Entry and Growth Strategies for Emerging Economies

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Abstract
Multinational enterprises (MNEs) are expanding their global reach, carrying their products and brands to ever more remote corners of the world. They encounter business environments that vary not only from their country of origin, but also vary greatly amongst each other. Thus foreign investors have to adapt their strategies, most notably their marketing and acquisition strategies, to the local context.

In this paper, we outline why globalisation drives MNEs into emerging economies, and we provide conceptual frameworks that may aid investors to adapt their strategies to emerging economy contexts. MNEs have to develop a portfolio of local and/or global brands that matches their competences with local needs. If they aim for market leadership they may pursue a multi-tier strategy, but this needs to be supported by an appropriate foundation of global and local resources.

This strategy in particular requires the acquisition of complementary local resources controlled by local firms. However, acquisitions in emerging economies are inhibited by institutional obstacles and weak local firms. Thus, foreign investors may pursue staged, multiple, indirect, or Brownfield acquisitions to build their projected operation. We illustrate our proposed strategies by analysing how one multination enterprise – Carlsberg Breweries – has developed its operations in three very different emerging economies: Poland, Lithuania and Vietnam.
1. Introduction

Globalisation brings multinational enterprises (MNEs), their products and their brands to ever more remote corners of the world. Large populations raise expectations of unprecedented demand for consumer goods, if only the right products could be delivered in the right places. Yet when entering emerging economies, MNEs encounter business environments that vary not only from their country of origin, but also amongst each other.

The main attraction of emerging economies is their high economic growth and thus the expectation of rapidly increasing demand for consumer goods. Moreover, as C.K. Prahalad argues so passionately, there is money to be made “at the bottom of the pyramid”. The sheer number of people on low incomes makes even the less developed parts of the world attractive to business, if appropriate business concepts are developed to serve them.

However, emerging economies pose unique challenges due to their less sophisticated institutional environment, and the weak resource endowment of local firms. We outline in this paper how MNEs may cope with these challenges and unlock the profit potential in emerging economies. Foreign investors have to design a locally adapted entry strategy that establishes a basis from which they can develop their local position. To reach their objectives, MNEs must focus on the long-term potential of their entry strategy, and continuously readjust their strategy to changing circumstances, which may include increased resource commitment at later stages.

To reach consumers in emerging markets, foreign investors have to adapt their marketing, especially their branding strategies. Crucial trade-offs exist between developing a global brand for the premium segment, where substantive margins can be earned, and developing products with large-scale and cost-efficient production for the mass markets, earning profits through volume. We argue that there is potential in both, and extra gains await those who can combine global brands and products for the bottom of the pyramid.

To develop an aspired product positioning and market share, foreign investors have to carefully design their entry mode, which needs to provide access to crucial

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local resources such as local brands and distribution channels, and overcome inefficiencies in the markets for these resources. Conventionally, entry modes are distinguished as Greenfield, acquisition and joint venture, based on the legal form of establishment and the equity stake. We introduce a more differentiated terminology that provides better support for managerial decision-making. Creative designs of entry modes, rather than choosing between textbook models, allow MNEs to accommodate their own needs and the peculiarities of the host environment.

We illustrate our ideas by comparing the strategies of one multinational enterprise, Carlsberg Breweries, over the past decade in three different emerging economies: Poland, Lithuania and Vietnam. This longitudinal and comparative perspective within one MNE allows us to focus on the adaptation of business strategies to the local context.

The traditionally highly fragmented brewing industry has gone through a rapid concentration process over the past decade. Yet, even in concentrated markets, local and international brands continue to co-exist. The parallel development of multiple brands and the structural changes in the industry reflect the trends of many other food and beverage industries, which makes brewing a particularly interesting industry to analyse.

Carlsberg has expanded its operations in emerging economies in the early 1990s, customizing its entry strategies to local contexts. Vietnam was entered as early as 1993 with two joint ventures that serve what is still a low-income economy, yet after several years earn substantive profits.\(^4\) In the far more developed and relatively large Polish market, Carlsberg entered with a partial acquisition in 1996, and has built a strong position using a staged acquisition, multiple local acquisitions, and an indirect acquisition.\(^5\) In the small and less advanced Lithuanian market, Carlsberg took over a local brewery in 1999, and acquired further local brands in a global merger in 2001.

We develop our arguments as follows. In Section 2, we outline the pull and push factors inducing accelerated FDI into emerging economies: the attraction and obstacles of local markets, and the adaptation of MNE’s global strategies to changes in the global economy. In Section 3, we outline how consumer goods MNEs may


position their brand portfolio in emerging economies. On this basis, we discuss in Section 4 how MNEs may use acquisitions and joint ventures to access crucial resources. We conclude with an outlook on how investment opportunities evolve with economic growth.

2. Global strategy and local markets
The accelerated entry into emerging economies over the past decade has been driven by both pull and push factors. On the one hand, emerging economies pull in FDI as business opportunities galore due to the sheer size of the market and impressive economic growth in countries, such as China. On the other hand, MNEs were pushed to seek new markets by competitive pressures in their home environments.

Insert Exhibit 1 here

2.1. Opportunities and Challenges of emerging markets
Emerging economies offer attractive markets for consumer goods and high growth potential. Looking beyond the special cases of China and India, Poland - with a population of 38 million - is a medium size European market, and Vietnam with 80 million people is larger than any European country other than Russia (Exhibit 1). Poland went through a deep recession in the early 1990s followed by spectacular growth over the rest of the decade, while Vietnam more than quadrupled its per capita income over the decade.

Despite these attractions, emerging economies do not offer the same level of economic development and intricacy of the institutional environment.\(^6\)\(^7\) We thus define emerging economies as those economies that have high growth or growth potential, but do not have the same sophistication of the institutional framework as Western Europe or North America. Large and fast growing markets as well as low factor costs may in many ways be attractive to businesses; yet foreign entrants also faces unique obstacles and risks:

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Emerging economies are highly volatile due to frequent changes in institutions, industrial structure and the macro-economy. Economic growth may be high, but crises are frequent, as the Asian crisis of 1997 has reminded everyone. This gives advantages to those who develop strategic flexibility to react to changing circumstances and grab new business opportunities.\(^8\)

Emerging economies have institutional frameworks that may require different ways of interacting with business partners and authorities. ‘Institutional voids’ often inhibit the efficiency of markets, such that firms internalise markets for intermediate goods and services such as capital and human capital.\(^9\) Moreover, businesses rely to a larger extent on relationships as foundation for business transactions.\(^10\)

Many resources and capabilities needed to compete in emerging economies are context-specific. Local firms and individuals develop their capabilities to suit the specific context, which may create major barrier to entry. Foreign investors may overcome these barriers by partnering with a local firm.

