

Czech University of Life Sciences Prague

Faculty of Economics and Management



Diploma Thesis

**Sales promotion in a transnational company
(at the example of the OJSC "SUN InBev")**

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(c) Prague 2012

Declaration

I declare that I have worked on my diploma thesis titled Sales promotion in a transnational corporation (at the example of the brewing OJSC «SUN InBev») by myself and I have used only the sources mentioned at the end of thesis.

In Prague 05.04.2012

Vitaly Markelov

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*Sales promotion in a transnational company
(at the example of the OJSC "SUN InBev")*

*Podpora prodeje v nadnárodní společnosti (na
příklade OJSC "SUN InBev")*

Summary

The diploma thesis contains the definition of transnational corporation, sales promotion and its features in transnational corporations; the analysis of the world and Russian beer markets, the description of OJSC«SUN InBev» activities; the evaluation of the OJSC «SUN InBev» sales promotion system and activities developed for its improvement: the forecast evaluation of the efficiency of these activities.

Current research is giving an overview of the global beer market, Russian beer market and the position of SUN InBev at these markets. In transnational corporations sales promotion is becoming very important part and it has its own features. We have analyzed a lot of data from annual reports of the beer companies and we have offered some promotion campaigns to increase the sales and market share of the company SUN InBev on the Russian beer market.

Keywords:

- Anheuser-Busch InBev
- Beer
- Marketing
- Methods of sale promotion in the beer market
- Russia
- Sales promotion
- SUN InBev

Souhrn

Diplomová práce se zabývá definicí nadnárodní společnosti, podporou prodeje a jeho funkcí v nadnárodních společnostech; analýzou světového a ruského pivního trhu, popisem OJSC«SUN InBev» aktivit; hodnocení systému prodeje OJSC«SUN InBev» a aktivity vyvinuté pro jeho zlepšení: zhodnocení prognózy těchto aktivit.

Současný výzkum dává přehled o světovém trhu s pivem, ruském trhu s pivem a postavení SUN InBev na těchto trzích. V nadnárodních společnostech se podpora prodeje stává velmi důležitou součástí se svými vlastními funkcemi. Bylo analyzováno velké množství dat z výročních zpráv pивních společností a poté byly nabídnuty propagační kampaně za účelem zvýšení prodeje a tržního podílu společnosti SUN InBev na ruském pивním trhu.

Klíčová slova:

- Anheuser-Busch InBev
- Pivo
- Marketing
- Metody podpory prodeje na trhu s pivem
- Rusko
- Podpora prodeje
- SUN InBev

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1. Introduction

In conditions of growing interdependence of countries and intensive transnationalization of economic activity more and more companies come into relationships with foreign companies start to carry out foreign trade operations, combined with other plants and form a multinational company, whose activities have a global scale. Such companies intensify the process of globalization, implement and control a large part of the world output, world trade, as well as operate in almost all markets including FMCG-market (Fast Moving Consumer Goods - essential goods), industrial goods markets, banking and insurance services and others. In such situation to survive in the market and implement effective action is becoming important to have the adaptive management, the formation of corporate strategy and its adjustment and the development of the competent marketing mix. The situation described above is typical for the beer market, which is a component of the FMCG market which is rapidly growing. There is the appearance of new companies, the expanding of the networks the existing businesses, the sales volumes are increasing. The beer industry shows some of the highest growth rates in the world, sometimes even overtaking the cost-effective manufacturing industry. However, due to the economic crisis the situation in the industry and in the beer market cannot be considered stable for several years. Under such conditions the global beer market, including Russian, is characterized by numerous mergers, acquisitions and bankruptcies. Regional and national markets are mainly controlled by transnational beer corporations, leading an active competition, the success of which depends on the ability to adapt to a changing market environment and on this basis to build their own marketing system. Studying sales promotion in multinational companies, which is part of their marketing mix, seems to us relevant, since this system is a reflection of the strategy of company management, the degree of conformity of the goods to market conditions and customer needs.

2. Objectives and Methodology

The aim of this work is to develop recommendations for OJSC "SUN InBev" to improve the existing system of sales promotion of the company. To achieve the goal author set the following objectives:

- to consider the nature of transnational corporations, their main characteristics and role in the global economy;
- To characterize sales promotion as part of the marketing mix and identify its characteristics in multinational companies;
- To analyze global beer market
- To make an analysis of Russian beer market
- To characterize the activities of OJSC "SUN InBev" in the beer market and determine the company's position in this market;
- to evaluate the existing set of sales promotion of OJSC "SUN InBev";
- to develop a complex of measures aimed at improving the sales promotion of OJSC "SUN InBev" with the taking into account the goals and problems of the company and evaluate their effectiveness.

The object of research in the thesis work is OJSC "SUN InBev", a subject of study is a set of sales promotion of OJSC "SUN InBev" used by this subsidiary of TNC (transnational company) Anheuser-Busch InBev at the beer market.

To write an analytical and a practical part of the Diploma thesis we have used the books of Rukavishnikov A.V, Movyrevoy O, Gornovoy N., Daniels, John D., Kotler. P articles of the journals "Beer business," "Advertising Industry" and "Kommersant" newspaper, "Business News", the data and annual reports of companies "Baltika», Anheuser-Busch InBev, Carlsberg Group, Heineken, SABMiller, Efes and the internal data, represented by the OJSC "SUN InBev".

We have used such method as marketing mix method (method of 4P) to generate the optimal response in the target market by blending 4 or more variables in an optimal way. The marketing mix method can be adjusted on a frequent basis to meet the changing needs of the target group and the other dynamics of the marketing environment. We have also used the method of calculating the index of transnationalization by using the formula

$$I_T = 1/3 (A_I/A + R_I/R + S_I/S) \times 100\% ,$$

where IT - transnationalization of index,%; AI - foreign assets; A - Total Assets; RI - volume of sales of goods and services by foreign affiliates; R - the total sales of goods and services; SI - foreign employees; S - the total workforce of the company.

And to calculate the profitability of our suggested promotion we have used the formula:

$$R = (P / C) * 100\%$$

Where R - Profitability of promotion (%).

P - Additional income from promotion (Rub).

C – Total cost of promotion (Rub). [51]

In this diploma thesis we mainly use methods such as analysis, synthesis and comparison. The author has made a lot of information gathering, analyzing the weak and strong sides of the company and made the conclusions, which are the basis for further development of recommendations for improving the sales promotion of OJSC "SUN InBev".

3. Literature review

3.1 Definitions

The international movement of capital and its active migration among countries is an important part and a form of modern international economic relations. Capital is one of the factors of production - a resource that must be expended to produce a commodity, and represents the accumulated reserve funds in productive, cash and product forms, which are necessary to create wealth. [24, p. 290] The international division of capital is not only expressed in a variety of security stocks required for the production of goods, but also the differences in historical traditions and practices of production, levels of development of commodity production and market mechanisms, as well as cash and other financial resources. Availability of sufficient savings, capital in money form is an essential prerequisite for investment and expansion of production [11, p. 290].

According to E.F. Avdokushin major causes of the capital export are:

1. The discrepancy between the demand for capital and its supply in the various parts of the world economy.
2. The appearance of possibility of developing the local commodity markets. In this case capital is exported in order to pave the way for exports, stimulate demand for their products.
3. The presence of cheaper raw materials and labor in the countries where the capital is exported to.
4. The stable political situation and overall investment climate in the host country, preferential investment treatment in special (free) economic zones.
5. Lower environmental standards in the host country, rather than in the country which is the capital donor.
6. The desire to enter a roundabout way to the markets of third countries that have established high tariff or non-tariff barriers on products of a multinational corporation [3].

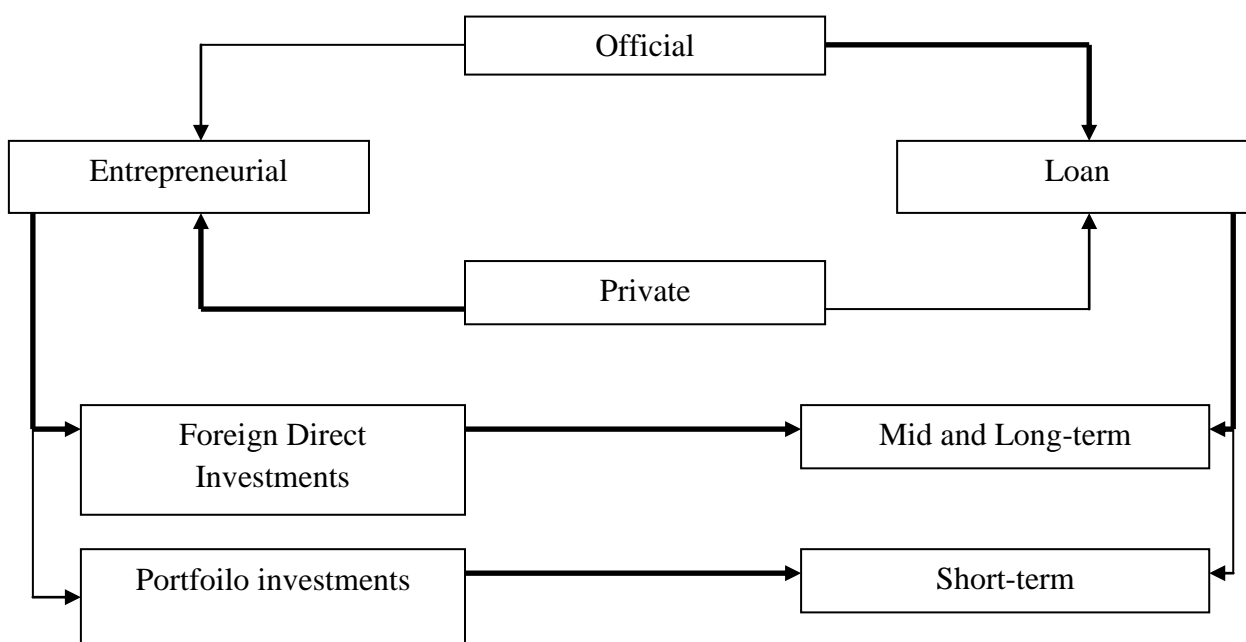
In this case factors that promote and stimulate the export of capital are the following:

- Increasing interconnection of national economies, which are the driving force that activates the export of capital. The internationalization of production has an enormous impact at international capital flows, contributing to its acceleration. The export of capital, especially in the form of direct investment is a major factor contributing to the

transformation of international production and the creation of products which are sold at the global market;

- International industrial cooperation, investment in subsidiaries of TNC. Thus, individual legally independent companies from different countries within the framework of an international corporation establish close cooperation in the field of industry, technology, detailed specialization. Exports of capital provides these links;
- The economic policy of industrialized countries, aimed at attracting large amounts of capital to sustain economic growth;
- International financial institutions that guide and regulate the flow of capital;
- International agreements on avoidance of double taxation on income and capital between countries contribute to the development of commercial, scientific and technological cooperation and investment attraction [24].

The international movement of capital as a factor of production takes many different forms:



where \longrightarrow is mostly

Graph 1.1 Forms of international capital movements [11, p. 293]

As part of the scheme in Graph 1.1. the capital (by source of origin) is divided into official and private.

Official (state) capital is from the state budget, moved abroad or received from abroad by the decision of government as well as by intergovernmental organizations. This category includes all state loans, grants, gifts, assistance to be provided by one country to another country

on the basis of intergovernmental agreements. The official capital is the capital, which is managed by international intergovernmental organizations on behalf of its members (the IMF loans, World Bank, UN expenditures on peacekeeping, etc.). The source of official capital is the state budget; in fact that is the taxpayer's money. Therefore, the decision to move this capital abroad is taken jointly by the Government and representative authorities [11, p. 293]. Private (nongovernmental) equity is the funds of private firms, banks and other non-governmental organizations, moved abroad or received from abroad [11, p. 293]. The source of origin of the capital is the funds of private companies, owned or borrowed and not related to the state budget. But despite the relative autonomy of the firms in decision making of the international movement of capital owned by them, the government usually reserves the right to control it.

The capital is divided by the nature into venture capital and loan capital. Venture capital is the funds, directly or indirectly invested in production for making profit. Loan capital is money given by a loan in order to obtain percent. [11, p. 294]. We are mainly interested in venture capital, which is divided by purposes of investments into direct and portfolio investment. The direct investments are the investments for getting the long-term interest and provide it with the help of ownership. Generally all foreign direct investments (FDI) are the private venture capital. Portfolio investment is a capital investment in foreign securities that do not give the investor the right of real control over the subject of investments, but provide a long-term right for the income. Investments of venture capital in the form of direct and portfolio investments are usually long term.

Today the foreign investments play an important role among the forms of international capital movements, as their development is based on the growth of international forms of production in enterprises, which are located in several countries, primarily in transnational corporations.

Enterprise with foreign investment (direct investment enterprise) is defined by the IMF as joint stock company or non-joint stock company in which the direct investor of another country has more than 10% of common stocks and votes (for joint stock company) or the equivalent in non-joint stock company. [36]

There are several types of enterprises with foreign investment in the host country, which include:

- Subsidiary - an enterprise, where a non-resident direct investor owns for more than 50% of the capital;
- Associate - an enterprise, where a non-resident direct investor owns at least 50% of the capital;

- Branch - a company wholly owned by the direct investor [11, p. 296].

In order to ensure comparability of accounting movement of direct investment by international organizations it is set the boundary for enterprises with foreign investment of 10% of capital owned by foreign investors. This figure was chosen because research has shown that under present conditions that 10% - is part of the capital of the enterprise, which is necessary and sufficient to control over the enterprise as a whole. However, some countries belong to the number of companies with direct investments and those enterprises, where foreign direct investor owns less than 10% of the common stock, but he, however, controls the management of the enterprise. Conversely, even if the foreign investor owns more than 10% of the shares, but has no right to influence on decision making, such an enterprise could be excluded from the number of enterprises with foreign investment [11, p. 296].

Under the influence of these reasons, as well as other factors of dynamic international business environment there is intense movement of international capital in the global economy.

As was noted above, the development of international direct investment is directly related to the activities of multinational corporations. And the main feature of international corporations, according to A.P Kireev, is its implementation of international direct investments from the home country to the host countries, which are subsidiaries, associates or branches that are based on FDI. This author points out that international corporations could be two types: transnational corporations (TNC) and multinational corporations (MNC) [11, p 304]. Nowadays, the majority of international corporations operate in the form of TNC, about which we'll talk in our work.

There is no clear definition of transnational corporation in the scientific economic literature. There are different points of view on this concept, and we will review some of them. Transnational Corporation - a large company (or association of firms in different countries), which has foreign assets (investments) and has a strong impact on any area of the economy (or a few areas) on an international scale. [8, p. 253]. Fairly short definition of TNC is that it is a company that owns production units in several countries [8, p. 253]. TNCs are owned or controlled by their production facilities or services outside the country in which they are based. They have an extensive network of branches and offices in different countries and taking a leading position in production and sale of goods.

There are features of transnational corporations:

- Company sells a considerable part of their production abroad, thereby big influence on the world market;
- There are some of the subsidiaries and affiliates of the firm in foreign countries;
- The owners of this company are residents (citizens) of different countries [8, p. 254].

In today's world the line between transnational corporations and the usual corporations is not significant, because there is happen an internationalization process of markets, manufacturing, and property with the development of economic globalization. [56].

