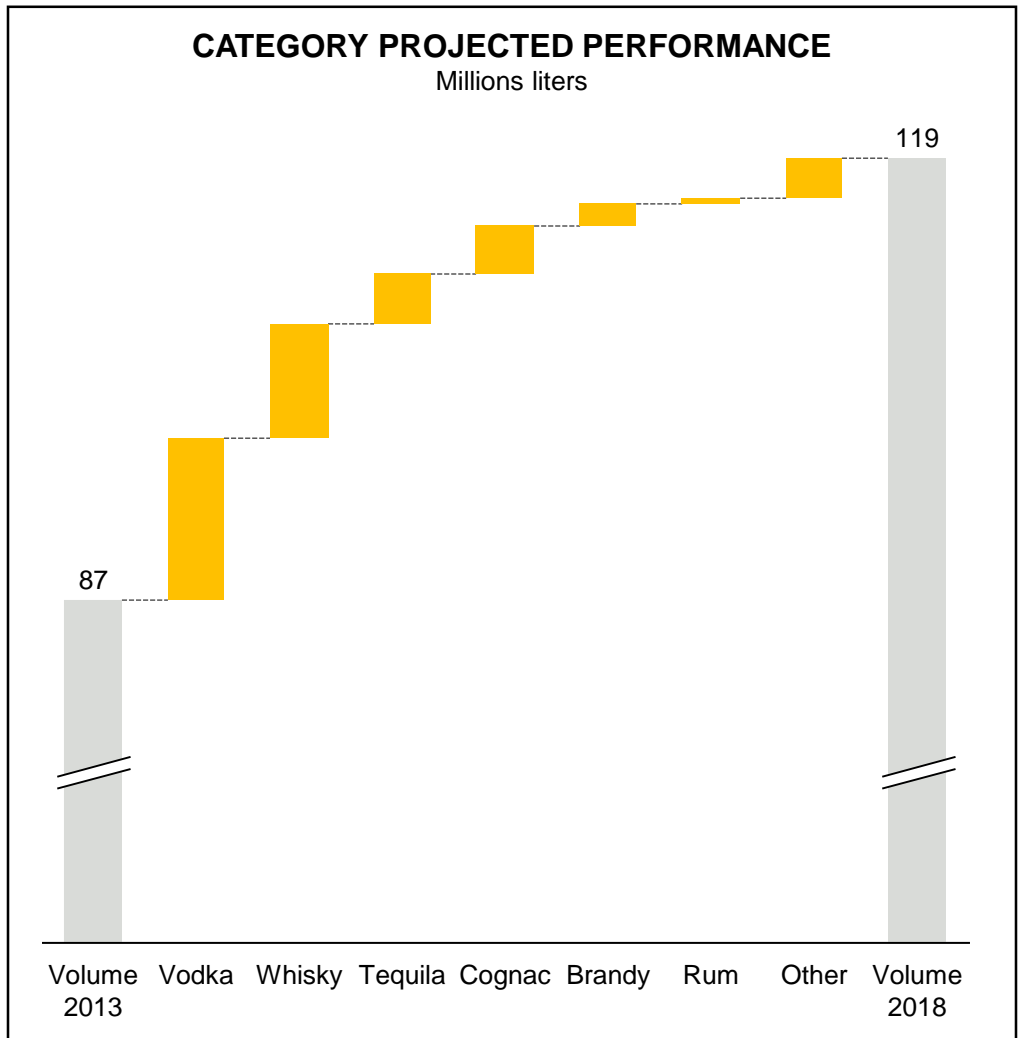
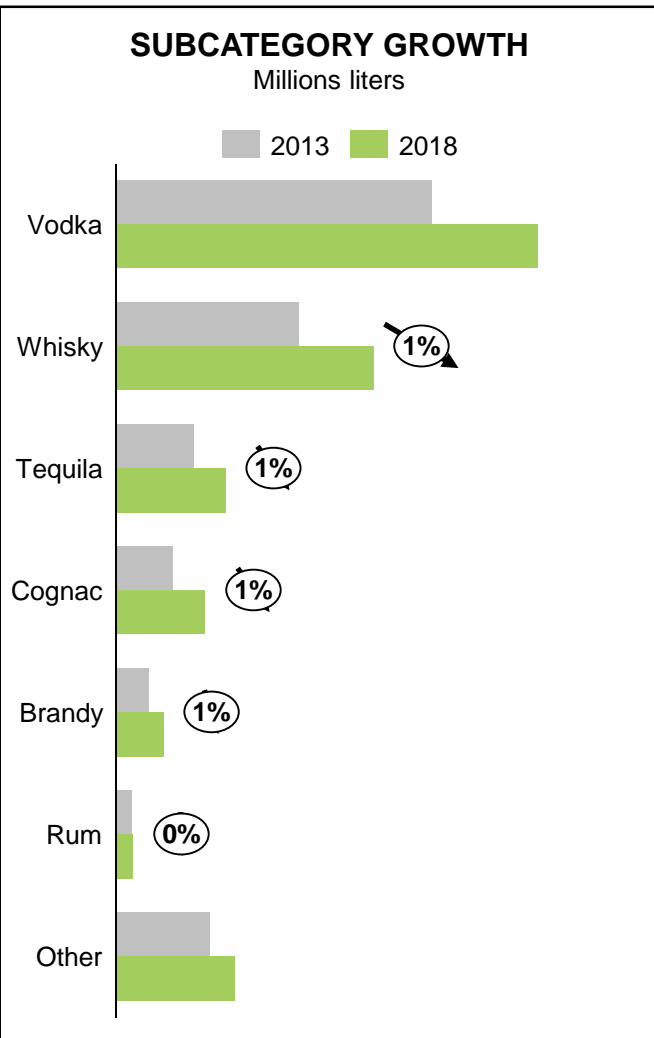


