By providing a **customizable digital sales tool** to on-trade clients, Carlsberg can meet the **new consumer preferences and drive revenue growth**

**Shifts in consumer preferences**

- Carlsberg has experienced stagnant growth in their main region, Europe
- Main reason is the changing consumer preferences

**New Consumer Preferences**

- Consumers increasingly seek products with a premium feel
- Consumers increasingly prefer Craft & Specialty brews
- Experiences are highly valued

**Question**

- Carlsberg has a broad portfolio of Craft & Specialty brews with premium feel, **but the main question is how to push it through on-trade channels to supply end-consumers and create unique experiences that would lead off-trade sales, hereby increasing revenues with at least 5% by 2022 in line with the SAIL ‘22 strategy**

**Answer**

- Carlsberg needs to provide an innovative service, the Jacobsen Beer Tailor, that employ tailored methods to create perfect beer portfolios for on-trade clients

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**Implications of the customizable digital sales tool**

- **Push Craft & Specialty portfolio** through on-trade to meet demand from end-consumers
- **Create unique experiences** that increase demand from end-consumers of Craft & Specialty beers that is met by both on-trade and off-trade channels
- **Increase digitalization** and allows for unique data-collection on on-trade and consumer insights

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**Causing**

- **Defend market share**
- **Improve brand by differentiation**
- **Greater consumer insight through disruption**

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**Total contribution to incremental revenue in 2021E (DKKm)**

<table>
<thead>
<tr>
<th></th>
<th>1000,0</th>
<th>2000,0</th>
<th>3000,0</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>356,265</td>
<td>1461,60</td>
<td>2731,365</td>
</tr>
<tr>
<td>West</td>
<td>522,0</td>
<td>391,50</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>356,265</td>
<td>1461,60</td>
<td></td>
</tr>
<tr>
<td>Off-trade</td>
<td>356,265</td>
<td>1461,60</td>
<td></td>
</tr>
</tbody>
</table>

**5.71% REVENUE GROWTH**

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**Executive Summary**
In recent years, European sales of Carlsberg’s ‘Core Beers’-category have stagnated due to changing consumer preferences.

Core brands like Carlsberg and Tuborg experience difficulties with driving new demand in Europe... this can be seen through stagnating and even declining growth. The reason being a gradual shift in purchase behavior amongst key customers.

There is a surge in demand for premium craft and specialty beers. Customers seek superior experiences in on-trade fitted to the specific needs.

1% volume growth across western European markets due to changing consumer behavior.

-983 million fewer liters of core lager brands sold in Germany between 2010 and 2015
-363 million fewer liters of core lager brands sold in UK between 2010 and 2015
-197 million fewer liters of core lager brands sold in France between 2010 and 2015
-108 million fewer liters of core lager brands sold in Italy between 2010 and 2015

+29% Volume Growth in 2017

Sources:
- Case Material, p. 32

Analysis | Initiatives | Implementation | Impact
---|---|---|---

Making Case-Cracking Great Again
European consumers increasingly demand more premium, specialty, and healthier products

### Consumer Trends

- **Consumers increasingly seek premiumized experience when consuming beer**

- **Consumers increasingly prioritize craft and specialty beer over well-known mainstream products**

- **Global health and wellness trend is on the rise, thus customers are demanding healthier products**

#### Implications

- Companies supplying consumers with a premium feel can reap higher margins
- Carlsberg initiated the revitalization and premiumization strategy of core brands
- Carlsberg also increased strategic focus on craft and specialty beers

- It will become increasingly harder for companies to stay profitable without investing in specialization of portfolio

- Companies who are able to successfully deliver healthier AFB’s has an opportunity to capture market share in a rapidly growing market

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**Sources:**
- Case Material, p. 35-36
Within on-trade channels customers increasingly value superior experiences and a feeling of customization.

As consumers demand for customized experiences increase...
- Atmosphere at the place
- Experience of going out
- Feeling of a draught beer being served
- A choice of potentially exotic beers
- Extra service breweries provide to on-trade customers

... and it generating a better revenue compared to off-trade channels...

Sales channels - Western European

<table>
<thead>
<tr>
<th></th>
<th>Off-trade</th>
<th>On-trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>66,67%</td>
<td>33,33%</td>
</tr>
<tr>
<td>Revenue</td>
<td>33,33%</td>
<td>66,67%</td>
</tr>
</tbody>
</table>

... the on-trade channels in Europe has become more attractive.

“The on-trade channel is changing in Europe, with dry-led outlets... overtaking classic wet-led outlets... as prime places for brand building. While the off-trade channel... is expected to consolidate even further, leading to higher pressure on pricing.”