For example, the UN originally starting from 1960 attributed to the TNC firms with annual turnover of over \$ 100 million and with branches in at least six countries. Later they began to apply less strict criteria. Now the UN considers as multinational corporations those who have the following formal characteristics:

- They have production units in at least two countries;
- They hold a coherent economic policy under the centralized management
- Their manufacturing branches actively interact with each other and sharing resources and responsibility [45].

Today an index of transnationalization exists to determine the level of transnationalization of corporations. That index represents the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and the number of foreign employees to total number of employees of the corporation [48]. The calculation of the index of transnationalization is made by the next formula:

$$I_T = 1/3 (A_I/A + R_I/R + S_I/S) \times 100\% \quad (1),$$

where IT - transnationalization of index,%; AI - foreign assets; A - Total Assets; RI - volume of sales of goods and services by foreign affiliates; R - the total sales of goods and services; SI - foreign employees; S - the total workforce of the company [24].

For the full understanding of the TNC it is necessary to determine what types of corporations are operating in today's economy. In the literature it is usually underlined the following types of TNC:

- Multinational corporations;
- International corporations;
- Global companies [14, p. 56].

The Characteristics of these types of TNC is presented in Appendix A.

Some economists classified all the TNC by the criterion of nationality into two subgroups:

- 1) Transnational corporations - national firms whose activities are "splashed" out of the boundaries of the country where their headquarters are situated;
- 2) Multinational firms - an association of national business organizations of different countries [9, p. 43].

Almost all the features, which are the base for multinational corporations, are reflected in the company "SUN InBev". In the future we will talk about "SUN InBev" as a multinational corporation. Causes of originating of TNCs are very different and they are all more or less related to market imperfections, the existence of constraints on international trade, a strong monopoly power of producers, foreign exchange control, transport costs, differences in tax laws, as well as benefits of using the elements of planning compared to "pure" market. Since the "big business" has replaced natural self-development by internal planning, the TNC has become a sort of "planned economies" and they are using the benefits of international division of labor. [9, p. 42].

Important role in stimulating the development of TNCs plays the government, regardless of whether it wants to help "their" businessmen or interfere with the "other." Firstly, the government encouraged the activities of "their" TNCs in the world, provide them with markets and opportunities for foreign investment through the conclusion of the various political, economic and trade unions and international treaties. Secondly, the incentive for foreign direct investment is created by national tariff barriers which are created to protect "their" business from foreign competitors [17, p. 27].

Objective requirements of economic globalization lead to the fact that almost any large national firm is forced to be included in the global economy and become a multinational.

At the present stage, since the end of the 20th century, the main feature of development of TNC is to create networks of production and sale on a global scale. Statistics show that the increase in the number of foreign affiliates of TNCs is much faster than the increase in the number of TNCs. Major role in selecting sites for the establishment of subsidiaries plays an analysis of production costs, which are often lower in developing countries. The production is sold there, where the demand is higher, mainly in developed countries. That is why, for example, residents of modern Germany buy machinery of the German firm «Bosh», which is not produced in Germany but in South Korea.

Nowadays, TNCs provide about 50% of global industrial production. They account for more than 70% of world trade and 40% of this trade occurs within multinational corporations. That means that, they do not occur at market prices, but so-called transfer prices, which are formed not under the pressure of the market but under long-term policy of the parent corporation. Very large TNCs have a budget exceeding the budget of some countries. Of the 100 largest economies in the world, 52 are the multinational corporation, and the rest are the state.

TNCs have a great impact in the regions, because they have large financial resources, public relations and political lobbying.

Multinational corporations play an important role in the processes of globalization. In addition, they have a very important role in the world of scientific research and experimental development (R & D). The share of TNCs account for over 80% of registered patents, while the share of TNCs account for 80% and R & D funding [24].

When the TNC are entering the emerging markets their role is very positive. A transnational corporation makes investments, brings new manufacturing technologies and management, increases the GDP, and has a positive impact on balance of payments, increasing export revenues or reducing imports. All these changes inevitable strengthen the economy; improve living standards of its citizens [14, p. 64]. As for the main threats from the activities of TNCs, it can be attributed to them monopolizing the market and threaten the sovereignty of small States, as well as a threat to the environment. The influence of transnational corporations on the economies of the government is continuously increasing. With the huge financial power and an influential political support, large corporations can dictate the terms not only to competitors but also to the whole states. Usually this kind of dictate is made by using strong support of the politicians and diplomats, the mass media and even by direct corruption of officials.

Thus, in this section, we have considered the international movement of capital and the related concept of "transnational corporation", characteristic of TNCs, their types, the history and causes of originating, and the role these corporations play in today's global economy. We found that the processes of direct foreign investment in the modern economy occur quite intensive, and the largest drop was registered in 2008 in because of the crisis in the global economy. Exports and imports of capital caused by a number of reasons underlie the operation of transnational corporations, which account for most economic transactions in the current international business environment.

The appearance of TNCs is the natural result of the global economy and international economic relations on the one hand, and powerful factor of their development, on the other. Moreover, this process can be divided into several stages, each of which has specific characteristics. TNC - is the most important part of growing global economic system.

Currently, TNC controls from one fifth to one fourth of world GDP and trade between parent companies and their foreign affiliates accounts for one third of global trade.

Thanks to the TNCs in the global economy there no longer dominates international trade, but so-called international production, i.e. the output of production overseas is made by subsidiaries of foreign TNCs. The scope of the TNCs can be very different; in particular, they are represented in the beer market. Due to the fact that the subject of research in this diploma

thesis is the system of sales promotion in the company "Sun InBev", which is a subsidiary of TNC Anheuser-Busch InBev, and which operates in the beer market. In the next section we will consider sales promotion and its features in the brewing multinational corporations.

4. Sales promotion and its features in TNCs

The modern economy is characterized by the fact that the place of production and place of consumption of a product does not match in time: these processes do not follow each other immediately. The distribution of manufactured products manufacturer should decide the most rational way, which gives him a chance distinguish among competitors. The system of selling goods - is a key element of marketing and a kind of finishing complex in all activities of firm to create, produce and bring the goods to the consumer. The system of distribution of goods is one of the most important things in the marketing policy of the enterprise. In sales policy market researchers trying to choose the most suitable channel of distribution and method of sales the good. And these actions will increase the profit of the company [12, p. 157]. Sales policy should be considered as a purposeful activity, the principles and methods of implementation of which are designed to organize the flow of the goods to the consumer [12. p. 159].

Basov, L.E determines the sales policy as "the organization of an optimal distribution network for effective sales of manufactured goods (establishment of wholesale and retail trade, the definition of goods movement routes, organization of transportation, storage, supply systems, maintenance items and exhibition halls, efficiency of goods movement) "[2. p. 143].

The main goals of distribution policy are:

- achieving a certain percentage of turnover;
- gaining the specified market share;
- determination of the depth of distribution;
- minimizing the distribution costs [15, p. 306].

The tool for influencing the consumer from the company in the marketing policy are, on the one hand, the distribution channels, their structure, the process of choosing sales channels, and on the other - actions for the development and implementation of marketing activities for physical distribution of goods [15, p. 306].

The basic elements of distribution policy are the following:

- Transportation of products - its physical movement from producer to consumer;
- Completion of production - the selection, sorting, assembly of finished products and so on, which increases the accessibility and availability of products for consumption;
- Storage of goods - an organization of creation and maintenance the necessary reserves of good;
- Contacts with consumers - actions for the physical transfer of goods, organization of payment operations, legal registration of transfer of ownership of the goods, informing the

consumer about the product and the company, as well as gathering information about the market [1. p. 234].

We need to analyze the factors that are influencing the development of the sales policy. These factors are: organization of distribution networks, the effectiveness of advertising and other means of promotion, the selection of the market, time and methods of entry to the market. Analysis of the distribution system involves identifying the effectiveness of each element of the system, evaluation of the sales system. Analysis of costs includes a comparison of actual selling expenses for each channel with the planned figures. Organization of sales in the marketing system plays an important role in the sense that it provides feedback of manufacturing with the market, and it is a source of information of demand and the needs of consumers. Therefore, the development sales policy - is the basis of a marketing program for each specific product and on the production department as a whole.

Specialists in marketing can not only determine the future profitability of products, but also to submit proposals for modifications and new areas of applying of the respective products. The question of modernization of the methods of stimulating the consumers plays a very important role in the establishing of the sales promotion strategy of the company. The main role plays the estimation of the costs of implementation of meaning of customer service, computer equipment for the treatment of goods entered to warehouse and sold to consumers through the retail network or directly from the warehouse. In present conditions it is impossible for large or small company to do any business without the use of computers and automated information processing systems. Therefore, when developing the marketing program we must take into account all the requirements for production costs and return on investment. Development and justification of marketing policy suggests the following issues specifically in relation to the chosen product or product group:

- Selection of the target market or segment
- Selection of sales and determine the financial costs
- Channel selection and marketing techniques
- Select how to enter the market
- Identification of the sales promotion system and the shipping cost to the consumer
- Identification of the forms and methods of sales promotion and costs required for this [1. p. 237].

Sales promotion can be carried out in the three main ways

1. Intercompany promotion;

2. Promotion of distribution channel;

3. Promotion of consumers.

Let's consider in more details each of these areas and methods of sales promotion.

Intercompany promotion

Intercompany promotion activities have the aim to intensify and increase the efficiency of its own sales departments. There are intercompany promotion activities:

- Implementation or increase in bonuses to the most active and effective working professionals in the field of sales promotion;
- Implementation and improvement of system of motivation of management of the sales promotion department;
- Changing the wage system of the sales department into the direction of increasing dependence of their salary from sales [2. p. 155].

Promotion of the distribution channel

To stimulate the distribution network it is necessary to motivate the dealers to more intensive sales activities of products of the company, and to make them order larger consignments of the goods and do it regularly. Methods of promotion of distribution channel are:

- Increasing of discounts for dealers;
- Activities to stimulate consumers (increasing the demand for goods from the side of the consumers, because it is great incentive for the intensification of activities of dealers);
- Implementation of the multi-level marketing systems;
- Carrying out special lotteries and raffles for dealers [2. p.155].

Promotion of consumers

This is the most popular and widely used way of promotion. Promotion of consumers can pursue the following objectives:

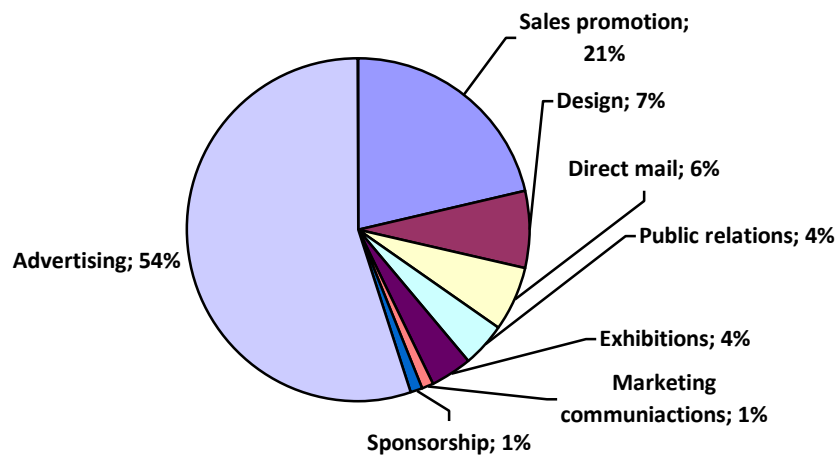
- Convincing the consumers to make a purchase;
- Increasing the volume of consumption per customer;
- Promotion the consumers to the regular consumption;
- Reducing seasonal fluctuations in consumption;

To reach these objectives the companies are using the following methods:

- Discounts (Christmas discounts, end of season discounts, etc.);
- Carrying out the lotteries. Widely known free lotteries conducted, for instance, by the companies producing soft drinks and beer, prize drawings by large supermarkets, etc.;

- Making presentations of goods. Presentations are designed to demonstrate the advantage of the goods. If the presentation is held for food and beverage products, consumers would have the opportunity to try them.
- Giving gifts to consumers. For purchasing a particular product or multiple products for a certain amount a company can give a gift to the buyer (an additional unit of goods or anything else).
- Giving customers coupons. If the buyer makes a purchase a certain amount, he gets a voucher proving its right to receive discounts on your next purchase.
- Guarantee customers a refund if the goods do not meet the expectations of the buyer. The only conditions for this return are the safety of the goods and not exceeding of the certain period from the date of sale.

At the graph 1.2 we can see the structure of marketing costs, and it is seen that sales promotion plays very important role in the promotion of goods.



Graph 1.2 The structure of marketing costs

But, of course, sales promotion as a factor of marketing has its advantages and disadvantages. And in the table 1.1 we will take a look at advantages and disadvantages of sales promotion.

Advantages	Disadvantages
<ol style="list-style-type: none"> 1. Provide an additional incentive to action; 2. Change the ration of price and value; 3. Add tangible value to the offered good; 4. Stimulate the purchase of samples; 5. Add the excitement and entertainment; 6. Stimulate constant or repeated purchases; 7. Increase the frequency of purchases and/or 	<ol style="list-style-type: none"> 1. Bring additional disorder; 2. Some consumers will not buy until there is no price reduction; 3. It is possible to have the fraudulent redemption of coupons and gifts stealing (if they are poorly attached to the package); 4. Can reduce the image of the brand, create

its volume; 8. Create a database; 9. Costs of sales promotion is lower than the cost of advertising; 10. Immediately after the realization of the program it is possible to measure results and evaluate the efficiency.	the insensitivity to the brands; 5. It is possible to establish wrong retail prices.
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Table 1.1 Advantages and disadvantages of the sales promotion activities [5, p. 219]

Sales promotion in TNC's is a very important element in marketing activities of the company. One of the features of the sales promotion in TNS's is a large number of participants in the distribution channel, because TNC conduct their marketing policy through dealers and distributors. Usually their products are very popular, so that even passing through a large number of distributors and finally having a higher price, these products would be able to find a buyer. [33].

Another feature is that the organization of sales is complicated. It leads to the creation of specific organization structure, which is characterized by regional, and sometimes product specialization, which makes the whole process of sales complex. To perform the function of sales policy, as the storage of goods, it is necessary to have more storage, and for the organization of it is necessary to have a powerful transportation system.

An important role in marketing activities of TNC acquires advertising, which is directly related to corporate sales policy and it is one of the methods of sales promotion. TNCs deal not even with international marketing but with multinational marketing and it leads to the necessity of market research and carefully research of macro environment of these markets with particular importance of the cultural and legal characteristics. Important thing is the solving the problem of the standardizations or localization of the advertising of one or another product. These and above mentioned procedures require the huge costs that must be justified and bring even higher profit, because the scale of the activities are great.

So in this section we had a look at the sales promotion policy of the company as one of the elements of its marketing mix. Sales promotion policy is the organization of optimal sales promotion network for effective sales of manufactured goods. It has a critical point for the successful activity of any corporation. Sales promotion policy plays a role of link between the good and the customer and also provides the effective realization of the goods.