Using a top-down modeling approach, the spirits subcategories were modeled and constrained to the spirits category model and price segment model

MODEL BY GEOGRAPHY

MODEL BY PORTFOLIO

STRATEGY BY GEOGRAPHY AND PORTFOLIO



All figures are illustrative



Canback classified the countries into three groups based on 5-year prospects in various premium subcategories. The portfolio strategy was segmented into vodka-focused and whisky-focused plans

MODEL BY GEOGRAPHY

MODEL BY PORTFOLIO

STRATEGY BY GEOGRAPHY AND PORTFOLIO

STRATEGIC MARKET CLASSIFICATIONS

GROUP 1: BUILD

United States	Brazil
China	Russia
Taiwan	Poland
Mexico	Venezuela
Australia	Nigeria

- **Grow:** with the market
- Develop a market position
- High growth

GROUP 2: ADVANCE

Viet Nam	South Africa
Germany	India
France	Cambodia
United Kingdom	South Korea
Spain	Canada

- **Grow:** client share
- Protect grow market position
- Slow growth

GROUP 3: SEED

Sweden	Congo-Kinshasa
Lithuania	Uganda
Angola	Ukraine
Kenya	Malaysia
Myanmar	Ghana

- **Grow:** the market (develop)
- Not a focus, but monitor for prime opportunities
- High growth

PORTFOLIO SEGMENTATION

VODKA FOCUS

Brazil	South Africa	Sweden
Russia	France	Lithuania
Poland	Cambodia	Ukraine
Venezuela	South Korea	Malaysia
United Kingdom	Canada	Germany

WHISKY FOCUS

United States	Viet Nam	Congo-Kinshasa
China	Ghana	Uganda
Taiwan	India	Angola
Mexico	Nigeria	Kenya
Australia	Spain	Myanmar