- Anders Bering, VP of Corporate Affairs

“Winning in on-trade has always been about superior experience for the customer and consumer, the big challenges is how to give them just that” - Cees ‘T Hart, CEO Carlsberg Group

Sources:
- Case Material, p. 12, 13

Analysis  | Initiatives  | Implementation  | Impact
Carlsberg has to push its **Craft & Specialty beer portfolio** further by linking it to superior experiences through on-trade sales channels.

Due to stagnating growth in Core Beers, and changing consumer preferences, Carlsberg has to pull more consumers to its Craft & Specialty portfolio…

...by creating unique experiences through on-trade channels, hereby increasing both on-trade and off-trade sales and margins…

In order to do so, Carlsberg will have to incentivize on-trade channels to carry more Craft & Specialty beers and that together with Carlsberg initiatives create superior beer experiences.

"It is in on-trade where consumers will meet new innovations, where they will taste new products before they will buy them in the off-trade"

- Cees ’T Hart, CEO

**SUPPORT POSITION FOR GROWTH**
By growing Craft & Specialty volume

**SAIL’22**

Sources:
- Case Material, p. 48,
By launching an intelligent digital solution, the Jacobsen Beer Tailor, for on-trade clients, Carlsberg can push its craft and specialty portfolio to meet the new consumer preferences.

Experience-seeking end-consumers prefer an unique beer experience, but usually have limited options at on-trade sellers.

On-trade sellers often offer a narrow range of beers and have little incentive to match their food with beer or learn about Carlsberg’s extensive product portfolio.

Through a digital solution that tailor beer pallets, Carlsberg can simplify their portfolio and incentivize on-trade clients to add more Craft & Specialty beers.

**Case: Restaurant Spuntino**

**Current Beer Assortment**

- Jacobsen Pale Ale
- Kronenbourg 1664 Blanc
- Carlsberg

**Customized Beer Assortment**

- Jacobsen Beer Tailor
- Kronenbourg 1664 Blanc
- Carlsberg

Sources:
The digital solution combines specific characteristics from client questionnaires with historical customer data and insights from gastronomy experts to tailor the perfect beer portfolio to the on-trade clients.

### ENTERING THE JBT

The on-trade client logs into its profile at the respective geographical Carlsberg webshop.

### CREATING A TASTE PROFILE

The on-trade client creates a taste-profile by entering specific characteristics appropriate to its industry type (e.g., restaurant or bar).

### THE TAILORED TASTE PALLET

Jacobsen Beer Tailor processes the characteristics of the on-trade client and proposes a tailored taste pallet according to customer data and insights from gastronomy experts.

### CONVENIENT PERIODICAL SYSTEM

By the end of each period (e.g., month), the on-trade seller is able to re-order their tailored taste pallet, change their taste-profile or taste pallet, and get information on new trends that match their taste profile.

### VISUALIZATION

- **TAILOR MY BEERS**
  - Main dish
  - Atmosphere
  - Price
  - Jacobsen Beer Tailor processes the characteristics of the on-trade client and proposes a tailored taste pallet according to customer data and insights from gastronomy experts.

### DESCRIPTION

COFOCO has more restaurants and will enter characteristics like the following, but not excluded to, for each to create their taste-profiles:

- Main dishes on the menu
- Target atmosphere
- Price level
- Location

COFOCO will obtain its tailored taste pallets, which will contain at least one Craft & Specialty beer in each. However, COFOCO do still have the possibility of adding or removing beers.

### EXAMPLE

COFOCO logs into their profile at CarlsbergOnline.

By the end of each restocking period, COFOCO is able to re-order their tailored taste pallets, change their taste-profiles or taste pallets, and get information on new trends or beers that match their taste profiles.

Sources:
- www.carlsbergonline.dk
Jacobsen Beer Tailor could supply significant benefits that support the SAIL ‘22 growth strategy, for example by increasing **Craft & Specialty sales**, allowing for unique data-collection, and support a digital mindset.

### MAIN IMPLICATIONS

- Incentives created by Jacobsen Beer Tailor will **push Craft & Specialty portfolio** through on-trade to meet demand from end-consumers.
- The collaborative nature of Jacobsen Beer Tailor with on-trade clients will create unique experiences that increase demand from end-consumers of Craft & Specialty beers that is met by both on-trade and off-trade channels.

### POSSIBLE FUTURE IMPLICATIONS

- Potential to use Jacobsen Beer Tailor to push **AFB portfolio**
- Potential to use similar technology on the **Asian region**

### SAIL '22 GOALS IMPACTED

- **POSITION FOR GROWTH**
  - The collaborative nature of Jacobsen Beer Tailor with on-trade clients will create unique experiences that increase demand from end-consumers of Craft & Specialty beers that is met by both on-trade and off-trade channels.

- **EXCEL IN EXECUTION**
  - The digital nature of Jacobsen Beer Tailor increase digitalization and allows for unique data-collection on on-trade and consumer insights.
  - Jacobsen Beer Tailor’s potential to directly propose beers of interest to on-trade clients simplifies the communication of Carlsberg complex portfolio.