Sales promotion policy acquires a particular importance, because in the conditions of global market the costs are too high and the risks are enormous. Due to the scale and specificity

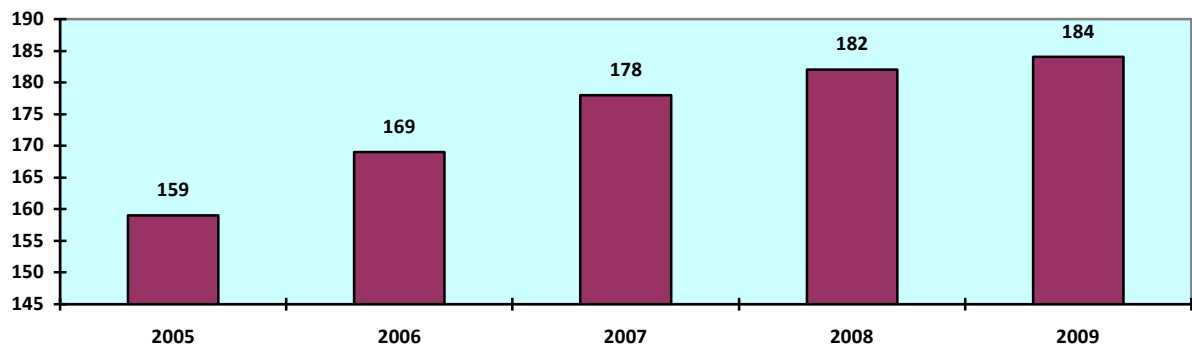
of TNC the sales promotion policy has its own features, which are connected mostly with the plurality of participants in the distribution channels, the complexity of sales, the necessity for the market research for the effective sales promotion and high costs. All these features are also the same for the TNC operating at the beer market that we consider more detailed in the next chapters.

5. Analysis of the Russian and global beer markets and the activities of OJSC "SUN InBev"

5.1 Analysis of the global market

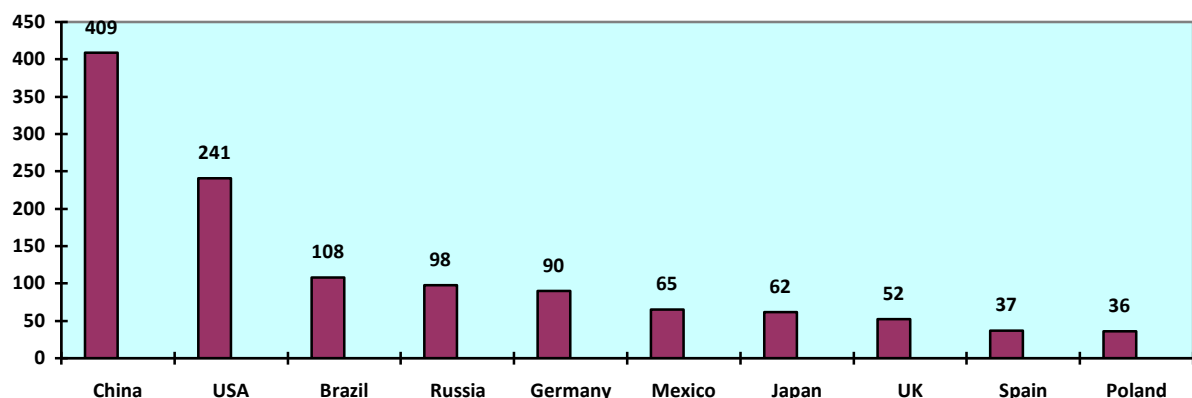
In this chapter we take a closer look the global and Russian beer market; we characterize the main players in of these markets, as well as analyze the activities of the company "SUN InBev".

In 2010 the rate of growth in the world beer market has slowed down, which was largely due to the ongoing economic crisis, which has affected the dynamics of consumer activity. However, according to an international market research company Euromonitor sales of beer in the world in 2010 grew by 1.1 % to 184 million hl. in terms of volume.



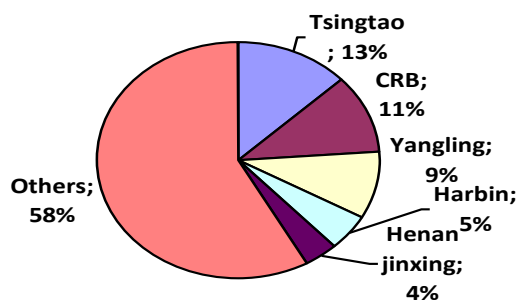
Graph 2.1. The dynamics of the beer market in the world (million hl). [23].

Russia remains one of the largest beer markets in the world in terms of consumption. According to estimates of international research company Canadean, Russia ranked fourth in the world after China, USA and Brazil.



Graph 2.2 The leading countries of the world beer market by volume in 2009 (million hl). [23].

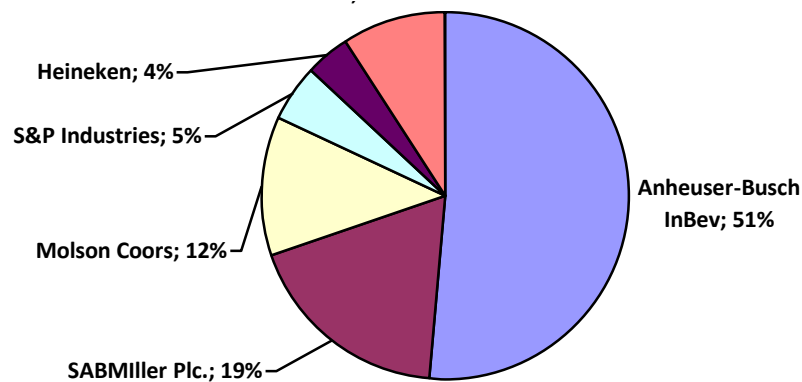
Potential of the Chinese beer market is incredibly large: having the huge population the country's level of beer consumption in China is just 33 liters per capita according to the Carlsberg Group. The average annual growth rate is 5% per year. Despite the ongoing consolidation process, the Chinese beer market is still very fragmented; there is no nationwide Chinese brand.



Graph 2.3 Chinese beer market [16, p. 37]

During the 1990s, the largest global corporations tried unsuccessfully to create a brand, as well as to achieve any significant sales of premium beer, but it seems that so far these attempts have left, unable to compete with numerous local low-cost breweries. To support the low cost level producers have to sell beer in returnable containers, and because of that it is harder to deliver it to distant provinces. In addition, despite of the growing purchasing power of Chinese consumers, only 13% of them are drinking premium beer. Not surprisingly, that international companies are focusing efforts in the cities where 70% of the population is under 35 years old and who think that beer is the attribute of the Western lifestyle. The struggle for perspective Chinese market continues. But we should not lose sight of the fact that China is becoming an economic superpower of the XXIst century exporting its beer to many countries (such beer as, "Tsingtao" and "The Swan" from Shanghai can be found in Russia).

Then proceed to the second beer market by volume of production to the US market. The fight for the US market reminds the sport competition and the military action simultaneously. There are only company-giants take parts in this competition, because there are no chances for others.



Graph 2.4 The balance of forces in the beer market in the U.S. in 2010 [16 p. 30]

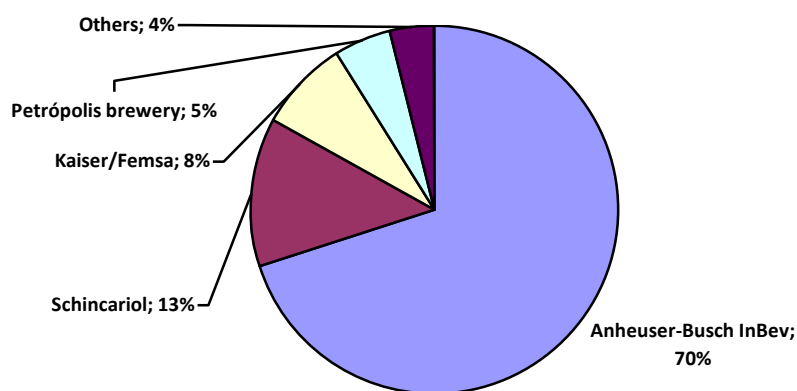
The U.S. market is the second-largest market by sales in the world and the beer consumption per capita is 90 liters per capita. In 2010 the beer market in the U.S. increased by 0.8% to \$ 78.8 billion. According to the forecasts for 2013 the market is expected to grow to \$ 82.4 billion. The beer sales in the middle price segment are 35.7% of total beer sales in the US and in premium segment they accounted for 34.2%. As for distribution, the sale of beer in supermarkets and hypermarkets account for 55.7% of all sales and in the On-trade¹ channel sales account for 22.5%. This is explained by the fact that there are not many stalls and food markets in the US. The beer producers in North America are faced with the necessity to position the beer as a product that can be consumed during the meal, like wine. Moreover, there is growing popularity of special kinds of beer (fruit and ales) as well as imported brands among the American youth between 20 and 30 years old. And besides, we have to consider ethno-demographic situation in North America, since the volume of beer consumption in different ethnic communities differ due to traditions and habits. Hispanic Americans are multiplying very fast: in the middle of 2008 there were 50 million people, by 2050 they are expected to be 100 million According to market research firm Mintel International Group, the Spanish-speaking U.S. residents (so-called Latinos), drinking in average about two liters of beer per month, and the English-speaking whites (non-Latinos) - about 1.5 liters. That is why, for example, brewing company Anheuser-Busch InBev intended to increase advertising expenses in Hispanic media of the country by 66%, to \$ 60 million [35].

The next country we will talk about is Brazil. Brazil is the 3rd country by the volume of beer sales and consumption per capita 55 liters of beer per year. There are 200 mil. people in

¹ Distribution channel which is not includes supermarkets, hypermarkets, shops, and includes the so-called HoReCa - hotels, restaurants, cafes.

Brazil and the drinking age is 18 years. Despite the global financial crisis in 2009, beer consumption has increased by 5% compared with 2008. It is closely connected with very hot summer (January, February) of 2009. [27]. The major players are Anheuser-Busch InBev, Schincariol, Kaiser/Femsa, Petrópolis brewery. Their market share is shown in the Picture 5. The most popular brands include Skol (32.6%), Brahma (20.4%), Antarctica (13.6%), Nova Schin (10.2%), Kaiser (8,9%) see Graph. 2.5.

There are also private breweries, but their share is very small compared with large companies. Over the past decade, Brazil imported a large number of beers from U.S. and Europe. The cost of imported beer is higher than local, but it does not interfere with major companies to produce European and American beers in Brazil under license. It should be noted that the share of sales of premium beers in general are very small compare to the U.S.

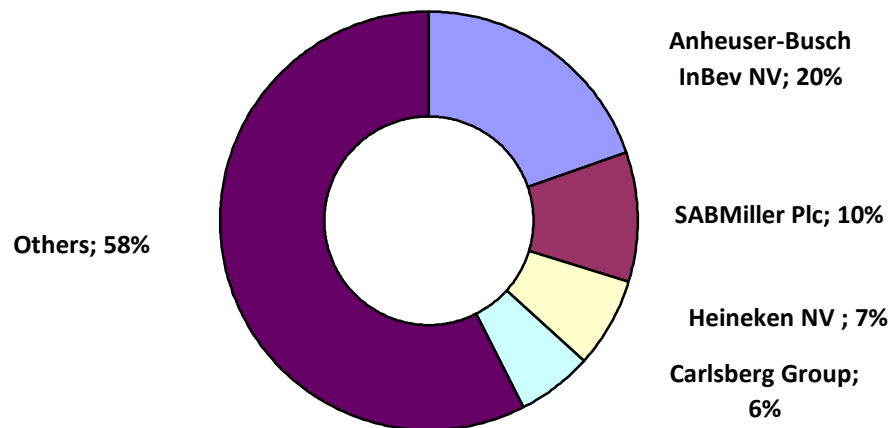


Graph. 2.5. Brazil beer market in 2010. [27].

There is a world famous carnival in Brazil, which lasts 4 days every year. And the consumption of beer increased by several times and reaches 400 million liters, which represents 4% of annual production. Almost all the men and the majority of Brazilian women prefer to drink a cold or even frozen beer. This feature is also connected with the Brazilian climatic conditions, particularly with tropical climate.

Nowadays the global beer market is slowing its growth. Major breweries today are extremely concerned about the slowdown of sales in traditional markets and a relatively new development of other markets of Eastern Europe, China, India, South-Eastern Asia and Latin America. This is not surprising because in contrast to the above-mentioned regions the beer market in the U.S and Western Europe is saturated and shows almost no growth. The formation of the global beer market takes place within the internationalization of the industry and the coexistence of two countervailing trends. These trends are: 1) the decline of consumption in the regions where there was a saturation of the market 2) rapid growth of beer consumption in

regions where the level of beer consumption was historically low and the wealth of the population has been growing. [23, p. 41-42].



Graph. 2.6. Leading players of the global beer market [23].

4 companies take 40% of the whole beer market. (See graph. 2.6.). The remaining 60% of the market occupied by the small companies and private breweries. The volume of sales of each of that is rather small compared to the large companies. Next we take a closer look at each of the major players. (see appendix B.)

Anheuser-Busch InBev NV is a leader in the global beer market, which owns 20% of the market. Anheuser-Busch InBev was founded in year 2008 through the acquisition of the Belgian company InBev and American Anheuser-Busch. The company employs over 116000 people and owns 52 factories in 23 countries. Anheuser-Busch InBev has a revenue of \$ 36 billion and volume of production was 364 540 000 hectoliters. The company has a strong balanced portfolio of brands, which includes 4 of 10 best-selling brands in the world. There are such brands as Budweiser, Bud Light, Skol, and Brahma. Anheuser-Busch InBev takes a leading place in market share in such countries as USA, Canada, Cuba, Brazil, Argentina, Bolivia, Uruguay, Paraguay, Belgium, Luxembourg, Great Britain, Serbia, Montenegro, Serbia, and Ukraine. The portfolio of brands includes more than 200 beer brands, including the world flagships brands such as Budweiser, Stella Artois and Beck's. The headquarters of the company is located in the Belgian city of Leuven [19].

SABMiller Plc is the second largest player at the beer market by the market share. The company was founded in South Africa in 1895 and sold its products only in Africa, where it has established a dominant position on the market. Since 1990 SAB (South African Brewery) has began to invest in European markets. After the initial public offering on the London stock

exchange SAB bought the US Company Miller and in the year 2002 they have changed the name to the SABMiller Plc. It has headquarters in London. The revenue of the company is \$ 18 billion and the volume of production is 210 million hectoliters. The number of employees is 70000. Global flagship brands are Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft, and Grolsch. In addition to its flagship the company also owns 200 beer brands. The main markets are USA (2nd place on the market share), Colombia, Ecuador, El Salvador, Honduras, Panama, Peru, Czech Republic, Hungary, Poland, Italy, Romania, Russia, Slovakia, Spain, The Netherlands, Ukraine, African and Asian countries [22].

Heineken NV is a Dutch brewing company, which was founded in 1864 in Amsterdam. The company owns 7% of the world beer market and it takes 3rd place by the market share. The number of employees is 60000 people who work in 125 factories in 70 countries. The company is a leader in production of beer and apple cider in Europe. Revenue of the company has increased in 2010 by 2.7% and amounted now to 14.7 billion € against 14.31 billion € year earlier. Operating profit for the period is 1.75 billion Euros, which is 63% more than in 2009. The output was 125.2 million hectoliters, which is 0.6 million hectoliters less than in 2009. The major manufactured brands are Heineken, Amstel, Foster's, Kingfisher, Primus, Newcastle Brown Ale and Guinness. Shares of the company are traded on the AEX (Amsterdam Stock Exchange). Its largest shareholder is a holding L'Arche, which owns 50.005% shares. The remaining shares are in free float. The company sells its products in more than 170 countries all over the world. [21].