Many industries in emerging economies are highly fragmented as many small firms compete for a share of the market. Yet with entry of foreign investors, the market structure may rapidly change, adding to the uncertainty in the market place.

For this study, we have selected a cross section of emerging economies that have gone through a transition to a market economy in recent years. Poland represents a large and arguably the most advanced of the European transition economies. Lithuania is a small economy that successfully left the sphere of the former Soviet Union, while Vietnam is income-wise much closer to the bottom of the pyramid but has shown remarkable economic growth for the past 15 years. Exhibit 1 summarizes the complex market environments in these three economies. In this paper, we develop some suggestions on how companies can operate in such circumstances.


2.2. Global Strategies

An explanation of MNE activity in emerging economies must start from an understanding of their global strategies. Globalisation has opened many markets and increased competition not only in emerging markets, but also in developed countries. This compels many MNEs to grow by expanding internationally.

In liberalised markets, specialist manufacturers and foreign entrants challenge diversified conglomerates in the different industries in which they operate. Firms thus are under pressure to divest peripheral activities in which they cannot attain industry leadership, and focus on an industry where they are best. In this core business, they aim for worldwide leadership, and optimise their operations and supply chain on the global stage. Many firms thus convert their corporate strategy from related diversification in their home market, to a strategy of ‘globafocusing’ selling a core product worldwide, in both mature and emerging economies.11

This process can be conceptualised by considering the context and industry specificity of the companies’ resources, or their core competences. We can think of a firm’s bundle of resources in terms of their transferability and applicability in other countries and in other industries. Some capabilities, such as knowledge of local consumer behaviour and the political institutional system of a country, are highly specific to a given country, but can be profitably deployed in other industries within this country. Other resources, such as products and technologies, are specific to the industry and can readily be applied in another country.

Globalisation is changing the relative importance of industry and country specific resources. Liberalization is opening markets, thus reducing the advantages of incumbents’ context specific capabilities and triggering foreign entry. The ensuing intensified competition raises the importance of industry specific competences to stay ahead in the competition. In other words, traditional barriers to entry to countries are declining while barriers to entry to industries are become relatively more important. As technological and administrative barriers to trade dwindle, strategies focused on a single country become less feasible.

Gradual liberalisation in Europe has induced firms to convert themselves from diversified conglomerates to global specialists in their respective industry. As industry specialists, they aim for global leadership in their chosen segment. This trend o of

‘globalfocusing’ can be observed in many manufacturing industries, especially those serving business-to-business markets.\textsuperscript{12} FDI in emerging economies can serve this objective by providing a global supply base, or by extending the market reach.

The brewing industry has seen globalfocusing strategies of the largest firms in the industry. Beer is a traditional and culturally embedded product, especially in Europe. Until the middle the 20\textsuperscript{th} century, the short shelf life, difficulty of transporting beer plus tariffs and national quality standards reduced the reach of international brands.\textsuperscript{13} Moreover, consumers have developed loyalty to their local brands, most notably in Germany but also in emerging economies such as the Czech Republic. However, in recent years consumption has been stagnant or even declining in Europe, while per capita consumption has been growing fast in Asia.

On the global stage, the industry has gone through rapid concentration and internationalisation processes over the past two decades. Leading players expanded internationally often by acquisition, most notably in global mergers such as Ambev-Interbrew and SAB-Miller. At the same time, many emerging markets witnessed acquisition-driven concentration processes at the national level.

Carlsberg has participated in the trend of globalfocusing in a gradual manner. It has for decades focused on the brewing industry but also invested in loosely related activities. In the 1990s, Carlsberg expanded the beer business internationally, and strengthening its core business and its global reach. In 1990, 34\% of its turnover was non-beer business mainly in Denmark, which fell to 16\% by the end of the decade. Over the same time period, brewing activities outside Denmark grew from 38\% to 74\% of turnover.\textsuperscript{14} In 2003, less then 5\% of beer brewed by Carlsberg was sold in Denmark.\textsuperscript{15} Thus, by the turn of the millennium, Carlsberg became one of the top 5 brewers worldwide, focused on brewing with few side activities, and generating turnover chiefly outside its home base of Denmark.

A milestone in the strategic repositioning of Carlsberg has been the merger with Norwegian brewer Orkla in 2000. At that time, Orkla had expanded in the Nordic region and, via 50\%-owned Baltic Beverage Holding (BBH), in Russia and the Baltic States by acquiring and developing local breweries and local brands, such as

\textsuperscript{12} Meyer (2003): see reference 11.  
\textsuperscript{13} R. Benson-Armer, J. Leibowitz and D. Ramachandran, Global beer, what’s on tap?, \textit{The McKinsey Quarterly}, Number 1 (1999)  
\textsuperscript{14} Carlsberg: annual reports (various years). From financial year 2000/01 onwards, Carlsberg no longer reports these data in its annual report in the same format.  
Baltika in Russia. Carlsberg had pushed primarily its global premium brands, Carlsberg and Tuborg, into a range of markets worldwide, using mainly minority stakes in joint ventures and licensing. **The merged company could draw on a wider range of human and financial resources, and combine the development of the global brand along with the management of a portfolio of local brands.** Thus, local brands have moved from a side activity to a central part of the business strategy around 2000.

The renewed focus on exploiting core brewing competences worldwide accelerated Carlsberg’s involvement in emerging economies. In the 1990s, Carlsberg expanded in Western Europe, Eastern Europe and Asia, often through joint ventures. After the merger, Carlsberg accelerated its investments in emerging economies. Thus, in 2003, 75% of sales were in Western Europe, 21% in Eastern Europe and 4% in Asia. The expansion in emerging economies continues, for instance in China where by summer 2004 Carlsberg has acquired equity in breweries in eight different provinces.

Pressures of globalisation thus push foreign investors into emerging economies, yet how do they take advantage of the new opportunities? We next outline the trade-offs and synergies between premium and bottom-end strategies in emerging economies, before analysing ways to acquire complementary local resources.

3. **Brand portfolio for emerging consumers**

Emerging economies pose different challenges for marketing then industrialised countries. Typically, incomes are low, labour is relatively cheap, and the customer groups are highly variable. However, Dawar and Chattopadhay show that even under these conditions foreign investors can profitably serve these markets by adapting strategies to these local contexts.\(^\text{16}\) For instance, low-income groups can be served by cost-efficient production of mass products, emphasising economies of scale and earning profits through the volume of sales. Low incomes constrain demand, but the corresponding low wages also create opportunities for people-intensive approaches to marketing. For instance, sales assistants may hand out samples or promotion materials, or support the service in bars and restaurants. Lower staff costs also allow for delivery of smaller but more frequent shipments to sales outlets.