- **STRENGTHEN THE CORE**
  - Support the digital mindset by utilizing a digital platform to incentives sales and understand consumer preferences.

### SOURCES

- Carlsberg Group, Annual Report 2017
The Jacobsen Beer Tailor pilot will focus on the **Danish market** and the segment of quality restaurants and bars.

**Projected stable beer volume**

**Strong brand in Denmark**

**Exceptional knowhow**

Criteria for implementing the JBT in specific restaurants:

- Acknowledged restaurants and bars with a high volume: To ensure that a possible failure is not due to a lack of demand for the restaurants’ services.
- Appropriate mix of restaurants and bars with different menus, concepts and geographic location: To ensure creation of different taste profiles.
- Medium to high-end restaurants and bars: These on-trade sellers are more likely to care about creating value for the consumers through service and solid food/beverage portfolio as they rely on quality experience.

**Sources:**

**Analysis**

**Initiatives**

**Implementation**

**Impact**

**2019**

- Pilot test for 10 weeks to test proof of concept
- Feedback on concept

**2020**

- Expansion to Western Europe with focus on Germany, Italy and UK
- Increase in awareness

**2021**

- Partnership with restaurants and bars in Eastern Europe
- Larger markets
To onboard current and new on-trade clients, an **elaborate marketing campaign** is proposed in order to **incentives** these on-trade clients

Carlsberg will **REACH** on-trade clients via direct contact, SoMe and events…

... **in order to express end-consumer demands** and **ENGAGE** the on-trade clients by communicate incentives, and finally…

... through a customized beer selection, selected marketing material and co-branding strategies, **ACTIVATE** on-trade clients

---

**Current on-trade clients**

- Reach current 15,000 on-trade clients and key accounts in Denmark by…
  - direct contact through e-mail and phone
  - social media

**Potential new on-trade clients**

- Reach new on-trade clients in Europe by…
  - social media
  - industry events
  - trade-shows
  - word-of-mouth

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**Tailored portfolio** grants easier overview of complex portfolio and unique combination of products for individual seller

**Shared data** will help clients stay updated on trends and explore consumption patterns

**Convenient reorder system** allowing clients to easily reorder tailored portfolio

**Economic benefits** as a more specialized product can justify higher margins

**Co-branding** will help clients brand their own tailored portfolio with Carlsberg

---

**Personalized training** of on-trade channels to provide great service

**Deliver marketing material**, such as personalized beer cards (menu cards for beer)

**Co-branding** strategies for on-trade channels to end-consumers
In order to create **awareness** and **educate** end-consumers about the new tailored taste pallets and the way to **enhance the dining experience**, a **co-branding campaign** will be created.

### STATIC CONTENT

**The food is tailored... Why shouldn’t the beer?**

The aesthetic approach will associate Carlsberg’s Craft & Speciality beers with greater quality and experiences.

**Format**
- Static content
- Online and outdoor banners, print-media advertisement, and the like

### MULTIMEDIA CONTENT

**The Tailored Experience // Carlsberg & Cofoco**

**Creative use of multimedia** create awareness and educate the end-consumers about the new tailored taste pallets.

**Format**
- 2-3 minute promotional spot displaying Cofoco restaurants and their experience with the JBT and their tailored beer pallet

### Sources:
- www.cofoco.dk

<table>
<thead>
<tr>
<th>Analysis</th>
<th>Initiatives</th>
<th>Implementation</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>MAKING CASE-CRACKING GREAT AGAIN</strong></td>
<td></td>
</tr>
</tbody>
</table>
By successful implementation of Jacobsen Beer Tailor, Carlsberg will increase sales by 5.71% in Europe by 2022

By implementing the JBT, the Carlsberg brand will increase by 5.71% in Europe...

...while creating a profitable business model through on-trade channels within three years...

...hereby strengthening the business through new revenue drivers

**DKK 35,000,000**

NPV

35 MDKK in NPV for the period of ‘18 to ‘21 based on the implementation of the proposed strategy (estimated WACC of 4.6%).