Carlsberg Group is Danish brewing company and it is one of the largest in the world. Its headquarters is located in Copenhagen. The company was founded in 1847 by Danish entrepreneur and philanthropist Jacob Christian Jacobsen. Export of beer began to Scotland in 1868; the first foreign brewery was built in 1968 in Malawi. The company employs over 43000 people and the beer is produced in over 150 countries. Revenue for 2010 was \$ 10 billion, while net sales in 2010 were about 116 million hectoliters. Carlsberg Group is the owner of the brewing company Baltika, which has 11 breweries in Russia. The main markets for the company are the Nordic countries, Eastern and Central Europe and Asian countries [20].

In this section we have conducted an analysis of the global beer market and found out that there was a slowdown of growth of the global beer market under the influence of the global economic crisis in 2010, while the beer sales continued to grow. The largest beer markets are China, USA, Brazil and Russia. The feature of the Chinese market is its strong fragmentation, while the U.S beer market is the most profitable.

What regards the division of the world beer market we have noticed that the largest company by the market share is Anheuser-Busch InBev with its 20%. SABMiller has 10%, Heineken has 7% and Carlsberg Group has 6%, while the other brewers have 58% split between other small companies which shares are very small. It should be noted that a growing number of mergers and acquisitions and bankruptcies in this market. Transnational brewing corporations are developing new markets. Soon all the regional and local markets will be controlled by international corporations and small companies will play not very significant role.

As was noted above, the Russian beer market is large and plays an important role in forming the global trends in the beer market. In the next chapter we will make an analysis of Russian beer market.

5.2. Analysis of Russian beer market

During the past 10 years the beer market in Russia has demonstrated a confident dynamics of development. Russian market was ahead of the more developed European markets by the annual growth rate. However, under the influence of the global crisis in 2010 the Russian beer market declined by 10.3% compared to 2009 [31]. Such kind of dynamics was caused by the fact that the global economic crisis had much stronger negative impact on Eastern Europe and Russia rather than in other regions. The consequences of the crisis were reduction of incomes, reduction of the purchasing power, significant growth of unemployment and decline of the share of cost of purchases, especially in the second half of 2009, while it was the growth of consumer savings. This led to the decrease of demand in almost all categories of food and beverages. And beer is not the exception. Among the specific factors that had a negative impact on the beer market we can add the bad weather conditions in the summer of 2009 [23].

Nowadays, the share of transnational corporation of the Russian beer market accounted for 85%. Big multinational corporations are buying medium and small size breweries and repression of those who is still independent. This is the tendency of recent years in Russian brewing industry. The number of breweries is continuously decreasing. The only positive trend is a growing number of mini-breweries [31].

If we take a look at the table 2.1 below, we can see that in 2010 and after the crisis the volume is going down to the figures shown in the year 2006.

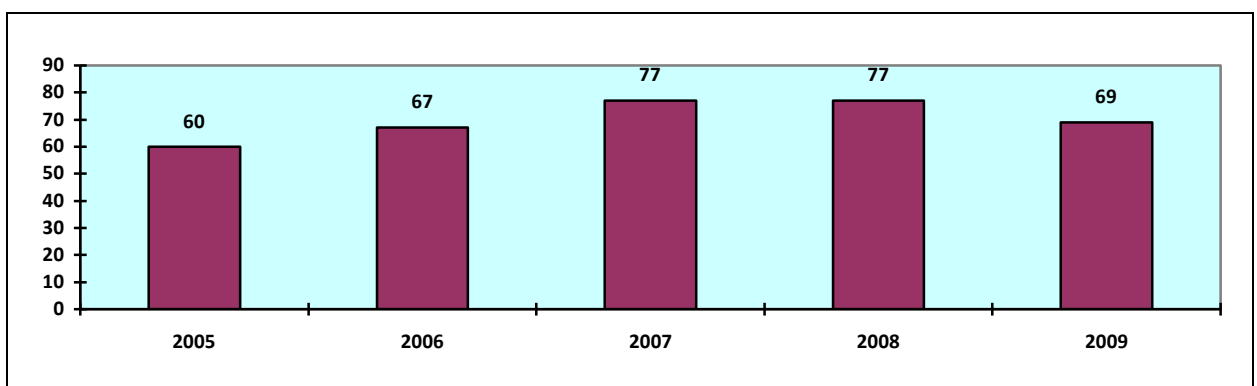
Year	2005	2006	2007	2008	2009	2010
Volume of beer market (mil. hectoliters.)	86.3	94.9	109.7	109.3	98.0	93.9
Growth of beer market (%)	6.0	10.0	15.7	-0.4	-10.3	-4

Table 2.1 The dynamics of the development of Russian beer market [23].

The companies themselves assess their work as follows. Baltika reported a decrease in the sales in Russia by 6.4 % to 39.6 million hectoliters. Anheuser-Busch InBev said about decline in sales by 13.1% to 16,6 million hectoliters. Heineken reported a decline of 17% to 12.8 million hectoliters. Efes reported a decline of 3.6 % to 10.7 million hectoliters. The report of SABMiller marked a decline in sales by 7 % to 3.2 million hectoliters. [49].

Summarizing all these heterogeneous data, we assume that sales of Efes have declined slower than market average. The sales of Baltika and SABMiller have declined to a greater extent, but probably slower than market as a whole. Sales of Heineken and AB InBev, apparently fell faster than the market. Speaking about the dynamics of consumption of beer, it can be identified that compared with 2008 per capita consumption of the beer has declined from 77 liters per person to 69 in 2009. (see graph. 2.7)

It is closely connected with the cold and rainy summer and economic downfall and increase of the excise taxes on beer. In the world ranking of the beer consumption Russia holds the 15th position, dropping forward such countries as Croatia, Hungary, Australia, the USA and countries of Western Europe. And a leader is Czech Republic with the consumption of 160 liters per person per year. (see Appendix C.)



Graph 2.7 The dynamics of beer consumption in Russia per capita in liters [23].

From the economic point of view there is a quite difficult situation on the Russian beer market. The decline in the revenues of the producers could not be compensated by the increase of the expensive segments of the market, because these segments considerably loose in their weight. In the beginning of the 2010 the companies tried to change the trend by extending the range of premium brands and promoting their consumption [31].

However, in the final reports of the brewers we could see the increase of the share of low-cost brands and kinds of beer that were previously released for the additional production. The marketing focus has shifted to them and the development of mass premium brands has slowed and now it can be called an investment in future.

In particular, the executive director of Carlsberg Group, Jorgen Buhl Rasmussen, estimating the results of the company in the Russian market noticed the negative mix-effect [20]. Last year consumers continued to buy the same brands, but they preferred not the aluminum jar or glass bottle, but cheaper version from plastic package. In the second half of the year the activity of the brewers of developing the low-cost segment has already become clear. According to Baltika report, the saving tendency of the consumers was seen in the changing of the places where the customers made their purchases. It means that it has changed from the small stores to the bigger channels of sales like hypermarkets and large discount stores [23].

The «Business Intelligence» research shows an increase in the share of the low-cost segment (in terms of money) in all Russia. And in real figures the share of low-cost segment has grown in all regions, less in the western part in more in the eastern part of the county [41].

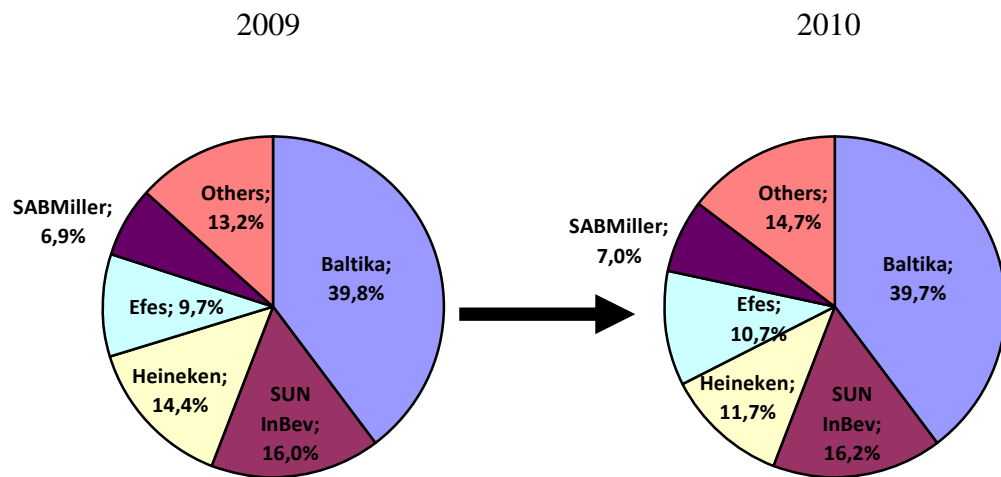
It is believed that the luxury goods consumed by consumers who are less sensitive to price increase and are not willing to stop consuming them. However, expensive beer has lost the weight in the market. According to experts, after the crisis we can see the rationalization of the consumption and the inflation of the brands [31]. In addition, beer lovers, who account for the economically active part of the society, are less likely to relax and drink beer.

The reducing of the frequency of the consumption was in the other segments, because the lowering of the wealth level has cooled firstly the activity of middle class. Consumers have begun to save on purchases, because the beer is not the product prime necessity. However, there are some features, for example the annual report of Efes shows that there was a decline in share of the low-cost beer, which is considerably reduced in weight [29]. On the one hand it is the long term trend, but on the other, the consumer of the low-cost beer could switch to the spirits.

The most decline-resistant beer brands were the brand of the low and middle price segment, like mass brands of the big companies or the local brands. The share of these brands has grown by a more expensive beer [31].

Further, we will take a look at the five largest brewing multinational companies, which are operating on the Russian territory. The main competition in the Russian market takes place between five major brewers. It is unlikely that the national business will be completely eliminated from the Russian beer market. This will be prevented by government and society because of political or social reasons.

The local authorities will support local entrepreneurs, the brewing giants will be competing between each other, and Russian small and medium businesses will take still relatively free niche of mini-breweries. Something similar happened not so long ago in the Western countries. [16, p.73.] Their market share varies from year to year and currently Baltika leads, which is owned by the Danish Carlsberg Group. On the Graph. 2.8 we can see that Baltika has pretty much the same share in 2010.



Graph 2.8 Market share of the leading beer producers in Russia [16. p. 74].

1. Baltic Beverages Holding AB (BBH).

BBH Holding was created in 1991 to work on the beer market in CIS (Commonwealth of Independent States) in equal shares of the Finnish brewer Hartwall PLC group and Swedish-Norwegian Company Pripps-Ringers. Currently, the share of the Swedish-Norwegian company belongs to the Danish Carlsberg Breweries AS, and the share of the Finnish brewing group to British Scottish & Newcastle. Holding began the union of its assets, which are consisting of:

- JSC Baltika Brewers, which consists of 5 breweries in Saint-Petersburg, Tula, Rostov-on-Don, and new in Samara and Khabarovsk.

- JSC Pikra from Krasnoyarsk, which is in the process of association with Baltika.
- JSC Vena, now consists of the factories in St. Petersburg and Chelyabinsk.
- JSC Yarpivo from Yaroslavl

Holding owns a third of the beer market in Russia, and Baltica holds one forth. The holding also owns a significant market share in the Baltics (Svyturys – Utenos, Saku, Aldaris) and in Ukraine (Slavutych with the factories in Zaporozhye and Kiev and Lviv Brewery) and Kazakhstan (Irbis). The company is a leader on the Russian beer market and it holds around 40% of the market. With sales of 42.7 million hectoliters and net sales revenue of 94 million rubles, operating margin – 31.6%. The company employs more than 11000 employees in the CIS. The company produces such brands as Tuborg, Carlsberg, Kronenbourg 1664, Asahi, Eve, Corona, Baltika, Nevskoe, Cooler [23].

2. SUN InBev

Anheuser-Busch InBev corporation, whose headquarters is in Belgium was founded in 2008 by the merger of Interbrew and Companhia de Bebidas das Americas (AmBev) and the American Anheuser-Busch. Currently it is fully owns SUN InBev, which was founded to work in the beer market of CIS countries. [19]. The company has bought at differnt times: JSC BulgarHmel – Cheboksary, JSC Ivanovo Brewing Company, JSC Klin Brewery, JSC Kursk Brewing Company, JSC Perm Brewing Company, JSC Volga, JSC Rosar – Omsk, JSC Saransk Brewing Company, JSC Angarsk Brewery, Tinkoff factory – St.Petersburg.

Sun InBev holds 16.2 % of the Russian beer market. In Ukraine it is doing even more successful and owns factories in Chernigov, Kharkiv and Nikolaev and holds the third position. The company employs approximately 9000 people. OJSC SUN InBev produces such brands as: Stella Artois, Brahma, Beck's, Hoegaarden, Tinkoff, Staropramen, Bud, Lowenbrau, Sibirskaya Korona, Klinskoe, BagBier [19].

3. Heineken, The Netherlands.

The world's largest brewing company settled for a long time in Russia bought a plant in St. Petersburg. But during 2004-2005 the company has begun actively buying up regional producers and now it owns:

- Volga Brewery in Nizhniy Novgorod;
- Shikhan Brewery in Sterlitamak
- Sobol Beer in Novosibirsk
- Patra Brewery in Yeakaterinburg
- Baikal Brewery in Irkutsk

The latest purchase of the company was Ivan Taranov's Breweries.

The brands produced by Russian companies are Heineken, Amstel, Edelweiss, Guinness Original, Goesser, Buckler, Zlaty Bazant, Konigsberg, Bochkarev, Pit, Okhota, Stepan Razin, Tri Medeveya, Doctor Diesel, Sheekhan, Sedoy Ural, Oka, Zhigulevskoe, Patra, Strelec, Ostmark.

Heineken is the exclusive distributor of premium brands such as Guinness and Kilkenny, which are sold in pubs throughout Russia [21].

In 2010 the Russian brewery Heineken produced 13.7 million hectoliters of beer. In 2010 market share of Heineken in Russia was 11.7% and the company confidentially takes third place in market share after Baltika and SUN InBev.

4. Efes Beverage Group, Turkey.

Production of Efes Breweries International NV based in Turkey, Russia, Kazakhstan, Moldova, Georgia and Serbia. The group consists of 16 Efes breweries in 6 countries and it takes 15th position in the world and 5th position in Europe by volume of production.

Sales in 2009 were \$ 1 billion (growth by 24%) and net loss was \$ 58.8 million. Operating income is \$ 73.6 million (decrease by 8.7%). And 80% of the total sales accounted for the Russian market. At the same time Efes holds just 10.7% of the market and it has been operating since 1999, when it was opened its own production in Moscow. There are more than 5000 people working in Efes.

Efes Russia includes several breweries: OJSC Moscow Efes Brewery, OJSC Amstar (Ufa), OJSC Brewing Association Krasniy Vostok- Solodpivo (Kazan), and LLC Krasniy Vostok – Siberian Brewing Company (Novosibirsk).