\(^{16}\) N. Dawar and A. Chattopadhay (2002), see reference 7.
The variability of customer groups in terms of income and regions, challenge MNEs aiming for large market shares because markets may be highly segmented. Principally, foreign entrants could choose between three types of strategy:

1. **Global branding strategy** – global brand with little or no adaptation, positioned as premium brand.
2. **Local branding strategy** – portfolio of local brands, positioned to serve mass markets.
3. **Multi-tier branding strategy** – portfolio of global local and brands, positioned to serve different segments of the market.

*Insert Exhibit 2 here*

### 3.1. Global Brands

These strategic alternatives exist also in industrialized economies; yet the segmentation of markets makes the choice of strategy particularly crucial in emerging economies. **In emerging economies, one can expect large margin differences between global brands and local mainstream brands.** On the one hand, the mass market is highly price sensitive and local competitors may offer standard products at low prices. On the other hand, the premium segment is the prerogative of the middle and upper classes that are less price sensitive (Exhibit 2). As economic growth picks up, demand in the premium segment is likely to increase while new entrants intensify competition and thus reduce the margins that can be earned – as indicated by dashed lines in Exhibit 2.

The suitability of the three alternative strategies, and thus the relative weight given to global and local brands in the product portfolio, varies with the structure of the industry and the firm’s own resources and capabilities. A global brand strategy allows foreign entrants to serve the premium segment where substantive margins can be earned. This segment is often small but can be attractive because the middle class in emerging economies often has substantial purchasing power – even if average incomes are low. Thus volumes are typically small, while margins in terms of profits per unit sold may be large.

A cultural feature of Asian economies makes the premium segment particularly attractive. When going out with business associates or friends, or when
bringing gifts, one is expected to demonstrate status and prosperity as well as appreciation for the guests by offering the best product or brand. This phenomenon, known as ‘conspicuous consumption’ in economics, implies that demand for the most expensive brand may exceed that of a less pricey premium brand. Brands thus benefit from being positioned as ‘the best’.

Serving the premium segment requires first and foremost a recognized global brand, but also the ability to communicate the premium brand values locally, and to guarantee quality standards under occasionally adverse conditions. It does, however, not necessarily require direct investment. As premium brands often use country of origin as part of their image, they may be exported and distributed through local agents. Even high import taxes do not prevent an export strategy because the premium segment is less price-sensitive. Dependent on the nature of the product, a contractual agreement with a local licensee or sales agent may provide an appropriate avenue to supply a quality product to local consumers.¹⁷

3.2. Going Local

A portfolio of local brands produced cost-efficiently and serving the mass market may not generate huge sales margins, but it allows building market share and profiting from economies scale and the volume of sales. One cent earned for each of a thousand units is as good as 1 dollar earned per item but selling only 10 units.

Consumer goods, notably durable goods such as washing machines or motorcycles, may be adapted to the needs and purchasing power of emerging economies by reducing the variety of models and by stripping out non-essential product features. At the same time, product features may be adjusted to the needs of emerging markets, such as robustness in the presence of unreliable electricity supply and lack of a local service network. This product adjustment may require development costs, yet it increases economies of scale and thus reduces production costs. Such an adapted product may reach new consumers in emerging economies, while generating profits for the foreign investors.¹⁸,¹⁹

¹⁷ Selling a premium brand through an agent however entails certain risks due to the lack of control over the distributional channel. Moreover, protection of intellectual property rights is often easier for firms with a registered local subsidiary, for instance in China, where only locally registered firms can take legal action to protect their trademarks.


¹⁹ Dawar and Chattopadhay (2002), see reference 3.
A portfolio of local brands may be particularly suitable for emerging economies where incomes are low on average, but vary considerably within the country. Moreover, low-income economies such as Vietnam may have regional segmentation of markets as a result of high transportation costs (relative to value added), local attachment of people, limited reach of media, and people-intensive distribution networks. Mainstream brands from Europe or North America may be too costly for most local consumers, and thus do not allow building large market share. Without a substantive market, however, the entrant lacks power in the market and maintaining the distribution network may become prohibitively expensive. Thus, an adapted low cost product provides opportunities to build market share, and to benefit from market growth. Moreover, as markets may be rapidly concentrating following the entry of foreign investors, a stake in the mass market may be a good basis to build an industry leadership position.

However, in this segment, competition may be fierce and margins may be low. Local firms that produce at relatively low costs often dominate the mass market. To compete in this segment, foreign entrants have to focus on competences in how to manage production and marketing in emerging economy conditions, and exploit their operational knowledge to gain competitive advantage over local competitors.

3.3. Multi-tier Strategies

By combining global and local brands, foreign entrants can benefit from both strategies, while realizing synergies between their brands. Building local brands to penetrate emerging markets and simultaneously introducing company’s international brands has become a common strategy for consumer goods MNEs. Such a “multi-tier” strategy is a compromise between globalisation and localisation may thus solve the dilemma of either not attaining substantial market share, or not capitalizing on the global brand value.\textsuperscript{20, 21} Acquired local brands or newly developed regional brands cater to the medium- or low-price segments of the market, while the global brands aim at the upper end.

Serving both premium and mainstream segments creates important synergy effects, especially in sharing distribution channels. The global brand may

\textsuperscript{21} Batra (1997), see reference 18.
be pushed through the existing channels of the local brands, as it may be prohibitively expensive to build a channel for the global brand alone. Moreover, the brand value of a local brand may be enhanced through association with the global brand.

With economic development, demand for premium brands is likely to pick up – especially for those brands already known to aspiring new consumers and reachable through local distribution. Early movers may then earn high returns on their early investment in a premium brand.

Thus, a flexible combination of international, national and regional brands can serve consumer segments and consumption patterns that vary within countries. A multi-tier strategy, however, requires the MNE to possess crucial resources for both segments. Thus they need a global brand and the capabilities of marketing and delivering this brand at high quality, as well as operational capabilities that enable successful competition with local competitors familiar with the local context and producing at low costs.