Introduction to EIU Canback

Perspective on the global alcohol market

Alcohol expertise

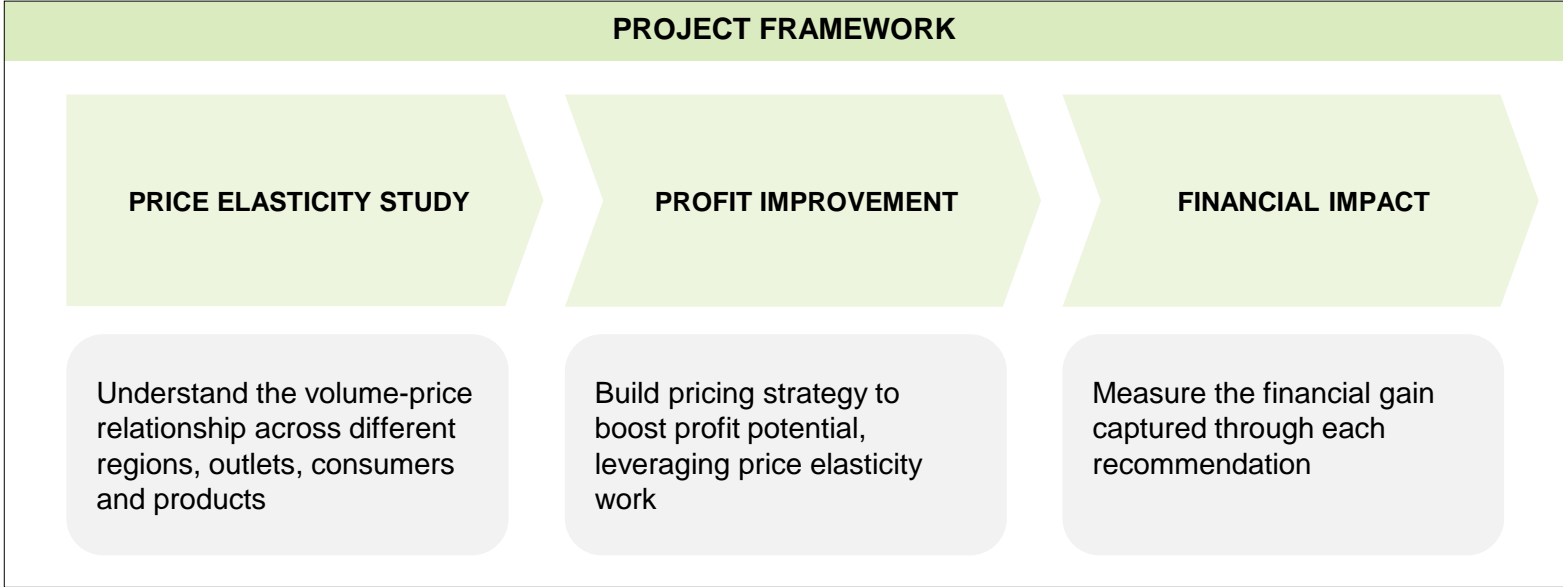
Case studies

- Sources of growth for the Botswanan beer market
- U.S. vodka consumer segmentation
- Due diligence for a beer and spirits target in Thailand
- Global spirits demand forecasting
- Price optimization for beer portfolio in Southern Africa

Canback evaluates pricing strategy by making practical sense of econometric concepts such as price elasticity of demand. An effort in southern Africa led to an EBITDA increase of USD 90M for the client



PRICING IN SOUTHERN AFRICA			
Client	Key question	Major considerations	Outcome
African beer company	How can the client adjust pricing in its beer portfolio to generate higher profits?	<ul style="list-style-type: none"> • Consumer transaction price sensitivity • Price ladder optimization • Mitigating the impacts of RTM surcharges 	Canback's recommendations helped adjust the portfolio to better satisfy demand and improve EBITDA by USD 90M





Performing elasticity analysis for different cuts of the market allows us to understand the true impact of pricing decisions