The total production capacity of enterprises in Russia is 20 million hectoliters and 140000 tons of malt. The brand portfolio includes 12 own brands and 4 producing by license: Efes, Stariy Melnik, Beliy Medved, Sokol, SOL, Warsteiner, Zlatopramen, Krasniy Vostok, Solodov. Other breweries which are in the Efes group: Efes Karaganda brewery (Kazakhstan), Efes Vitanta Moldova Brewery SA (Chisinau, Moldova).

In 2008 Efes group entered the market in Georgia. Efes has become the leader of the local market when it has bought LLC Lomisi (which controlled 42% of the sales) [29].

5. SABMiller, South Africa.

SABMiller is the British brewing company, the second largest brewer in the world after Anheuser-Busch InBev. It has headquarters in London. The main business of the company is concentrated in Africa and Eastern Europe. Volume of sales in 2009 were \$ 21.410 billion, net

profit was \$ 1.67 billion. In Russia the company owns a factory in Kaluga, but it also holds 7% of the Russian market and continues to look for profitable assets to buy.

The company has over 1800 employees in Russia, has plants in Kaluga, Vladivostok and Ulyanovsk. The company's share in the Russian market in terms of money is 10% and by volume is 7% (according to AC Nielsen, 2010).

The company has already started a production of the leading brand of SABMiller Russia Zolotaya Bochka in Vladivostok. In the nearest future it is planned to start the production of international brands which are made by license, as well as continuation of producing of local brands. The brand portfolio of the company consists of Zolotaya Bochka, Miller Genuine Draft, Velkopopovicky Kozel, Holsten, Tri Bogatirya, Pilsner Urquell, Redd's, Moya Kaluga, Miller Midnight, Peroni, Grolsch, and Amsterdam.

From 2009 the production has started of the premium brand Amsterdam Navigator at Kaluga factory. (the license belongs to Royal Grolsch N.V), which was bought by SABMiller PLC.) [22].

So, as a result of the analysis, we found that the Russian beer market is growing steadily and only in 2009 we noticed the decline due to the global economic crisis. The crisis has changed the product structure of the Russian market, an increase in weight of the low-cost brands and kinds of beer that were previously released for resuming production.

Transnational companies hold 85% of the Russian beer market. For today, there is only one big Russian brewery Ochakovo, which has the factory in Moscow and built the subsidiaries in Krasnodar, Penza and Tyumen. The share of Ochakovo is just 5%. The main players in the Russian market are Baltika, Anheuser-Busch InBev, Heineken, Efes, and SABMiller, whose activities determine the basic parameters of the Russian beer market. And due to that, the subject of this diploma thesis is the sales promotion system of OJSC SUN InBev. And in the next chapter we will take a look at the activities of this particular company and how it operates in the Russian beer market.

5.3 General characteristics of OJSC SUN InBev and its position on the Russian beer market.

OJSC SUN InBev is the second largest brewing company by volume of sales in Russia. The company was founded in 1999 and it is Russian subsidiary of the world's leading company Anheuser-Busch InBev, formed by the merger of InBev and Anheuser-Busch. SUN InBev is

registered in Klin, but the headquarters is in Moscow. The number of personnel working in Russia and Ukraine is 9000 people. The company was founded in 1999 as a strategic partnership between InBev – the leading brewer in the world and the SUN Group, operating in the region since 1958, including in the brewing business in Russia and CIS since the early 90's of the twentieth century [30].

SUN InBev is a subsidiary of Anheuser-Busch InBev, the world's largest beer producer with the turnover of more than 8.5 billion Euros. The president of the company is Tunç Cerrahoğlu.

Volume of sales was 40.2 million hectoliters in 2010 and it is 6 million hectoliters less in 2009. The revenues of OJSC SUN InBev were \$ 2492 million, which is less than in 2009 by \$ 800 thousand [30]. The decline is strongly connected with the global economic crisis.

The main activity of the company is production and wholesale of beer at the current location and geographically closed regions. The company exports its products to Kazakhstan, Kyrgyzstan, Belarus, Georgia, Germany and Baltic countries. There were exported 400 043 hectoliters of its own production in 2010 and the revenue from the export did not exceed 2% of the total revenue. Currently the company holds the 2nd position on the Russian beer market with the share of 16.2% [30].

- All beer brands which are produced in the company's plants are divided into different price segments. At the present time in Russia and in the world there is a world beer market price segmentation of brands.
- Licensed and imported brands and so-called super-premium brands: expensive foreign brands produced by license or imported from abroad. There are such brands in SUN InBev as Stella Artois, Lowenbrau, Hoegaarden, Beck's, Staropramen, Brahma, Bud;
- National premium brands or high-price segment: Russian brands with national distribution and positioned as premium class beer. There are such brands in SUN InBev as Sibirskaya Korona, Tinkoff, T;
- Mainstream – the national middle-price segment: Russian brands with national distribution positioned as middle-price beer brands. There is such brand in SUN InBev as Klinskoe;
- Economical or low mainstream – national and regional mid-price segment: Russian brands with a regional distribution positioned as the mid-price segment. There is such brand in SUN InBev as Tolstyak;

- Cheap or discount – national and regional low-price segment also called discount: Russian brands with regional distribution positioned as low price. There are such brands in SUN InBev as Zhigulevskoe, BagBier, Rifey, Pitserskoe, Volzhanin, Pikur, Permskoe Gubernskoe;

There are structural changes in the market under the influence of the crisis. Before the crisis the market has grown due to increase of more expensive licensed beer and premium beer segment, but when the companies faced with decreasing of revenues consumers immediately switched to medium and low-cost segment. (see Appendix C). It is possible that some customers prefer from the point of view of ratio «gram-degrees-penny» drinks, for instance vodka. The positive trend in 2009 has the market share in plastic bottles. (see Appendix D). Until now, the market share of modern trade formats (supermarkets, hypermarkets) is gradually increased, while the traditional trade is slowly declined. According to the forecasts for 2011, it is expected the reduction in market share of supermarkets, but the share of shops will increase. (see Appendix D).

OJSC SUN InBev produces light and dark beers, occupying the whole range of flavors from sweet to tart and bitter. The product range is constantly expanding. After analyzing all the brands produced by SUN InBev, we can say that the company's brand portfolio is very strong in each of the segments. In summer 2010 the company launched the production of famous American beer BUD, despite the decline in total sales. According to the company's sales representatives, the launching of this beer brand was connected with the fact that Anheuser-Busch InBev was the main sponsor of the world football championship in South Africa, and the advertising of it was in every channel including television and outdoor advertising and Internet promotions. The brand also received a boost from FIFA World Cup sponsorship. The strong volume performance since its launch confirms the potential for this global brand in Russia. The company does not stand still, and it is strengthens its portfolio of brands in Russia, and it allows in the future to strengthen its position in the market.

In our opinion, the changes in the beer market was touched the Russian division of Anheuser-Busch InBev. Frequent change of management of Anheuser-Busch InBev and the lack of funds resulting from the merger of InBev and Anheuser-Busch have played a bad role in losing the market position. In 2007 the management has changed, but in that period it was a tendency of premialization of the beer market. And SUN InBev was following it and it has 2 strong low-cost brands Tolstyak and BagBier. But the company has stopped supporting them and focused on other brands such as Klinskoe, Sibirskaya Korona and Stella Artois. For instance, in 2007 the total sales of Tolstayk beer were 9.4 billion rubles, and in 2009 – 7.1 billion rubles [30].

It means that profitability has been opposed by the preservation of the market share. But when the crisis has broke a tendency of premialization it was a decrease of marginal brands too.

In 2009 the parent company had to cut its budget [9]. We believe that it has happened because of the grand bargain of merger of InBev and Anheuser-Busch and it led to the formation of massive debt, which also lay on the shoulders of the Russian branch. Meanwhile, in late 2008, before the sales season of 2009, the brewers have a serious problem with crediting the retailers. It means that keeping their share of the shelves in the supermarkets again meant the loss of profitability. AB InBev was not ready to that as competitors.

According to the magazine «Pivnoe delo», in order to eliminate the company from the recession, the new president of SUN InBev has become Tunç Cerrahoğlu in August 2009, who previously managed the divisions in Central Europe [49].

According to our estimates, nowadays AB-InBev pays almost equal attention to the key brands in all the segments of the market, although the advertising budget to promote the brands has been cut. At the same time, the activity of the company for launching the new brands remained at the low level relative to Baltika or Efes. But the actions of AB-InBev it is better to call a tribute to fashion than the attack the competitors. For example, the company has just changed the packaging rather than the product itself:

1. Brand Sibirskaya Korona is being poured now into a new bottle, which emphasizes the classical style. At the beginning of the 2011 the brand portfolio has enriched with the non-alcohol Stella Artois.

In the annual report in 2010 it was reported that promo-campaign for Sibirskaya Korona was in a pre-sales season in April and May of 2009 and it has got a comprehensive and large-scale advertising support. The main objective of restyling was to strengthen the premium perception of the brand. Main attributes of the bottle were: luxury in each detail, smooth lines, nice elongated neck, sleek sticker, guaranteeing quality.

At the beginning of 2010 season the emphasis is made on the leading position of the brand. The new commercial trailer «The taste, which was evaluated by whole Russia» was devoted to the title «Brand #1 in Russia» which Sibirskaya Korona got.

2. It was launched a comprehensive program to support the sales of Klinskoe beer, which was started with the renovation and emergence of innovative thermo can, which allows you to see the optimal cooling temperature and it enhances the reputation of Klinskoe as a quality beer.

Following the company Efes, which released the youth brand Sokol Mojito (It is a beer cocktail with the fresh taste of mint and lime), the Russian division of AB-InBev also decided to set up the production of same kind of beer. In June the application was filed for registration of trademark Klinskoe Mojito. (Efes has applied for Sokol Mojito in May). And in August AB-InBev announced the launch of the new product and begin to deliver it to the regions.

In September 2009 AB-InBev has supported the sales of Klinskoe Mojito by running the promotional campaign «World expedition with friends». And in March 2010 it was released the new concept for Klinskoe: packaging design has become bright and modern, which emphasizes the dynamics of the brand, perfectly highlighting it on the shelf.

The Russian division took some steps to restore the position in the discount segment. Along with the support of the federal brands AB-InBev has expanded sales of regional brands, which distribution has already moved beyond the domestic markets. In particular, in the spring of 2009, the company has announced the launching of BagBier Golden on regional scale. BagBier Golden has begun to pour in Omsk and Angarsk branch of the company, in order to distribute it in Siberia, the Far East and the Urals. Obviously, the Siberian experience was considered as a success, because in June Perm Brewery has got the permission to produce BagBier Golden. And after couple of month Anheuser-Busch InBev has started to produce and distribute BagBier Golden in the European part of the country.

The economic crisis has significantly affected the sales of premium beer of Anheuser-Busch InBev. In 2009 the company has been actively supporting the brands Stella Artois and Lowenbrau. But according to the press, AB InBev is unlikely to resume the production of beer Tinkoff. Moreover, it was considered of selling Beck's brand.

Therefore, if the company eventually decides to increase activity in the premium segment, it can be a restart of Beck's or restart of the brand #1 in the world – BUD. It was an official beer of the FIFA World Cup in South Africa in 2010.

The Russian beer market is divided between the five multinational brewing companies. One of them is SUN InBev which is a subsidiary of Anheuser-Busch InBev and takes 2nd place in the beer market of Russia. The main activity of the company is production and wholesale of beer at the current location and geographically closed regions. The company exports its products to Kazakhstan, Kyrgyzstan, Belarus, Georgia, Germany and Baltic countries. Currently the company holds the 2nd place on the Russian beer market with a share of 16.2%.

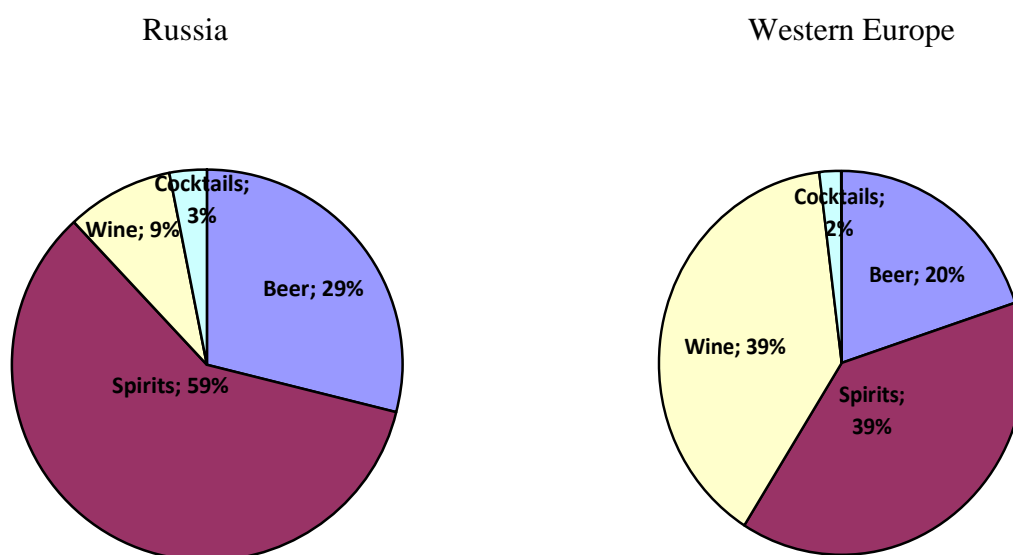
OJSC SUN InBev operates on the Russian market and produces beer brands such as Klinskoe, Tolstyak, Sibirskaya Korona, Stella Artois, Brahma, Beck's, Hoegaarden, Tinkoff, Staropramen, Lowenbrau, BagBier, Rogan, Chernigovskoe. The economic crisis has

significantly affected the sales of premium beer of the company, while sales of economy segment brands began to grow. The important role was played by the strategy of the development of the company and the system of the sales promotions. In order to determine what kind of activities are appropriate. And it is necessary to estimate the activity of the company and the existing system of sales promotion, to identify its strengths and weaknesses. We will take a look at it in the next chapter.

6. Analysis of sales promotion in OJSC SUN InBev in Omsk and recommendations for its improvement

6.1 Estimation of the sales promotion complex of OJSC SUN InBev

Before proceeding directly to the sales promotion we will highlight some aspects related to the Russian model of consumption of alcoholic beverages. Generally in the world Russia is considered to be a country of vodka, because consumption of vodka and spirits has traditionally been considered as essential feature of way of living of Russians. If we compare the lifestyles of older people in Russia, for example in USA or Western Europe, including habits and addictions, it would be very easy to find the differences between them in many ways. We mean the Russians drink more vodka than beer or soft drinks (See Graph. 3.1).