**Key assumptions:**
- Margin for future sales and normal cost is based on margin for 2018

**Cost drivers:**
- Continuous development of platform account for 16.8 mDKK per market per year
- Operating cost is 3.4 mDKK per market per year

**Expected exposure:**
- Expected conversion rate in 2019 is 15% with 5% YOY growth over 3 years

In three years, Carlsberg’s revenue will be driven by:

- **Defending** market share through increased supply and demand of Crafts & Specialty beers
- **Improved brand** by differentiation through creation of premium end-consumer experiences
- **Greater consumer insight** due to the disruptive nature of Jacobsen Beer Tailor

**Sources:**
- Carlsberg Group, Annual Report 2017

**Table: Total contribution to incremental revenue in 2021E (DKKm)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Incremental Revenue (DKKm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic revenue</td>
<td>522.0</td>
</tr>
<tr>
<td>Western Europe</td>
<td>1461.60</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>391.50</td>
</tr>
<tr>
<td>Off-trade awareness</td>
<td>356,265</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2731,365</strong></td>
</tr>
</tbody>
</table>

**Nordic revenue**
- **522,0**

**Western Europe**
- **1461,60**

**Eastern Europe**
- **391,50**

**Off-trade awareness**
- **356,265**

**Total contribution to incremental revenue in 2021E (DKKm):**

- **500,000**
- **1,000,000**
- **1,500,000**
- **2,000,000**
- **2,500,000**
- **3,000,000**

**Incremental revenue**
- **1461,60**

**Off-trade awareness**
- **356,265**

**Total**
- **2731,365**
Empowering a risk mitigating implementation strategy will **improve the upside potential** of the Jacobsen Beer Tailor

### Implementation

<table>
<thead>
<tr>
<th>Development</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of platform</td>
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<td><img src="flag.png" alt="Flag" /></td>
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<tr>
<td>Intelligent and Predictive Product Selection System</td>
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<table>
<thead>
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<th>2020</th>
<th>2021</th>
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<tr>
<td>Pilot testing of platform in DK and then Scandinavia</td>
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<table>
<thead>
<tr>
<th>Launch</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>Marketing Rollout</td>
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<tr>
<td>Launch of platform</td>
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<table>
<thead>
<tr>
<th>Ongoing Improvements</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data collection and platform improvements</td>
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<td><img src="flag.png" alt="Flag" /></td>
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</table>

### Risk mapping

<table>
<thead>
<tr>
<th>Impact on Growth</th>
<th>Likelihood</th>
<th>Effect of mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>1</td>
</tr>
<tr>
<td>Medium</td>
<td>Medium</td>
<td>2</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>3</td>
</tr>
</tbody>
</table>

#### Risk

1. **End-customer willingness to substitute e.g. wine for beer**
   - Extensive marketing efforts and co-branding with on-trade clients to communicate effectively the key features and advantages

2. **Insufficient incentives for on-trade clients**
   - Communicate effectively the key incentives and advantages
   - Provide online tutorials and training for use of the new platform

3. **Scalability problems**
   - Use pilot and launch markets to standardize and streamline processes
   - Utilize collected data to pursue mass customization when possible

4. **Technological flaws**
   - Focus on quick feedback from pilot project
   - Constant monitoring and iterations based on user data and feedback

5. **Competitors Imitate Strategy**
   - Fast expansion and rollout (first-mover advantage)
   - Establishing key partnerships in core markets

### Analysis

**NORDIC LAUNCH**

**WESTERN EUROPE LAUNCH**

**EASTERN EUROPE LAUNCH**

**ONGOING IMPLEMENTATION OF CUSTOMER FEEDBACK AND DATA HARVEST**

**Intelligent and Predictive Product Selection System**

**Development of platform**

**Pilot testing of platform in DK and then Scandinavia**

**Marketing Rollout**

**Launch of platform**

**Data collection and platform improvements**

**Extensive marketing efforts and co-branding with on-trade clients to communicate effectively the key features and advantages**

**Communicate effectively the key incentives and advantages**

**Use pilot and launch markets to standardize and streamline processes**

**Utilize collected data to pursue mass customization when possible**

**Focus on quick feedback from pilot project**

**Constant monitoring and iterations based on user data and feedback**

**Fast expansion and rollout (first-mover advantage)**

**Establishing key partnerships in core markets**
We recommend Carlsberg to **drive revenue growth** by utilizing a customizable digital sales tool

**Objective**
How to push Carlsberg’s Craft & Specialty portfolio through on-trade channels to supply end-consumers and create unique experiences that would lead sales, hereby increasing revenues with at least 5% by 2022 in line with the SAIL ‘22 strategy

The main question... was decomposed into three complications... and solved by a customizable digital sales tool, supported by elaborate marketing activities

### Stagnating sales of Core Beers

Stagnating sales of Core Beers pressure reliance on volume

### Changing taste trend

Changing taste trend forces Carlsberg to push Craft & Specialty beers

### Changing value generators

Consumer’s increasing focus on experience forces Carlsberg to increase volume through the on-trade channel

---

**SAIL’22 GOALS IMPACTED**

- Push Craft & Specialty portfolio
- Create unique experiences that increase demand from end-consumers of Craft & Specialty beers
- Increase digitalization and allows for unique data-collection
- Simplifies the communication of Carlsberg complex portfolio
- Support the digital mindset

---

**YOUR TAILORED TASTE**

LEARN MORE