PRICE ELASTICITY OF DEMAND

Elasticities are measures of responsiveness – price elasticities measure how much demand changes following a change in price. Canback uses elasticities to understand the impact of a pricing change on sales, shares, revenues, costs, and margins

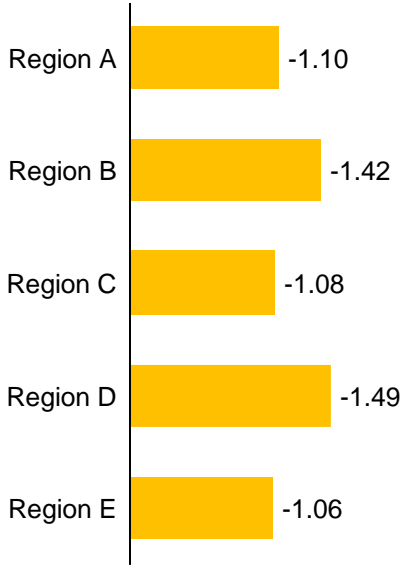
SUBNATIONAL BEER PRICE ELASTICITIES

By urban class



A 10% price increase results in a 9.2% decline in volume

By region



By channel



Rural consumers tend to be least responsive to price changes due to the lack of choice of competitive products

Regional differences are attributed to differences in income, product choice, or cultural differences

Consumers shopping in the modern trade tend to be the most price sensitive, while on-trade consumption is the least responsive

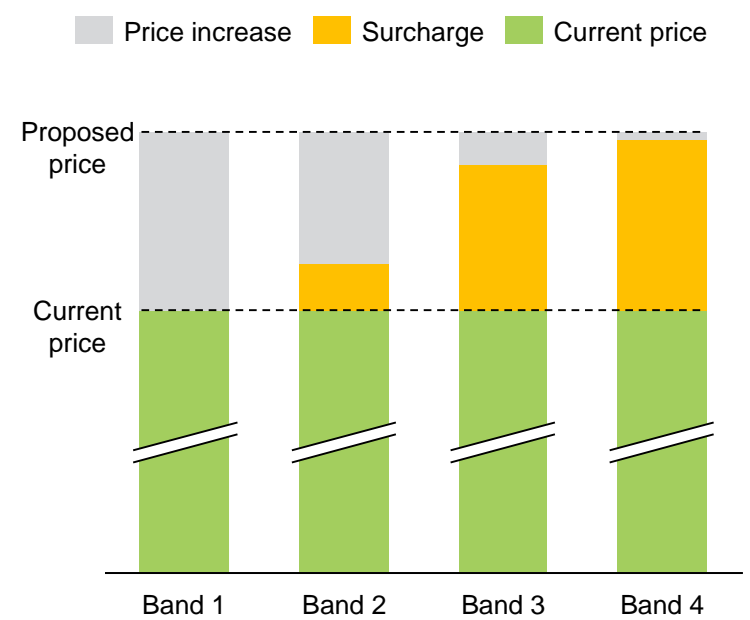
All figures are illustrative



Canback proposed a multi-faceted pricing strategy designed to improve profit, which included switching base pricing to account for surcharges and re-indexing mainstream products