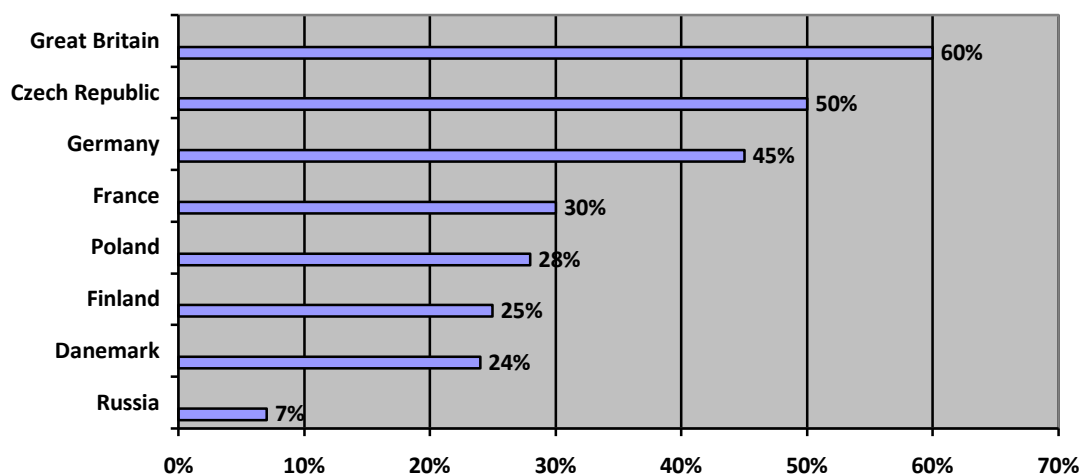


Graph 3.1. The share of beer in total alcohol consumption in terms of pure alcohol [28], [42].

According to sociologists, elderly Russians, even those who drink and like beer think that beer is the beverage for young people. Under young people we mean here 18-24 years old. They believe that in Russia the beer will never replace vodka, because these kinds of drinks are used in different situations, and people who prefer vodka would never change their preferences. Within this category of Russians, people are always saying that «Beer without vodka is like wasting money». It means that people who are drinking a lot of beer also drink strong spirits and vodka [16, p 102].

The changes occurred mainly in the consumer patterns of young people. Young people in Russia are more likely to choose beer as an alternative to alcoholic beverages, so it is the same like young people in western countries with the old culture of consumption of beer.

The absence of people with bottles in their hands in the streets of Germany or France or Czech Republic is largely explained by the fact that visiting the pubs has become the part of their culture. In Russia it is very easy to buy the bottle of beer but the beer on draft is more expensive and it is only sold in the restaurants, where not every Russian citizen will go. Russia is far behind from not only the traditional beer countries but also from the former Soviet Baltic states which are ahead in per capita consumption of beer. In those countries there are no hype, concerning with so-called beer alcoholism and the emergence of young people with beer bottles in public places. The premium beer is usually sold in the restaurants or cafes in Russia. This kind of beer is usually imported from Germany, Netherlands, Spain, Ireland or even Mexican. But the modest consumers prefer local beer, but it is really hard to find the place where it would be sold the local beer. If the amount of beer in Russia consumed directly in the points of sales (draft beer) is 7-8%, but in Czech Republic and the UK is 50-60% [4]. It means that in the countries with ancient beer traditions it is a different attitude of customers to the beer consumption. Beer is perceived as a beverage that is mostly consumed and in bars or pubs on draft. (see Graph. 3.2).



Graph. 3.2 The share of beer consumption in points of sale on draft (hotels, restaurants, cafes) in 2009. [28].

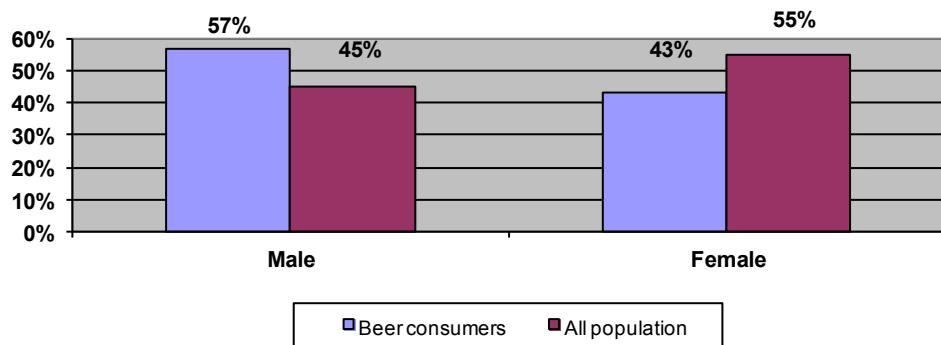
The results from polls show us that Russians are realistically evaluate the perspectives of reducing of consumption of strong spirits under the pressure of beer and the circumstances affecting the decrease in vodka dependence. (see Appendix E).

All these features of the Russian beer market have a very strong effect on sales policy of the company SUN InBev. We will pay attention to the segmentation of consumers in order to determine the average Russian beer consumer portrait. And we need to understand what consumer is guided when he or she is buying beer and we have to ask 5 key questions.

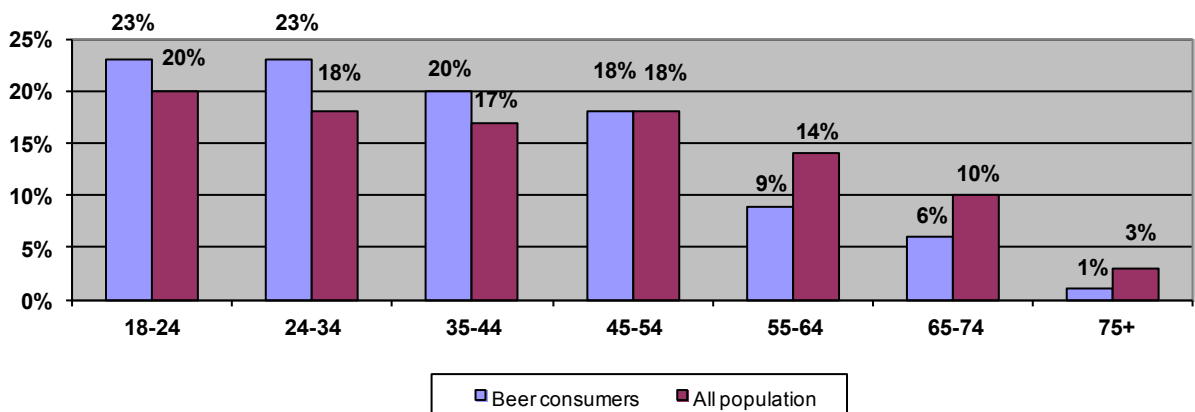
- **Who** drinks beer/ in general, and the company's products in particular
- **What** is drinking/ what brand is preferred
- **When** is drinking/ for what reason
- **Where** is drinking/ places of consumption
- **Why** is drinking/ need or wants

Knowing the answers on these questions, consumers can be divided into groups according to socio-demographic characteristics, consumer preferences, behavior and satisfied needs. In other words, we have to segment customers and then to use this segmentation for the analysis of the brands on the market. On the Graph. 3.3. We can see histograms showing us how the market and profile of the customer look like in Russia.

Gender



Age



Graph 3.3 Examples of groups divided by socio-demographic characteristics in 2009 [10]².

By the analyzing the data from the chart we can conclude that the majority of beer consumers are men, although the women's share is also quite high. And by the age segmentation it is possible to see that youth are the main consumers of beer. However, we know also that the share of the group (35+) takes more than one third of the total volume of beer consumed in Russia. In some researches of the Russian beer market we can find that an average adult Russian drinks beer 5 times a month, and men at the age from 18 to 50 drink it on the average of seven times a month. After analyzing the gender and age segmentation we can proceed to the analysis of advertising media, tasks and functions of beer advertisement and specific advertising campaigns which held by the company SUN InBev.

There are some objectives could be solved with the help of advertising: to attract the attention to the product, to create a desire to make a purchase and finally to make a purchase. The list of major advertising functions includes: to provide the information to the consumer about new brands and products, and implementation into the mass the image of the brand or the company.

Perception of advertising depends on the characteristics of the goods, the cost, the consequences of the successful or unsuccessful purchase made under the influence of advertising message and communicative features of the advertising media. The psychologists have found that human brain need some time for the processing the advertising message. The motivation of the consumers is formed slowly. Therefore, the low frequency of the contact with the advertising message about the product could cause its forgetting, especially when there are a lot of competitors with their advertising messages. The image, sound, color affect the human perception of the advertising message, increasing the emotional side of formed brand image. That is why the audio-visual information (mostly TV commercial) puts deeper the customer into emotional environment associated with the advertised product, promoting the formation of positive attitude towards the product. The idea of the communicative features of the different advertising media and their acceptability for the advertising of beer can be formed in the table 3.1.

² The data was obtained from a representative survey of 3077 adult respondents (18+) living in selected cities with population over 100000 people. The poll was conducted in November/December 2009. The beer consumers are 1669 people.

Advertisement media	Communicative features of the media channel			The possibility of using the information for advertising the beer and providing the positive attitude to the brand
	The presence of the visual component in the advertisement message	Duration of processing the advertising message by the receiver	The frequency of contact with potential consumers of beer provided by the channel	
Television	Yes	Short	High	Unlimited
Radio	No	Short	High	Limited (no visual component)
Newspapers	Limited (no color rendering, except colorful pages)	Long	High	Limited
Magazines	Yes	Long	Low	Limited (low frequency)
Outdoor and transit advertisement	Yes	Long	Low	Limited (low frequency)
Internet	Yes	Short/Long	High	Unlimited
In the points of sale	Yes	Long	Low	Limited (low frequency)
Direct mail	Yes	Long	Low	Limited (low frequency)
Promotions	Sometimes	Short	Low	Limited (low frequency)
«Sponsorship»	Sometimes	Short	Low	Limited

Table 3.1 Communicative features of the advertisement media, used for advertisement of beer. [16, p. 289].

We emphasize that each of the advertisement channels have their own audience, time and place of meeting with the potential consumer. Therefore, their tasks and functions are different. Keeping in mind the audience, which is affected by the channel, we can talk about total impact of ones and selectivity of influence of other ways of advertising communications. The main function of the outdoor and transit advertising is rather a reminding of the brand to the drivers, passengers and passers-by. The main objective of the advertising in printed media and on the radio is a reminding and more detailed information about the brand, its producer and addressed to adult readers and listeners.

Television advertisement has more complicated and complex function, which includes a reminding function and also informing and supporting the positive attitude to the brand and building the brand image and company image and necessity and justification for the purchase.

The special appeal of the television advertising is that it is characterized by the combination of audio and visual (image, form and color) impacts and huge, compared with any other advertising media audience, which is increasing in the demonstration of television shows and sport events.

Television as a media channel provides a coverage of huge audience with set frequency of the contact with advertising for the short period of time. Advertising once was compared with the artillery, which shoot to everybody, not just in the point target. This comparison in relation to television advertising of beer was and is unfair because the beer advertisement has been placed across the broadcasting network (it is connected with the lifestyle of typical beer consumers and unevenness of the presence them in front of a TV screen) [18, p. 64-65].

SUN InBev is actively using TV commercial as a major. From spring 2011 till autumn 2011 SUN InBev is actively advertising such brands as Lowenbrau, Sibirskaya Korona and Stella Artois. All these brands belong to premium category and their advertisement has been linked with the beginning of the new promotions and high sales season. Because spring, summer and autumn is the time when the sales grow by several times compared to the cold winter time. The launching of premium brands advertising on television can be explained by the fact that consumers of premium brands watch TV just in time of playing the commercial.

Beer in Russia is an alcoholic drink and according to the law of advertising it is very limited time when commercial could be shown on TV. Advertising of beer can be translated only in the period from 22.00 to 7.00. Other requirements include a ban on the use of image of people and animals and the necessity for showing in the commercial the possible harm for the health, caused by the exceedingly use of alcoholic beverages.

Television is the main conductor of beer advertising and this choice is not random. For example, the person receives the main flow of information about the world through the eyes and only a small part of information flow passes through ears and a tiny amount through tactile perception. But beer TV commercial have also some disadvantages. For example, after the Russian Federal law of advertising was introduced and some temporary restrictions of broadcasting beer commercial and also the noise effect have emerged. It means that one block of commercial have a lot of different beer brands. And we can say that it is not a commercial of particular brand but commercial of beer industry as a whole [16, p. 235].

Then we move to the next advertising media – outdoor advertisement. It is the oldest form of advertising of beer, and still remains in Russia the most common and effective means of supporting the brand as well as advertising in the points of sale and consumption like shops, bars, cafes, restaurants etc. There are billboards of all sizes and shapes, a variety of installations

and illuminated advertising, video walls, stretching over the street, advertisement on bus stops, sport facilities and transport.

The most popular format of outdoor advertisement is billboard 3x6 meters. It accounts about 60% of total outdoor advertising. And there are some other widely used constructions:

- City format: light boxes with internal lighting, advertising on the bus stops and on billboards with image changing (scrollers);
- Large-format constructions in big cities;
- Roof installations
- Wall advertising (brandmauers).

Successfully placed large formats have strong visual impact, but there should not be too many of them even in the big city. The content of the outdoor advertising is low and people get used to them very fast and they are under they could be damaged by the unexpected weather conditions.

Transit advertising is a relatively new form of outdoor advertising at least in Russia. Under transit advertising we mean the advertising in metro cars and commuter trains, at the bodies of the buses, trolleybuses and trams. This type of advertising could be very effective because subway passengers have no more options where they can look.

Advertising of alcoholic beverages, including beer now takes up to 10-15% of the total outdoor advertising. Television, radio and outdoor and transit advertising has huge audience. Such advertising is working almost all day and night long and whole year. However, it is rather a mean of reminding and supporting brands, rather than encouraging the purchase.

And now we can proceed to SUN InBev, which is actively using outdoor advertising. On the streets of Omsk it is possible to find a large number of billboards, wall advertising and light boxes. They placed the premium brands such as Stella Artois, Lowenbrau, Sibirskaya Korona and Bud.

The advertising in printing media is still very important advertising channel in Russia, but there is decrease of subscribers of newspapers and magazines because internet advertising is growing very fast. The audience of printing media is less than the television, but it is more differentiated, depending on the nature of the publication. Market researchers can impact on the target consumer and inform him in more details about its product, despite the lack of objective limitation of particular circle of readers of particular edition.

There are many examples of how popular local and national newspapers were used for attracting people to beer festivals and to participate in promotions (information about the prizes).

We think that advertising in printed media is usually used by beer companies to support and inform people about promotions and other actions, because it allows reaching a broad audience in particular city.

Printed media can be divided into a mass press (newspapers and magazines, both black and white and colorful, which use economic segment) and glossy magazines (it is a means of communication is used by the premium brands). The advertising message can be placed not only as direct advertising, but also as an article with advertisement of the product or producer. The goal of the advertising in printed media is informing the audience about promotion or other events or competitions.

Advantages of the advertising in printed media are the possibility of multi publications of advertising, rapid changes in the text, rather high creative possibilities offered by newspapers or magazines. Disadvantages are the relatively narrow circle of readers, despite the possibility of contact with advertising message by just some of the readers, the necessity to prepare promotional material far in advance of the campaign.

The next source of advertising, which we take a look at will be Internet. Internet advertising of beer is not looking for the special ways to the consumer. Beer is beverage for young people, and they are mostly Internet users. And the largest brewing companies feel themselves quite comfortable, because they are able to communicate with their target audience.

In Internet we can usually find the advertising of premium brands. There are 3 variants of internet support: placement of banner ads, creating the own website of the brands and sponsorship of headings and web pages. Brewers are using the internet campaigns along with television campaigns and also for the announcing the music festivals and sport events, which are aimed to support the image of the brand. Brands, which already become popular, get a new opportunity with the development of online video. For example, in 2010 SUN InBev made internet campaigns of Hoegaarden Stella Artois, Lowenbrau, Sibirskaya Korona, Klinskoe and BagBier [30].