Insert Exhibit 3 here

Exhibit 3 summarises the key arguments supporting the crucial decisions on emphasising respectively global and local brands in the brand portfolio in emerging economies. Firms with a high brand value in their leading brand, and the capabilities to support this brand in remote corners of the world, would choose a global brand strategy. Firms with operational knowledge in the industry, but without a global brand, can expand in emerging markets by building local brands. **Industry leaders that can combine a global brand with operational knowledge applicable in emerging economies can pursue a multi-tier strategy.** If, on the other hand, a firm has neither a global brand nor operational capabilities that are transferable to emerging economies, it may as well stay home. A foreign entry would require them to develop a brand and capabilities ‘as they go’, which is a highly risky strategy.

### 3.4. Carlsberg’s Branding Strategy

In the brewing industry, as in many other food industries, all three strategies can be observed. Food products are typically influenced by local culture and traditions; and occasions of purchase and consumption, taste, and the regional origin of the product play a great role in the buying process. In addition, customers tend to be loyal to local products, which creates barriers to entry for international brands.
However, the global leaders in the brewing industry are moving towards multi-tier strategies, albeit with different emphasis of their global and local brands.

Global brand strategies are being pursued by top premium brands, such as Corona or Guinness. They serve a particular niche market through exports, and use their country of origin as part of their brand image. Arguably, Carlsberg pursued a global brand strategy until the 1990s as it focused on its two global brands, Carlsberg and Tuborg, while treating local brands as a side activity. In many emerging economies, the Carlsberg brand was brewed in joint ventures or under licensing to an independent firm, while elsewhere it was exported.

The local brand strategy has been pursued most famously by South African Breweries (SAB), who expanded in the 1990s from their base in South Africa to emerging economies in Africa, Asia, and Eastern Europe. Typically, they acquire local breweries and reorganize the production and marketing operations to make them profitable. SAB develops local brands that fit the local market needs, while at the same time increasing productivity by replicating its low cost-brewing techniques and rigorously applying standardized management procedures in every functional area.

Similarly, BBH (which was owned 50% by Orkla) has built a strong position in many countries of the former Soviet Union (33% market share in Russia) by acquiring and revamping local brands. Beer is, despite possible standardization of production, a highly culturally embedded product and many consumers relate with their local brand, and its specific taste. This provides competitive advantages to MNEs such as SAB that know how to develop a portfolio of brands in new markets.

Following C.K. Prahalad’s ideas, the localization strategy might even be taken further. At the bottom of the pyramid, beer is mostly consumed on-site, in small bars and restaurants. In Vietnam, on-site trade accounts for 84% of beer sales, of which 28% are Bia Hoi – traditional restaurants brewing their own beer. Why not develop brewing technology for the Bia Hoi segment, develop a business concept that combines it with some ideas from micro-brewery restaurants in Europe, and then use franchising to expand all over Vietnam … and then to China, … and then back to Europe?

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22 The merger of SAB with US-based Miller provides SAB not only with access to the large US market, but also with a brand that could be developed into a global brand. Thus the merger may have a similar underlying logic as the Carlsberg-Orkla merger.


24 47% mainstream, on trade; 9% premium, on-trade, 16% off-trade (internal Carlsberg document).
Global market leaders, such as Heineken and Interbrew, mostly pursue a multi-tier strategy. Carlsberg joined this trend in recent years. The merger with Orkla in 2000 provided the new company with the resources to support a fully developed multi-tier strategy combining a global brand with local brands.

*Insert exhibit 4 here*

In the three markets of our study, the Carlsberg brand is positioned as a locally-brewed international premium brand (Exhibit 4), which is complemented by a national premium brand, Okocim in Poland, Svyturys in Lithuania and Halida in Vietnam. Regional and niche market brands complete the product portfolios. The price differences between market segments are large, as local brands are substantially cheaper then in industrialised countries, while prices for premium brands vary less between countries. Thus, top brands sell at substantial premium. The Carlsberg brand may be priced about 25% above mainstream brands in Poland, compared to about 10% in Germany.

The creation of a brand portfolio can be illustrated for Poland. During the consolidation process of the Carlsberg group in Poland, the number of local brands was reduced, while some acquired brands were replaced with the new ones. Carlsberg distinguishes two types of brands: main brands, like Carlsberg, Okocim Jasne Pélne, Okocim Mocne, and Karmi, and supporting brands, which include acquired regional brands, but also newly created brands for niche markets.\(^{25}\)

Until 2002, marketing in Poland concentrated on two brands – Carlsberg and Okocim. At a regional level, the group focused on strengthening the position of Kasztele, Bosman and Piast in their respective home markets. After the consolidation of the portfolio of national and local brands, Carlsberg undertook a major branding initiative in May 2002 to reposition the Carlsberg brand as premium brand. In most acquired firms, only two leading beers were selected for continuation and development. Carlsberg upgraded their methods of production, focusing on improving the product and package quality. The sales strategy now emphasizes independent distributors selling the full range of the group's products.

\(^{25}\) Bak (2003), see reference 5.
An example of Carlsberg’s ambition to build a global premium brand is its extensive sponsorship of international sport events. For example, its association with Euro 2004 allowed Carlsberg to reach even pubs in Vietnam where European football is very popular, and fans stay up all night to follow their favourite teams live.

To sum up, the design of the brand and product portfolio is crucial for marketing success in emerging economies. The fragmentation of the markets suggests quite distinct markets for global and local brands, with major differences in volumes and margins. Many MNEs pursue a multi-tier branding strategy, yet we see merits in each strategy.

The optimal combination of local and global brands depends on the value of the firm’s resources and capabilities in a given institutional context, industry structure, and consumer behaviour. MNEs with global brand recognition and the organizational capabilities to support this brand in far-flung places may perform best with a global brand strategy. Firms with operational knowledge on how to build brands in emerging economies, and how to run production efficiently in an emerging economy context may best focus on developing a portfolio of local brands. A multi-tier strategy is most ambitious and most likely to lead to long-term market leadership; yet it requires both a global brand and local operational capabilities.

4. Acquisition of local firms and resources

Whichever strategy foreign entrants pursue to penetrate emerging economies, they need access to local assets and networks. Yet, local firms commonly control these resources, in particular brands and distribution channels. In some political and institutional contexts, also political goodwill and legitimacy may be better built by cooperating with a local firm. Thus an acquisition of a local firm appears an obvious mode of entry.

