Summer Examinations 2016

MKT200116N

Module Title: Tactical and Strategic Marketing
Level: Five
Time Allowed: Two hours plus 15 minutes reading time. Students must not commence answering the question until the reading time has ended.

Instructions to students:
- Enter your student number not your name on all answer books.
- During the 15 minutes reading time, students are permitted to make notes on the examination paper but not on the answer book. Students should begin answering the question after the reading time has ended.
- Answer the one compulsory question.
- Only work recorded in the answer books will be assessed.
- Neither books nor notes may be taken into the examination.
- Erasmus/overseas students are permitted to take a bilingual dictionary into the examination room but will not be permitted any extra time.

No. of Pages: 3
No. of Questions: 1
The Juice Brewery builds up thirst for bank support

The Juice Brewery has its soft drinks stocked in Marks & Spencer and Waitrose - but it can't get an overdraft.

Tina Beattie, chief executive of “adult soft drinks” company the Juice Brewery, sounds like countless other entrepreneurs when she says “the banks just aren’t lending”.

Risk aversion among banks is well documented, but if you’ve got an experienced management team, signed orders from Marks & Spencer and Waitrose and a strong base of equity investors, wouldn’t you at least expect to be able to secure an overdraft?

Beattie says the company has been rebuffed several times in its requests for an overdraft facility to fund working capital requirements for selling to its supermarket customers.

She admits the two-year-old business is not yet profitable, but expects to be “cash flow neutral” from revenues of around £2m this year. It is also just about to add Sainsbury’s as a customer, having secured a deal to supply all 500 of the supermarket’s stores from May.

With no bank support, the company is relying on its equity backers to fund working capital through shareholder loans, but she’s also going to attempt to move banks to find an overdraft.

The Juice Brewery was inspired by a pub conversation over a pint of Belgian strawberry beer. “We thought it was a kid’s drink, but it had a head. It got us thinking,” says Beattie. “If you want a soft drink in a pub, what do you ask for? Coke or lemonade is fine but they’re not long drinks with mature flavours.”

After a bout of often disastrous experimentation in a kitchen, which involved mixing beers with fruit juices, she decided they wanted to make a flavoured soft drink “you can drink like a beer”. “But we didn’t want to launch another Kaliber. Non-alcoholic beer has the alcohol taken away, ours never has any in.” They have since applied for patents on the process used to make the drink, which they call a “soft brew”.

“We brew beer in the traditional sense but stop before it ferments – that’s the clever bit. You can taste the malt and the hops coming through. People have tried to copy what we do but it’s a complex process,” says Beattie.

So, an adult soft drink that isn’t a non-alcoholic beer but is made in a brewery – isn’t it all rather confusing? “It’s difficult to position,” admits Beattie.
With no equivalent products to point to and more of a piggy bank than a war chest to spend on marketing, they took the counter-intuitive step of launching their drinks as a Marks & Spencer own-brand.

“People told us we’re giving it away. But we had to develop a sector. How are we going to do that with very little money? We thought, let’s get these guys to tell the world what a soft brew is, so when we follow up with our own, people will know what it is.”

With success in Marks & Spencer followed by orders from Waitrose and now Sainsbury’s for the company’s branded version, WP Hopper Soft Brew, the gamble appears to be paying off, although the company admits it needs to spend more on supporting supermarket promotions and marketing.

Beattie now says it’s crucial that the company adds on-trade sales to its supermarket success this year. Despite being born in a pub and made in a brewery, the drink is only available in a handful of independent bars and pubs.

“We have to create awareness in the on-trade – that’s where people eat and drink,” she says. “I’ve been trying to learn about it since October – but it’s very complicated and fragmented. We need to supply a big player, a Mitchells & Butlers, then guerrilla market around the bottom. How do I convince a business as powerful as them that we can add value – what will they want to know?”

“We’ve got to start marketing. We haven’t really done anything,” says Beattie.

This case is based on an article by James Hurley, The Daily Telegraph, 31 January 2012.

Compulsory question.

By reference to the main elements of a marketing plan, explain the contribution each could make to clarifying the critical issues Tina Beattie faces and to solving her challenge.

Note: You are not required to create a marketing plan for Tina, but to focus on and discuss the contribution of each of the main elements of a marketing plan.

(100 marks)