Unfortunately, the number of Internet users in Russia is relatively small compared with the Western countries. But the situation is changing rapidly and probably soon market researches of brewing companies will pay more attention to Internet advertising. Internet commercial of beer cannot be compared with television ads in terms of costs and the size of audience. However, in our opinion, even the audience of internet commercial is still low compare to television it does not mean that brewing companies have to stop it. This is due to such facts as cheapness of this type of advertising compare to others and its 24/7 broadcast, including day time and the constantly growing amount of internet users.

Almost all major beer producers in Russia conduct promotions to support its brands. Promotions are very specific kind of beer advertising. For example, we can take a look at promotion with the slogan Flirt, carried out in the summer of 2008 by BTL agency A-COM for the youth beer brand T. (producer is SUN InBev) [30].

The main task of the promotions was to maintain loyalty among existing customers and attracting new consumers to the brand T. There was guerilla marketing³ for announcing the promotions. It means posting stickers and graffiti in the resting places of potential consumers. Funny and ambitious pictures which were specially developed for the promotion have attracted the attention of young people.

In addition to the successful campaign "T" it can be identified with respect to the recent promotions of brands like Lowenbrau and their promotion «Spend Oktoberfest in Germany» [21], because last year its 200 anniversary. Also, a relatively new promotion was for Hoegaarden brand called 'Your day with a special taste' [30]. Information about it was mostly in internet but there was no advertising on TV. Stella Artois had also annual promotional «Let's meet in Cannes» [21] and consumers had a chance to go to Cannes film festival.

Despite the success of some sale promotions, according to SUN InBev, volume of beer sales in Siberian region has increased only because of discount segment, but premium segment has decreased because of unstable satiation, caused by a crisis. (see Appendix E). We can see that the company increases its market share in volume with the help of brands in discount segment and losing market share in money in the mainstream and premium and super-premium segments. The only brand with a good performance is Lowenbrau. The company has good result from Klinskoe in mid-price segment in market share in volume. But it is not enough to increase its market share in money. The same situation is with BagBier in discount segment. Tolstyak in the same segment has positive result (+0,13) in volume, and also the positive impact on market share in money. The main problem of the company is connected with the sales of Sibirsckya Korona, which is not just losing market share in volume, but also has the most negative impact on market share in money.

As a result, the company takes a market share, but does it with the wrong mix of brands, because Zhigulevskoe is a brand which increases the market share, but all premium and super-premium brands decrease, especially Sibirskay Korona. Therefore, the main task of the company for the next years is to increase sales in premium and super-premium segments.

³ Today, guerilla marketing is non-traditional communication channels and methods of product promotions.

In this part we have evaluated the existing complex of sales promotion of SUN InBev. In summary, it should be noted that there are features of the Russian beer market, which predetermine the formation of complex of sales promotion of the company: 1) Russia is a country, where people drink vodka; 2) beer is a beverage of young people (18-24); 3) Changes in consumption: beer is becoming an alternative to strong spirits; 4) the culture of beer consumption is different from Western countries; large proportion of beer is consumed at home, and in public places, but it is forbidden by the federal law, in restaurants and cafes there are just premium and super-premium expensive brands.

The formation of sales promotion policy is going under the influence of the above mentioned features, which includes various methods of sales promotion: 1) advertising on television; 2) advertising in printed media; 3) internet advertising; 4) promotions; 5) gifts and bonuses to consumers of beer, etc. However, SUN InBev is actively stimulating sales promotion, but it has faced with the problem of increasing sales by with the help of only discount segment and decreasing of sales of premium and super-premium segments. In our opinion it is connected with the global economic crisis. We think that it is necessary to develop specific recommendations for improving the complex of sales promotion of the company. And it is necessary to take into account all relevant factors and to develop measures that enable company to achieve goals for specific brands.

6.2 Development of recommendations for improving the sales promotion of OJSC SUN InBev and evaluation of their effectiveness

After the analysis of media sources and identified problems we would like to make some recommendations for the OJSC SUN InBev. These recommendations allow increasing the effectiveness of sales promotion system and boost the volume of sales. In this case we take into account such factors as: the budget allocated by the company for sales promotion; the existing complex of sales promotion, its advantages and disadvantages; consumer preferences and their perceptions of products of OJSC SUN InBev; competitive advantages of the company and its products; activities of competitors.

The annual budget of OJSC SUN InBev to promote its products in the Russian market is about \$ 60 million. 20% of the budget is going to the Siberian region, and for the Omsk region is about 5% [30]. Using the information above we propose 2 types of measures to improve the sales promotion of such brand as Sibirskaya Korona and Bud.

To increase the sales of Sibirskaya Korona, the author of this thesis is proposed to make a promotion called 'Relax with the taste' in the Siberian region. The purpose of the promotion is to increase sales of Sibirskaya Korona, which belongs to premium segment and to increase the market share not due to sales of discount segment, but due to premium segment. It will improve the quality of brand portfolio by increasing the share of sales of premium brands compared to low-price segment.

This promotion should take place within 2 the most active sales months (July and August) through the sector HoReCa, for example such cafes like 'Sibirskaya Korona' or 'Il Patio', which belong to Rosinter holding and they sell Sibirskaya Korona beer on draft. The aim of promotion is when people buy 4 liters of draft beer Sibirskaya Korona (price is 400 rubles for 4 liters = 20 Euros) they will get a free appetizer up to 150 rubles (4 Euro). In this case there is sales promotion of draft beer.

Next we will make the calculation of the forecasted profitability of this particular promotion. And we will use the formula 1.

$$R = (P / C) * 100\% \quad (1),$$

Where R - Profitability of promotion (%).

P - Additional income from promotion (Rub).

C – Total cost of promotion (Rub). [51]

Capacity of the beer market in Siberian region is 19037 million rubles [54], and SUN InBev takes about 20% of the market [30]. It is 3807.4 million rubles. Sibirskaya Korona accounts 15 % of total sales in Siberian region [37], and it is 571.11 million rubles of annual sales and for one summer months it is 10% of the volume (57.111 million rubles).

Together with the specialist of OJSC SUN InBev in Omsk we have analyzed how effective the campaign will be. The promotion conducts through the network of restaurants Rosinter, which is actively collaborating with SUN InBev. Sales of Sibirskaya Korona are about 9 % through the restaurants [54], so it is 5.14 million rubles in one summer month. Average price of 1 liter of Sibirskaya Korona is 150 rubles [44], and the approximate monthly volume in one summer month will be 34266 liters.

The gift in this promotion is available for the consumers only after buying 4 liters of beer in cafes and restaurants and the quantity of the appetizers for 150 rubles will be 8566 pieces, and it will lead to potential losses of 1.3 million rubles monthly. Gross profit of the restaurants of the holding in 2011 was 2.2 billion rubles [18], which is an average of 5.88 million Rubles at one restaurant (total 374 restaurants) [52]. From January to April 2011 sales of restaurants has increase to 2.9 billion rubles [52], and the average annual revenue of one restaurant would be

7.75 million rubles. Then the average gross profit of one restaurant would in 2011 was 490000 rubles and in 2012 we are expecting 650000 rubles. There are 37 restaurants of Rosinter network in Siberian region [51], and their average monthly total gross profit forecast would be approximately 24.05 million rubles.

Consequently, the loss of restaurants will be approximately 5% of monthly revenue. In addition, restaurants are making the printing of the posters and menu with the advertising message (Relax with the taste). The cost of the promotion in this case will be about 5-7% of the monthly revenue of the restaurants. Thus, the specificity of this promotion is that the main activities are held by Rosinter than by SUN InBev. And the costs of the company generated from the discounts it provides for the restaurants, which take part in the promotion and it accounts for 15%.

According to data, provided to us by the company, the restaurants buy Sibirskaya Korona beer at price of 70 rubles per 1 liter and after discount of 15% - 59.5 rubles per liters. As noted above, during the summer month restaurants sell about 34266 liters. Then we will calculate the costs of the promotion:

$$C = 34266 * (70 - 59.5) = 359799.3 \text{ rubles.}$$

According to our estimation, the promotion will lead to increase in sales of draft beer Sibirskaya Korona approximately by 5% for one summer months:

$$\text{Increase in revenue} = 5139990 \text{ rubles} * 0.05 = 256999.5 \text{ rubles.}$$

Taking into account the income tax (20%), and additional profit received from the promotion for 1 month will be:

$$P = 256999.5 - 256999.5 * 0.2 = 205599.6 \text{ rubles.}$$

Based on the calculations we identify forecast profitability of promotion «Relax with the taste» carried out by restaurants and cafes:

$$R = 205599.6 / 359799.3 * 100\% = 57\%.$$

The result shows us that the forecast profitability of promotion is quite high, and the promotion is very effective, because it leads to sufficient increase in profit of the company for the relatively short period of time. However, the calculation of the real cost-effectiveness of the promotion can be calculated only after the promotion takes place, and the result may differ from the forecast [53].

Another promotion we would like to offer is effective promotion of beer BUD, which is new in the brand portfolio of SUN InBev in order to take a share of beer market in Omsk and Omsk region. In addition to the methods which are already used and we would like to

recommend the advertising in cinemas. It is legal in Russia to show advertising of beer in cinemas.

Now we can find in the cinemas the most active young and educated people. Therefore, for the company SUN InBev the advertising in cinemas is an opportunity to reach young people who are not watching TV. It is possible also to reach adult people. It is necessary to choose a certain movie, which is made for adult people.

There are less factors distracting people's attention in the cinema. Factors such the darkness in the hall, process of waiting of the movie, no alternative to watching the advertising play a very important role. In the cinema the concentration of attention and interest are at the high level and keep growing until the film begins. Movie theatres offer besides showing the advertising on the screen and also there are some other opportunities for brewers to advertise themselves. It is possible to demonstrate the advertising on the video screens in the halls of the cinemas. And the price for the contact is higher (\$50 per 1000 contacts) [26] than the average price of TV commercial at the regional level (\$5-10 per 1000 contacts) [50], and very slow accumulation of the audience. But we assume that the possibility of advertising in cinemas is underestimated. It can and should be used in conjunction with other media to increase the effectiveness of advertising influence on the target audience.

In taking into consideration the above mentioned facts the author of the diploma thesis recommends to advertise Bud beer in the cinemas of Omsk city and it will give the comprehensive approach to promotion of this brand with outdoor commercial and TV commercial. Author recommend the time for this promotion with starting in July-August of 2012 for the stimulation of sales and increase brand recognition. The author considers that it is appropriate to place the advertising in such cinemas, like «Galaktika» and «Mayakovskiy». And SUN InBev should use such methods as launching the video advertising before certain films, placing posters in the toilets, on the doors and bars and to give to the bars the souvenir production (ashtrays), with logo of Bud, and placing the light-boxes in the halls. Estimated budget of these activities is presented in Appendix G. The totals cost on advertising campaign in cinemas in Omsk is 172 000 rubles.

To calculate the forecast efficiency of the campaign it is necessary to determine the additional profit, which the company will receive from the promotion. The volume of beet market in Omsk and Omsk region in 2011 was 9013 million rubles. [54], while the share of OJSC SUN InBev at this market is 30% [30] – 2703.9 million rubles. At one month of the summer season accounts for 10% of the sales, (270.39 million rubles). And the beer brand Bud has now just 0.5% of total volume of sales of SUN InBev (1.352 million rubles). As a result of

the advertising campaign of the brand through the cinemas of Omsk the company will increase sales by 5%. It is very important that according to the specialist's estimates there will not be the switch of the consumers of one brand to Bud, because of their strong commitment to certain brands, which is the feature of the Russian market. This situation is explained that Bud is licensed brand and it is oriented at young people, who are changing their tastes quite often. Bud is designed for the consumers, which have a strong commitment to consumed brands. And the company plans to attract new consumers and increase market share, but not to redistribute the consumers between various brands. According to our forecast, revenue growth for 1 month of summer is:

$$\text{Increase in revenue} = 1352000 * 0.05 = 67597.5 \text{ rubles.}$$

Taking into account the income tax (20%) and the additional income received from the promotion is:

$$I = 67597.5 - 67597.5 * 0.2 = 54078 \text{ rubles.}$$

Based on these data we can calculate the forecast profitability of promotion of Bud in the cinemas of Omsk city.

$$P = 54078 / 172000 * 100\% = 31.4\%.$$

The result shows us that the profitability is quite high and the promotion is effective, because it leads to increasing of sales of Bud and its market share is growing. In addition, we have growth in revenue of the company for the short period of time. However, the calculation of the actual cost-effectiveness of the promotion can be calculated only after its launching and on the basis of real data, which could differ from the estimated.

In addition to the developed activities, the author recommends the company OJSC SUN InBev to use such sales promotion activities as: beer festivals, sports sponsorship, and advertising in places, where the most active perception by the consumer is taking place, such as billiard rooms, sport bars, paint-ball clubs, restaurants or cafe and attraction of the bikers or making different flash-mobs to support the brand. For the more successful development of the company we would like to recommend the release of two new products – beer oriented for women and also Kvass, which will provide the diversification of the products.

In this chapter we have developed key recommendations for the company SUN InBev to improve the sales promotion of certain beer brands and to increase sales. We have found that nowadays company faced the problem of decreasing the sales of premium and super-premium segments. It happens because of the global financial crisis and the most declines were of Sibirskaya Korona beer. In order to increase sales of that beer we have developed the advertising campaign «Relax with the taste», which is conducted through the restaurants in Siberian region

and leads to the increase of sales of draft beer Sibirskay Korona. According to estimates this promotion will increase sales by 205588.6 rubles in 1 month, and the profitability is 57%, which is rather high number.

Another promotion, that we have offered is advertising the beer brand Bud in cinemas of Omsk city and Omsk region, in order to support the brand recognition and increase its market share and in brand portfolio. According to our estimates, this promotion will lead to increase in sales of Bud by 5% in one month, increase the revenue of the company by 54078 rubles, and profitability will be 31.4%, which is also a significant number.

We have also offered such activities as beer festivals, sport sponsorship, advertising in places, where the most active perception by the consumer is taking place, such as billiard rooms, sport bars, paint-ball clubs, restaurants or cafe and attraction of the bikers or making different flash-mobs to support the brand. And also beer oriented for women and Kvass, which will provide the diversification of the products and expand the activities of SUN InBev.

In our opinion, the activities that we have offered are promising to implement and allow increasing the effectiveness of functioning of the sales promotion system of OJSC SUN InBev. And it will lead to increasing the market share and sales and as a result to increase the profit.

7. Conclusion

In modern conditions of intensive cooperation between the countries and developing of the world markets and dynamic business environment more and more companies work in international society. They merge with each other and establish transnational corporations which operate in global market. These companies play a key role in the world production output, world trade and operate particularly everywhere. It leads to a serious competition between them and it makes the competent management of the company and its marketing complex very significant.

This situation is typical for the global beer market, which is characterized by rapid development, the emergence of new companies and large force of transnational companies, which control national and regional markets. Moreover, nowadays there are a lot of mergers and acquisitions and bankruptcies due to global economic crisis, which makes the development of the beer market volatile.