Yet acquisitions in emerging economies are fraught with obstacles and have to be prepared and implemented carefully. Potential acquisition targets are rare as resource endowments of local firms are often weak. Where suitable acquisition targets are found, their technological upgrading and organizational integration may require considerable additional investment. Moreover, the relevant capital market institutions
are not well developed, which increases transaction costs of evaluating, negotiating and contracting an acquisition.\textsuperscript{26}

Although few local firms possess internationally competitive resources, they may even so be attractive partners. Firstly, they may control context-specific resources such as brands, distribution networks and knowledge of the local political and institutional framework. Traditional distribution channels in emerging economies are often based on personal relationships, which creates barriers to entry for newcomers. Especially late entrants in oligopolistic markets may be compelled to enter by acquisition to access to a substantive market share. Secondly, regulatory constraints may limit foreign equity ownerships and thus require working with a local partner. Thirdly, local firms hold valuable human capital at least in terms of absorptive capacity. The staff of the relatively advanced local firms may be best qualified to participate in further training and to adopt new technologies that may be transferred by the foreign investor.

\textit{Insert Exhibit 5 here}

\subsection*{4.1. New Forms of Acquisition Strategies}

Decision-makers have to think creatively how to design their entry mode such as to overcome the obstacles to acquisition entry. The crucial strategic decision is how to design the operation – rather then choosing from a set of given modes, called acquisition, Greenfield or joint venture, as much of the academic literature implicitly assumes. Many obstacles may best be overcome by customising a mode to the local context, rather than opting for a second best mode. The contributions of local or regional partners can be arranged in many different ways, from contractual cooperation to full acquisition.

Thus, unsurprisingly, acquisitions in emerging economies follow different patterns then in industrialized economies. As a consequence of weak resource endowments and institutional idiosyncrasies, acquisitions often take unusual forms, notably staged, multiple, indirect and Brownfield acquisition, as well as JVs (Exhibit 5).

A “\textit{staged acquisition}” runs counter to the conventional wisdom that it is better to get full ownership and control of the operations, especially ahead of difficult

\textsuperscript{26} Estrin and Meyer (2004), see reference 2.
restructuring challenges. Staged acquisitions are initially partial acquisitions in which the foreign investor aims to take full control later. The increase of the foreign investor’s equity stake may be pre-planned at the outset, or occur in response to changes in the environment, notably the FDI regulation. Like joint ventures, partial acquisitions are potentially subject to many conflicts that require compromises among shareholders, and the ownership structure is rarely stable.

Why are investors in emerging economies willing to make such compromises? Often, the previous owner is unwilling to sell outright. This is common for both privatisation agencies and family-owned businesses – the most frequent ‘sellers’ of enterprises in emerging markets.

However, there can also be advantages for the acquirer from continuous involvement of the previous owner. Firstly, a low level involvement provides a foreign investor with a platform from which to expand if the business develops favourably, while at the same time retaining the flexibility not to commit further resources if prospects turn out to be less promising.

Secondly, if the state or an influential local conglomerate share the risks as well as the profits of the business, they may also help alleviate potential adverse interference by bureaucrats in less predictable institutional environments. Networks with authorities are important in many emerging economies, and creating mechanisms by which the local authorities benefit from business prosperity may be a way to build such network and legitimacy.27

A major concern in staged acquisitions may be whether to transfer knowledge and engage in deep restructuring before acquiring full control. Some investors wait until they attained full equity control before investing in restructuring and upgrading. Transaction cost theory would lead us to expect that investors are unwilling to share resources as long as they have only a minority equity stake because the possibility of local partners using received assets for unauthorised, competitive purposes is higher. However, even without majority ownership, extensive knowledge transfer can take place, especially if the relevant technology is not considered ‘leading edge’ in terms of the foreign partners’ global competition. Studying FDI in a variety of emerging economies, Estrin and Meyer observe that in some staged acquisitions, the deep

restructuring was initiated soon after the initial entry while elsewhere it was delayed until the foreign investor attained majority control.28

“Multiple acquisitions” are another strategy commonly observed in emerging economies. In fragmented markets, a single acquisition may not suffice to attain a strong market position. Yet, foreign investors would normally aim to become a leader in whichever industry they decide to enter. Thus multiple acquisitions can build a strong nationwide market position in a market that traditionally has been highly fragmented. In consequence, **an acquisition is often only a small building bloc in building the envisaged new operation in an emerging economy.**

Multiple acquisitions however pose additional challenges for the integration of the acquired businesses. This may include concentration of head-office functions in one location – foreign investors often prefer the capital of the country – and the construction of new production facilities realising economies of scale and applying latest technology. This however may not be popular in the provincial towns where the acquired firms have their historical roots. The organizational integration may also transcend national borders, for instance when logistics are integrated in pan-European operations with “production capacity sharing”. Leadership as well as political sensitivity in managing external relationships are essential for success in these restructuring and integration processes.

“**Indirect acquisitions**” occur as a by-product of an acquisition in a different country. In rare cases, the operation in an emerging economy is actually the strategic asset that inspired the third-country acquisition. However, if they are not directly competing, it is possible to run them as separate business units. Such an indirect acquisition may be a short cut to gain the market shares fast, while avoiding complex negotiations with authorities and especially labour unions in emerging economies. If on the other hand, the global merger as acquisition had entirely unrelated objectives, then the local affiliates of both MNEs may have to be integrated, whether or not the local business units actually fit.

A **“Brownfield acquisition”** is an acquisition where the post-acquisition investment exceeds the original acquisition.29 The restructuring needs of some firms in emerging markets are so extensive that foreign investors have essentially replaced

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all resources apart from a few sought after assets, such as brand names, licenses or
distribution channels, and created a new operation that almost resembles a greenfield
plant. This phenomenon has been observed in particular in acquisitions related to the
privatisation process in Eastern Europe, but also in other emerging markets.\textsuperscript{30} Foreign
investors are willing to shoulder the burden of transforming uncompetitive enterprises
if the perceived value of the key assets exceeds the restructuring costs. However,
Brownfield acquisition may also result from investors underestimating the challenges
of restructuring enterprises in emerging economies.

\textit{Joint ventures} provide an alternative means to access local resources,
especially if the law does not permit partial or full acquisitions. Moreover, in many
cases foreign investors may not want to take responsibility for an existing local firm
because the restructuring challenges would be too daunting, or the firm has activities
in other unrelated businesses that are of no interest to the foreign investor. In a joint
venture, a new organization is created, and only selected resources are transferred
leaving the core businesses of both partners separate. However, like partial or staged
acquisitions, the ownership arrangement is inherently instable and allows for conflicts
between the parents.

4.2. Carlsberg’s Acquisition Strategies

The experience of Carlsberg illustrates the complexity of entry strategies in
emerging economies. In building its market positions in Poland, Lithuania and
Vietnam, Carlsberg used and combined many types of acquisition, reacting to
opportunities to expand the business as they emerged. Appendix 1 shows the timeline
of entry and expansion over more than a decade.