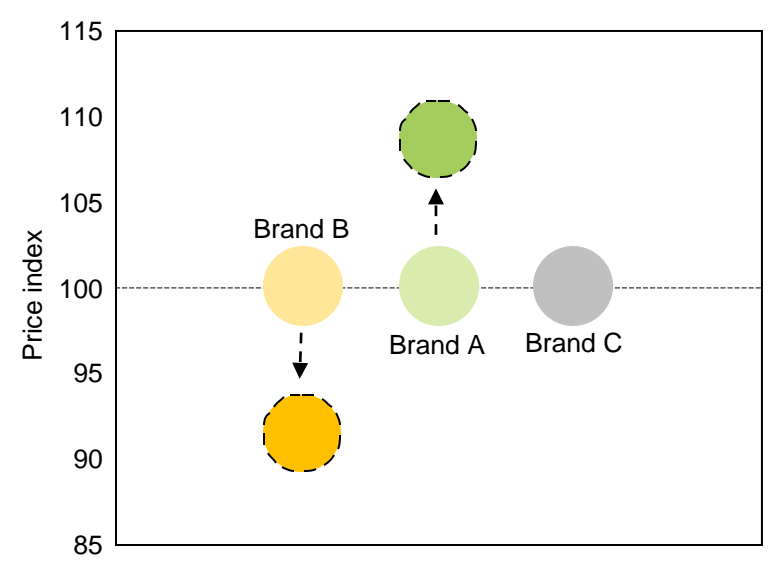
ELASTICITY STUDY PROFIT IMPROVEMENT FINANCIAL IMPACT

BASE PRICING STRATEGY



- Distributor surcharges result in variation in price across different geographies and channels
- Increasing price across all price bands based on the difference in surcharge, would remove the variation in price
- The price increase would negatively impact volumes, but upward pressure would be applied to revenue and profits

MAINSTREAM PROPOSED INDEXING



- Elasticity analysis shows Brand A to be the least price sensitive and Brand B to be the most price sensitive
- Increasing Brand A's price will boost profits with a smaller volume loss
- Decreasing Brand B's price will promote affordability and result in a larger volume gain, making up for any revenue loss

Note: The surcharge is a fee charged by the distributor in accordance with resources used to transport and deliver products