In Poland, Carlsberg combined multiple entry modes to build its market
position. It first acquired in 1996 a 31.6\% minority stake in one of Poland’s oldest
breweries, Okocim, which had been privatised in 1992. This equity stake was
gradually increased to over 95\% in 2004 – a staged acquisition. Even with shared
control, they obtained control over crucial aspect of the business, for instance by
appointing its people to key positions through its ownership of the premium brand.\textsuperscript{31}

To build a substantive market share and to challenge the market leaders,
Carlsberg needed more than Okocim; and they pursued a strategy of multiple

\textsuperscript{30} Estrin and Meyer (2004): see reference 6.
\textsuperscript{31} Bak (2004), see reference 5.
acquisitions. In 2001, Carlsberg-Okocim acquired two breweries, Kasztelan and Bosman, from German brewery Bitburger. In the same year, Carlsberg took over Dyland in the Netherlands, which owned the Polish brewery Piast – an indirect acquisition. In this acquisition drive, Carlsberg followed the trend set by its main competitors in Poland, Heineken and SAB. The aggressive acquisition strategies by the global players have led to a rapid concentration of the Polish brewing industry. In less than 10 years, a highly fragmented industry became dominated by 3 major players controlling almost 90% of the market. The competitive dynamics have changed so much that business challenges almost resemble those in Western Europe.

The four breweries have been organizationally integrated from 2002 onwards under joint brand management. Production has been recognized to realize economies of scale, reduce the number of production sites, and to increase productivity at two anchor plants in Szczecin and Brzesko and one support plant in Slerpc.\(^\text{32}\) From 2004, the integration extends beyond Polish borders as Carlsberg affiliates in different European countries share production capacity. However, this integration process has not been without setbacks as Carlsberg temporarily lost market share.\(^\text{33}\) As an ambitious investor that came relatively late, Carlsberg thus had to use multiple tracks to build a strong market position. Continuous investment, development of niche brands, and adept integration of separate operations are hoped to enable Carlsberg to challenge the market leaders.

In Lithuania, Carlsberg acquired almost full ownership of local market leader Svyturys in 1999. Around the same time, 50%-Orkla-owned BBH acquired two breweries, Utenus Alus and Kalnapilis. After the Carlsberg-Orkla merger, the competition authorities intervened because the joint market share exceeded 40%. Thus, Kalnapilis was sold, while Svyturys and Utenus Alus were legally and operationally integrated with BBH’s operations in the Baltic States. Thus Carlsberg acquired market leadership by indirect acquisition. In fact, the merger with Orkla was to large extent motivated by Orkla’s strong position in Russia and the Baltic States.

In Vietnam, the evolution of the brewing industry has been less dramatic. Carlsberg established two joint ventures in 1993 with participation of local state-owned firms and the Danish governmental investment fund IFU. Thus Carlsberg acquired an early position in this fast-growing industry. The JVs are structured with

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\(^{32}\) Carlsberg Nyt (newsletter for shareholders), August 12, 2004.
\(^{33}\) Bak (2004), see reference 5.
both partners contributing resources and sharing control; and the local firm has realized synergies and spillovers. Carlsberg maintains control indirectly through its brand name, by having at least one expatriate permanently based in Hanoi, and - initially - by having a Danish financial investor as a partner. In 2003, Carlsberg bought out the financial investor and increased its equity to respectively 50% and 60%, while the role of the local partners remained unchanged. The JV is expanding organically with the growth of the market, while anticipating further foreign entry and concentration processes once the market is fully liberalized.

To sum up, entry in emerging economies may require combining a range of different strategies and entry modes. Carlsberg combined staged, indirect and multiple acquisitions, as well as joint ventures, to access crucial market assets – especially brand names and access to distribution networks – in each of the three countries of our study. The local firms were strong players in the local market such that none of the acquisitions became a Brownfield acquisition requiring immediate large investments. The different modes presented in Exhibit 5 can be adopted and combined to suit the local industry structure, consumer behaviour and the institutional environment.

5. Outlook

MNEs are expanding into emerging economies pulled by the attraction of large and growing markets, and pushed by increasing competition and limited growth in their home market. We outlined how they may design an appropriate strategy that matches local opportunities with their own resource-mix.

Many MNEs position themselves in emerging economy markets by developing and exploiting their global brands. A few others, like SAB, focus on competences in running operations efficiently under emerging market conditions and with local brands. However, such a strategy requires not only the development of local second tier brands, but business concepts that fit the context. Both strategies have their merits, and investors have to analyse their own core competences to develop an appropriate strategy.

Synergies can be realized by combining global and local brands, notably the sharing of distribution networks, and the promotion of the global brand in anticipation

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34 Nguyen et al. (2004), see reference 4.
of rising demand. Thus, multi-tier branding has become the preferred strategy by those MNEs that aspire industry leadership. The increasing use of local brands in emerging economies by worldwide operating MNEs, especially in traditional or culturally embedded products, represents a “hidden” globalisation, as consumers often are unaware of their reach.\(^{36}\) However, this strategy requires simultaneously global brands and operational capabilities suitable for emerging economies.

Complementary context-specific resources can be obtained by entering by JV or by acquiring a local firm. However, appropriate design (rather than choice) of entry mode is crucial to capture local resources without losing control over one’s own resources, or being draw into complex enterprise transformation processes. Given the multitude of obstacles to acquisitions in emerging economies, foreign investors use non-conventional forms of acquisition – staged, multiple, indirect and Brownfield.

Yet the initial entry is only a basis from which an entrant can develop its operations in emerging markets and can aspire to market leadership. The entry strategy should permit strategic flexibility to react to changes in a volatile local environment. Emerging economies experience frequent changes in demand and supply conditions, and in the institutional environment. Businesses have to be able to react, and change their strategy at the right time, for instance by establishing small platform investments that provide a basis for later expansion,\(^ {37}\) or by limiting capital commitment while appointing key finance and marketing personnel in the operation.

Once foreign investors are in the market, they would be eager to exploit their newly-gained local capabilities – just as local firms do. Context-specific resources such as business networks and local brands can be spread across different lines of business. MNE affiliates may thus serve different segments, delivering not only their global premium brand, but developing local brands for the mass market, and utilizing scale economies in the distribution channels. They may also provide a broader range of products then in their home markets as their local subsidiaries aim to leverage their context-specific capabilities by diversifying into related businesses.\(^ {38}\) Their possible path of expansion should be taken into account when considering the entry strategy.

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\(^{36}\) A. Schuh, Globalization as diffusion process: An analysis of the dissemination of Western brands in Central and Eastern Europe, EIBA conference, Copenhagen, December (2003).


The rapid concentration process observed for instance in the Polish brewing industry signals that the patterns of competition in some emerging economies may quickly converge with those in, say, Western Europe. In the words of Carlsberg’s Executive Vice President Bjørn Wiggen: “Poland has developed very fast over the last 14 years, and we now regard it to be on the level of the mature Western European markets in many aspects. In some areas it is more difficult to develop the business in e.g. Germany than in Poland, because of the large bureaucracy”.

In both Poland and Lithuania, Carlsberg was both respondent and driver in the rapid concentration process in the national brewing industry. In such concentration processes, early movers are at an advantage if they also have the resources to continuously invest in the market, and to take over local competitors as opportunities emerge.

The rapid economic development in emerging markets continuously changes the challenges for foreign investors. Growing incomes are likely to increase demand and trigger entry by new competitors. Early investors in premium segments may then capitalize on brand reputation that has been built while sales of the premium brand were still small. Thus foreign investors may serve emergent customers with multi-tier branding, and implement their strategy by building and acquiring local resources, and combining them with the MNCs global capabilities.

Moreover, foreign investors have to maintain flexibility and be willing to commit additional resources. To achieve strategic flexibility, they may develop their local brands and draw on local partner’s capabilities, including relationships with other businesses and authorities. Designing entry strategies that reflect the special opportunities and challenges in emerging markets will enable them to succeed in emerging markets.

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39 Interview at Carlsberg headquarters, July 6, 2004.
### Exhibit 1: Evolution of the Market Environment since 1990

<table>
<thead>
<tr>
<th></th>
<th>Poland</th>
<th>Lithuania</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Size (1990 → 2002)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (million)</td>
<td>38.2 → 38.5</td>
<td>3.6 → 3.5</td>
<td>66 → 80</td>
</tr>
<tr>
<td>GDP p.c. (US$)</td>
<td>4,267 → 5,007</td>
<td>n.a. → 4,028</td>
<td>78 → 436</td>
</tr>
<tr>
<td>p.c. beer consumption (liter, 1999 → 2002)</td>
<td>52 → 68</td>
<td>54 → 78</td>
<td>7,6 → 9,0</td>
</tr>
</tbody>
</table>

| **Consumer taste** | Long beer tradition, lager and dark beers, lager more popular. Beer replacing beverages with higher alcohol content such as vodka. | Long beer tradition, lager and dark beers, lager more popular. Beer replacing beverages with higher alcohol content such as vodka. | Little beer tradition, low consumption, preference for light beers, with less foam and sweeter beer than in Europe. Beer as part of new lifestyle and replacing tea as accompaniment to meals. |
| **Consumption patterns** | Mainly off-site trade, large bottles (0,5l) and cans. As refreshment drink, beer is mixed with fruit or spices. | Mainly off-site trade, 80% sales to retail chains. | High share of on-site consumption, especially in the premium segment; Preference for cans; high share of ‘Bia Hoi’, beer brewed in restaurants. |
| **Industry structure** | Initially highly fragmented, rapidly concentrating. | Initially oligopolistic, increased concentration. | Highly fragmented, slow concentration process. |
| **Institutions concerning FDI** | Ownership restrictions rapidly phased out; privatisation to outside investors, often with minority stake to employees. | Ownership restrictions rapidly phased out; privatisation often to insiders of the firm. | Ownership restrictions required JV, relaxed only in the late 1990’s; little privatisation. |

Exhibit 2: Trade-offs between global and local brand strategies

Volume (liters)

Margin (%)

0% (local brand only)

100% (global brand only)

Product portfolio:
Share of global brand

Note: = direction of change with increasing incomes.
Exhibit 3: Branding Strategies

- **Global brand strategy**
- **Multi-tier strategy**
- **Local brand strategy**

<table>
<thead>
<tr>
<th>High Value of the global brand</th>
<th>Low Value of the global brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Operational capabilities for emerging economies</td>
<td>Low Operational capabilities for emerging economies</td>
</tr>
</tbody>
</table>

- Carlsberg pre-2000 → Carlsberg 2004
- Orkla pre-2000 → Local brand strategy
## Exhibit 4: Carlsberg Brands in Emerging Economies: Examples

<table>
<thead>
<tr>
<th>Brands</th>
<th>History</th>
<th>Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Poland</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsberg</td>
<td>Global brand, brewed in Poland</td>
<td>Premium brand</td>
</tr>
<tr>
<td>Okocim (Okocim Jasne Pelne and Okocim Mocne)</td>
<td>Acquired with the acquisition of Okocim in 1996</td>
<td>National brand</td>
</tr>
<tr>
<td>Bosman (Bosman Full and Bosman Special)</td>
<td>Acquired in 2001 from Bitburger and included into Carlsberg-Okocim Group in 2002</td>
<td>Regional brand</td>
</tr>
<tr>
<td>Kasztelan (Kasztelan Jasne Pelne and Kasztelan Mocne)</td>
<td>Acquired in 2001 from Bitburger and included into Carlsberg-Okocim Group in 2002</td>
<td>Regional brand</td>
</tr>
<tr>
<td>Piast (Piast Jasne Pelne and Piast Mocne)</td>
<td>Acquired when taking over Dylan (NL)</td>
<td>Regional brand</td>
</tr>
<tr>
<td>Książ (Książ and Wrocławski Full)</td>
<td>Acquired when taking over Dylan (NL)</td>
<td>Regional brand</td>
</tr>
<tr>
<td>Karmi</td>
<td>Newly created</td>
<td>Women</td>
</tr>
<tr>
<td>Volt (Volt Original and Volt Mocne)</td>
<td>Newly created</td>
<td>Youth market</td>
</tr>
<tr>
<td>Harnaś</td>
<td>Strong beer, newly created in 2003</td>
<td>Men</td>
</tr>
<tr>
<td><strong>Lithuania</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsberg</td>
<td>Global brand, brewed in the region</td>
<td>Premium</td>
</tr>
<tr>
<td>Svyturys</td>
<td>Acquired with the acquisition of Svyturys in 1999</td>
<td>National umbrella brand</td>
</tr>
<tr>
<td>Utenos alus</td>
<td>Acquired by BBH in 1999</td>
<td>National umbrella brand</td>
</tr>
<tr>
<td>Baltika</td>
<td>Originally Russian brand introduced by BBH in the early 1990s, but initially unsuccessful.</td>
<td>Baltic region brand</td>
</tr>
<tr>
<td><strong>Vietnam</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsberg</td>
<td>Global brand, brewed in Vietnam</td>
<td>Premium brand</td>
</tr>
<tr>
<td>Tuborg</td>
<td>Global brand, introduced in Hue, later withdrawn.</td>
<td>Premium brand</td>
</tr>
<tr>
<td>Halida</td>
<td>Brand created at the outset of the JV in Hanoi.</td>
<td>National brand, mainly Hanoi region.</td>
</tr>
<tr>
<td>Huda</td>
<td>Brand created at the outset of the JV in Huế.</td>
<td>Regional brand for Central Vietnam.</td>
</tr>
<tr>
<td>Festival</td>
<td>Newly created light beer</td>
<td>Local brand in Huế</td>
</tr>
</tbody>
</table>
### Exhibit 5: Acquisition and JV Strategies for Emerging Economies