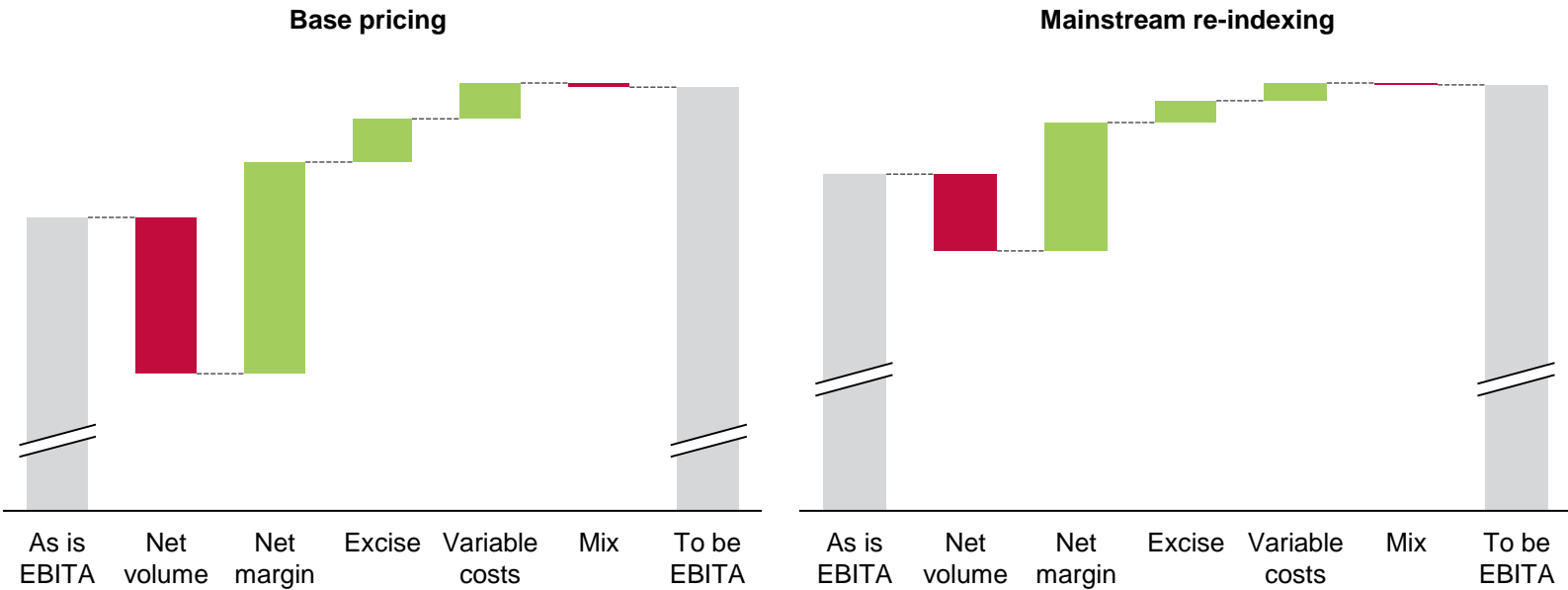
All figures are illustrative



Canback estimated the impact of the proposed plan. The client's successful implementation of the recommended pricing strategy resulted in revenue and profit growth with little volume effect



INCREMENTAL EBITDA BREAKDOWN



Canback projected the financial benefits of each improvement opportunity to allow the client to understand the direct impacts of the pricing strategy. The client achieved a USD 90 million EBITDA improvement using this strategy



Canback contact information

AMERICAS

Boston	EIU Canback, Inc. 210 Broadway, Suite 303 Cambridge MA 02139 +1-617-399-1300	Irina Blinova iblinova@canback.com	Mexico City	Canback Mexico Bosque de Ciruelos 194, PH3 Bosques de las Lomas 11700 Ciudad de México, D.F. +52-55-4164-8500 +52-155-4354-9806	Francisco Maciel Morfin fmaciel@canback.com
Chicago	EIU Canback USA 500 N. Michigan Ave. Suite 1925 Chicago IL 60611 +1-312-853-3716 or 3823	Tom Andrews thomasandrews@economist.com Maureen Lanigan maureenlanigan@eiu.com	Sao Paulo	EIU Canback Brazil Av. Brigadeiro Faria Lima, 3144 3º andar Jardim Paulistano São Paulo, 01451-000 +55-11-3845 4767	Marcio Zanetti marciozanetti@eiu.com

EUROPE

London	EIU Canback Europe 20 Cabot Square London E14 4QW +44-20-7576-8181	Chris Pearce chrispearce@eiu.com Asif Chaudhary asifchaudhury@eiu.com
---------------	---	--

MIDDLE EAST AND AFRICA

Dubai	EIU Canback MENA Aurora Tower, 13th Floor Office 1301A, PO Box 450056 Dubai Media City +971-4433-4202 +971-52-269-8425	Paul Yata paulyata@economist.com	Johannesburg	EIU Canback SA (Pty) Ltd Inanda Greens Business Park Building 8 54 Wierda Road West Wierda Valley, Sandton, 2196 +27-83-786 2450	Arshad Abba arshad_abba@canback.com
--------------	---	-------------------------------------	---------------------	---	--

ASIA

Beijing	EIU Canback China Unit 1711, 17/F, Block 1 Taikang Financial Tower 38 East 3rd Ring Rd. North Chaoyang District 100026 +86-10-8571-2188	Alex van Kemenade alexandervankemenade@eiu.com	Singapore	EIU Canback Southeast Asia 8 Cross St, #23-01 PWC Bldg. Singapore 048424 +65-6534-5177	Vanny Dang vannydang@economist.com
Shanghai	EIU Canback China Rm 2508A, 25/F, Rui Jin Bldg 205 Mao Ming South Rd, Shanghai 200020 +86-21-6473-7128	Seumas Graham seumasgraham@economist.com	Tokyo	EIU Canback Japan Ginza Wall Building UCF 5F 6-13-16 Ginza Chuo-ku, Tokyo 104-0061 +81-3-6338-0002	Shin Ito sito@canback.com
			Jakarta	EIU Canback SE Asia Jl. Tiang Bendera 5 no. 2A DKI Jakarta 11230 +62-812-8743 7578	Teddy Purnomo tpurnomo@canback.com