<table>
<thead>
<tr>
<th>Description</th>
<th>Purpose</th>
<th>Conventional opposite case</th>
<th>Drawbacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staged acquisition</td>
<td>Occurs in several stages with foreign investor initially acquiring only an equity stake, and gradually increasing their equity to 100%.</td>
<td>Stage acquisitions allow continued involvement of previous owners where they are unwilling to sell outright, or favoured to maintain legitimacy with local consumers.</td>
<td>Full acquisition with immediate full equity control. Shared control as source of conflict; uncertainty over conditions of eventual full takeover.</td>
</tr>
<tr>
<td>Multiple acquisition</td>
<td>Entry by acquiring several independent businesses, and subsequently integrating them.</td>
<td>Through multiple acquisitions global players can build a nationwide strong market position in a traditionally fragmented market.</td>
<td>Acquisition forming the core for a new operation that may then grow organically. Simultaneous integration of multiple acquisitions</td>
</tr>
<tr>
<td>Indirect acquisition</td>
<td>An acquisition outside the focal market of a company that also owns an affiliate in the same emerging economy.</td>
<td>The prime objective of the indirect acquisition may be outside the country. The affiliate may be a strategic asset motivating the acquisition, but this is rare.</td>
<td>A direct acquisition of the focal unit in the country concerned. Locally, the local affiliate may or may not fit with the existing local operations.</td>
</tr>
<tr>
<td>Brownfield acquisition</td>
<td>An acquisition in which the foreign investor subsequently invests more resources in the operation, such that it almost resembles a Greenfield project.</td>
<td>Brownfield acquisitions provide access to crucial local assets under control of local firms that are in many other ways not competitive.</td>
<td>An acquired firm forming the main building block of the new operation. Post-acquisition investments may exceed the price originally paid for the acquired firm.</td>
</tr>
<tr>
<td>Joint venture</td>
<td>Establishment of a new company in which two or more parents share control, and contribute resources.</td>
<td>Accessing local resources without taking responsibility for an entire existing company. (Fully owned) Acquisition, or Greenfield.</td>
<td>Shared control as source of conflict.</td>
</tr>
<tr>
<td>Poland</td>
<td>Lithuania</td>
<td>Vietnam</td>
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<tr>
<td><strong>Appendix 1: Timeline of Carlsberg in Poland, Lithuania and Vietnam</strong></td>
<td></td>
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<tr>
<td><strong>Early 1990s</strong></td>
<td></td>
<td></td>
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<tr>
<td>Okocim SOE</td>
<td>Kasztelan SOE</td>
<td>Bosman SOE</td>
<td>Piast SOE</td>
</tr>
<tr>
<td><strong>1992</strong></td>
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<tr>
<td>Privatised to public</td>
<td></td>
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<tr>
<td><strong>1993</strong></td>
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<tr>
<td></td>
<td>Privatized, to</td>
<td></td>
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<tr>
<td></td>
<td>insiders</td>
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<tr>
<td><strong>1994</strong></td>
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<tr>
<td>Brau &amp; Brunnen (Germany) acquires 25%</td>
<td>Privatised to</td>
<td>Individual</td>
<td>Privatised to</td>
</tr>
<tr>
<td></td>
<td>individual</td>
<td>investor</td>
<td>individual</td>
</tr>
<tr>
<td>investor exits</td>
<td></td>
<td></td>
<td>investor</td>
</tr>
<tr>
<td><strong>1996</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsberg acquired 31.6%, Brau &amp; Brunnen exits</td>
<td>Privatised</td>
<td>Individual</td>
<td>Privatised to</td>
</tr>
<tr>
<td></td>
<td>investor sells</td>
<td>investor</td>
<td>individual</td>
</tr>
<tr>
<td></td>
<td>to Bitburger</td>
<td></td>
<td>investor</td>
</tr>
<tr>
<td><strong>1997</strong></td>
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<tr>
<td>Carlsberg brand is brewed in Poland</td>
<td></td>
<td></td>
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<tr>
<td>First negotiations</td>
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<td><strong>1998</strong></td>
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<tr>
<td><strong>1999</strong></td>
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<tr>
<td></td>
<td>Bitburger</td>
<td>Carlsberg</td>
<td>Carlsberg</td>
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<tr>
<td></td>
<td>acquires</td>
<td>acquires 97.6%</td>
<td>acquires 97.6%</td>
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<tr>
<td></td>
<td>99.39%</td>
<td>Owned by BBH</td>
<td>Owned by</td>
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<td>BBH</td>
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<td><strong>2000</strong></td>
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<td></td>
<td>Dyland</td>
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<tr>
<td></td>
<td>buys 98%</td>
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<td></td>
</tr>
<tr>
<td><strong>2001</strong></td>
<td></td>
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</tr>
<tr>
<td>Carlsberg increases equity stake to 50.1%, followed by public offer</td>
<td>Carlsberg Okocim acquires ownership from Bitburger</td>
<td>Carlsberg acquires Dyland</td>
<td>Sale (transfer) to BBH</td>
</tr>
<tr>
<td><strong>2002</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsberg increases equity stake to 71.4%. Start of operational integration.</td>
<td></td>
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<tr>
<td>Operational integration</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase of equity stake to 75%.</td>
<td>Operational integration of separate legal entity</td>
<td>Coordination of distribution and rationalization of production with other BBH companies (e.g. in Latvia).</td>
<td></td>
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<tr>
<td><strong>2004</strong></td>
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<tr>
<td>Call for buying outstanding shares, and withdrawal from Warsaw Stock Exchange. Pan-European operational integration and production capacity sharing.</td>
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