At the beginning of the thesis we have set a goal to develop recommendations for OJSC SUN InBev to improve the existing system of sales promotion of the company. To achieve this goal we have solved a number of problems: we have considered the essence of TNCs and their basic characteristics and role in the global economy; we have characterized the sales promotion system as an element of marketing mix and found its features in transnational companies; we have analyzed the world and Russian beer market and characterize the activities of OJSC SUN InBev and defined the position of the company in the beer market; we have evaluated the existing complex of sales promotion of the company and in accordance with the identified facts we have worked out the measures to improve the sales promotion; we have conducted the predictive evaluation of the effectiveness of this measures.

The work consisted of several stages; the first was to collect the theoretical information about transnational companies, the reasons of the emergence and history of development, role in the world economy, and sales promotion as one of the key elements of marketing mix and its features in transnational companies. As a result of the analysis which was made in the first chapter of the thesis we can make some conclusions. Currently, the processes of direct investment in the global economy occur quite rapidly and underlie the formation and further functioning of transnational corporations.

The emergence of TNC is a natural result of the development of the global economy and international economic relations on the one hand, and powerful factor of development on the other. Moreover, this process can be divided into several stages, each of which has certain characteristics. Transnational corporations are the corporations which production and trade and

marketing activities are located outside the state. They are actively using objective tendencies of the international division of labor and amplifying the internationalization of the world, contributing to the establishment of new schemes in the global division of labor. Such corporations operate in almost all markets including beer market where the sales promotion plays very important role in providing the certain volume of sales and success in activities.

In multinational corporations marketing and sales promotion policies play a key role and have a number of characteristics that are unique to companies of this type. These features are mainly related to a plurality of participants in the distribution channels, the complexity of the organization of the sales promotion, the necessity for market research, use of large number of methods of sales promotion and high costs.

The global beer market is developing rapidly, but under the influence of global economic crisis it was slowing its growth and the situation has become quite unstable. Beer market is divided as follows: the largest share of 20% has Anheuser-Busch InBev, SABMiller has 10%, Heineken has 7% and 6% belongs to Carlsberg Group. And the remaining 58% divided among other companies. The main feature of beer market is its dependence from the activities of transnational companies. The largest beer markets are China, USA, Brazil and Russia.

Russian beer market is growing steadily and only in 2008 it was a decline due to the global economic crisis. The crisis has changed the structure of Russian product market. It was an increase in discount segment and varieties of beer with slowing down the development of premium brands.

An important feature of the Russian market is the fact that 85% of its volume belongs to transnational companies, while the Russian producer Ochakovo has just 5% of the market. The main players here are five transnational breweries: Baltika, SUN InBev, Heineken, Efes and SABMiller.

SUN InBev is a subsidiary of Anheuser-Busch InBev and it has a share of 16.9% of beer market in Russia. The main activities of the company are manufacturing and wholesales of beer at current location and closed regions. The company sells its products to Kazakhstan, Kyrgyzstan, Belarus, Georgia, Germany, the Baltic countries and produces such brand as Klinskoe, Tolstyak, Sibirskaya Korona, Stella Artois, Brahma, Beck's Hoegaarden, Tinkoff, Staropramen, Lowenbrau, BagBier, Bud.

The main problem for SUN InBev is the decline in sales of premium segment with a simultaneous increase in sales of economy segment which has led to a significant worsening of the structure of brand portfolio. In overcoming this problem the important role is played by strategy of development and its sales promotion system.

The complex of sales promotion of SUN InBev is formed under the influence of the following features of the Russian beer market:

- Russia has an image of vodka drinking country;
- Beer is beverage for young people (18-24 years old);
- Changes in consumption: beer is becoming the alternative to strong spirits;
- Culture of consumption differs from Western countries: big amount of beer is consumed in public places, although it is prohibited by the federal law, and at home, because there are very high prices of premium and super-premium brands in restaurants and cafes.

Sales promotion system of SUN InBev includes various methods of sales promotion:

- Advertising on television;
- Outdoor advertising;
- Advertising in printed media:
- Internet advertising;
- Gifts and bonuses to consumers of beer.

However, in spite of the active sales promotion of its products SUN InBev has faced with the problem outlined above even. Increase of the sales has happened only by the economy segment and the company also had a decline in sales of premium and licensed beer. To overcome this negative tendency the author has developed some recommendations and measures, implementation of which would improve the situation.

The developed activities aimed to sales promotion of certain beer brands and increase in volume of sales of SUN InBev. With falling sales of premium segment the strongest decrease was of brand Sibirskaya Korona. And the author has developed the promotion campaign called «Relax with the taste» aimed to increase the sales of this brand. It will improve the quality of brand portfolio by increasing the share of sales of premium brands compare to economy brands. The campaign should be carried out through the restaurants in the Siberian region, mainly through network Rosinter. And the result should be a growth in sales of draft beer Sibirskaya Korona. According to estimates, this promotion will lead to increase the company's profit to 205599.6 rubles in one month, and it's profitably would be 57%, which is rather high number.

Another campaign which was proposed by us is the advertising of beer brand Bud in cinemas in Omsk city and Omsk region in order to ensure brand recognition and increase its market share and in brand portfolio. According to our estimates, the promotion campaign will lead to increase of sales by 5 % in one month and increase the profit of the company by 54078 rubles and the profitability should be 31.4 %, which is also a significant number.

Also we have offered such activities as: beer festivals, sport sponsorships, advertising in places where is the most active consumer perception of beer, making flash mobs to support the brands, as well as the production of beer oriented on women and production of Kvass in order to diversify the company's product line and expand its activities.

In our opinion, the proposed activities have great practical importance for the company SUN InBev and are perspective for the implementation and will increase the functioning of the sales promotion system of the company.

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10. Enclosures

Appendix A

The characteristic of TNC [56]

<i>Features</i>	<i>Multinational corporations</i>	<i>International corporations</i>	<i>Global corporations</i>
1. Type of relationship of the parent company and the number of foreign affiliates	Ethnocentric	Policentric or regiocentric	Geocentric
2. Orientation	Absolute growth of the parent company, foreign affiliates are usually created only for the supply or sale.	A large level of independence in the operations in each of the countries. Subsidiaries are large and implement a variety of activities, including manufacturing. Integration of the companies of different countries on the base of scientific or production level.	The parts of one product can be produced in different countries. The parent company considers itself as one of the components of the corporation.
3. The relation to the foreign market	Foreign markets are considered only as a continuation of the home market of the parent company.	Foreign markets are often regarded as more important sector of TNCs compared to domestic markets.	Аренной деятельности является весь мир.
4. Level of centralization of decision making	High centralization of decision making on the level of parent company	Decentralization of some functions of management. Delegation of authority to subsidiaries. Management decisions are made through close coordination between the parent company and the number of affiliates.	High decentralization of decision making when there are close coordination between the parent company and the number of affiliates.
5. Control over activities of foreign affiliates	Strong control from the side of the parent company	Affiliates are usually autonomous	Affiliates are usually autonomous

Continuation of Appendix A

1	2	3	4
6. Personnel policy	Preference is given to their compatriots in foreign affiliates. Employees of the home country of TNCs are assigned to all possible positions abroad.	The local managers dominate in foreign branches. Local personnel of the host country are appointed to key positions.	The best workers of all countries are assigned to any position.
7. Organizational structure	Complicated organizational structure of parent company and simple structure of foreign affiliates	Organization structure with high level of independence of affiliates	Rather complicated organizational structure with autonomous affiliates
8. Information flows	Large volume of orders and instructions to the branches	A small flow of information of the parent company and a small stream between the branches.	Substantial flows of information of the parent company and between all branches.

Appendix B Leading players of the global beer market [19], [20], [21], [22]

Name	Headquarters	Year of foundation	Number of workers	Revenue (billion \$)	Market share %	Volume of production (mln. Hkl.)	Major brands
Anheuser – Busch InBev	Leuven, Belgium	2008	116000	36	20	364,5	Budweiser, Stella Artois, Beck's
SABMiller Plc	London, Great Britain	2002	70000	18	10	210	Miller Genuine Draft, Pilsner Urquell, Peroni Nastro Azzurro, Grolsch
Heineken NV	Amsterdam, The Netherlands	1864	60000	18	7	125	Heineken, Amstel, Foster;s Newcastle Brown Ale, Guinness
Carlsberg Group	Copenhagen, Denmark	1897	43000	10	6	116	Carlsberg, Tuborg, Holsten

Appendix C

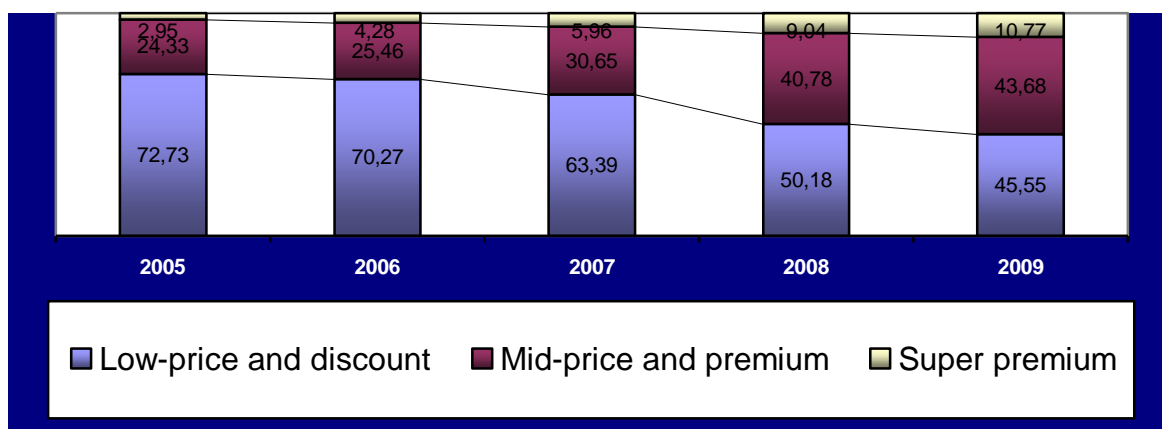
Consumption of beer per capita by country in liters/person 2010 [20].

Country	2010
Czech Republic	160
Ireland	143
Germany	117
Austria	112
Great Britain	98
Danemark	97
Belgium	96
Slovakia	93
Australia	86
USA	83
Hungary	81
Croatia	79
Spain	77
Poland	73
<i>Russia</i>	69
Japan	53
Sweden	54
France	35
China	33
Italy	29

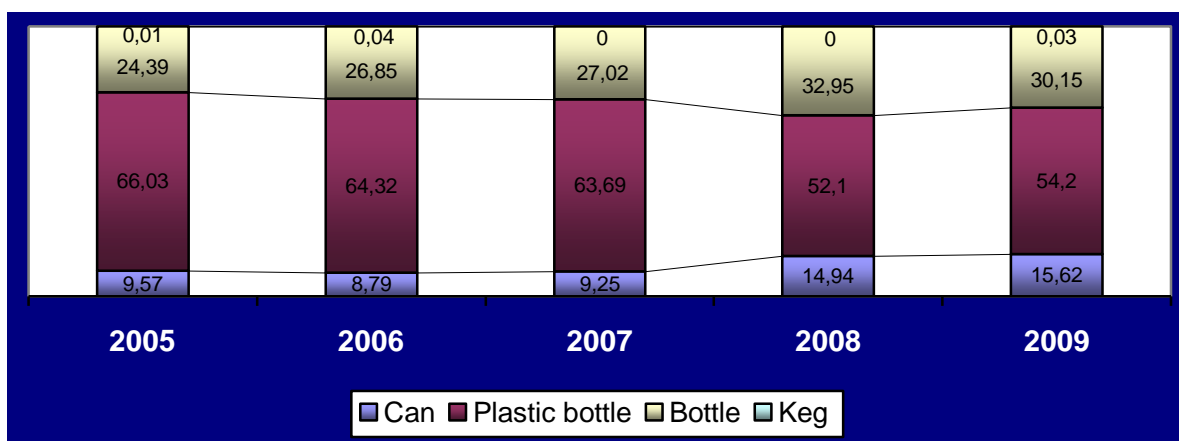
Appendix D

Characteristics of Omsk beer market [30], [19].

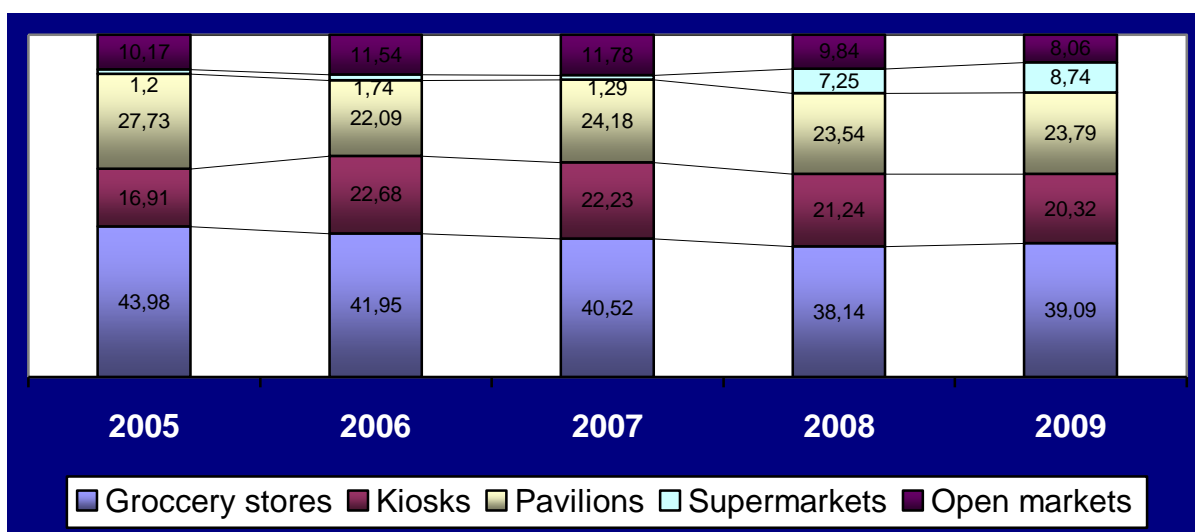
Price segmentation, volume %



Type of package, volume %



Distribution channels, volume %



Appendix E

The opinions of Russians of the main causes of alcohol consumption, 2010 [32].

<i>What are the main causes of alcohol consumption?</i>	%
The desire to relieve stress and tension and make a mood a little better	38
Nothing to do in a free time	37
The lack of willpower, weakness of character	29
Insecurity in future	25
Influence of nearest environment	23
National tradition	20
Because of sorrow	17
Availability of alcohol	14
Influence of the alcohol advertising	8
Other	1
No answer	3

Siberian region divided by brands [30].

	Share of market, volume		Change,%	Share of market, money		Change,%
	Jan 2010	Feb 2010		Jan 2010	Feb 2010	
SUN InBev	18.7	18.9	0.20	18.3	17.8	-0.49
Zhigulevskoe	2.1	2.3	0.18	1.3	1.4	0.09
Zolotaya Angara	1.5	1.6	0.04	1.0	1.1	0.04
LOWENBRAU	0.2	0.3	0.02	0.4	0.4	0.02
Tolstyak	2.3	2.4	0.13	1.6	1.6	0.01
TINKOFF	0.0	0.0	0.00	0.0	0.0	0.00
BECKS	0.0	0.0	-0.01	0.1	0.1	-0.02
STELLA ARTOIS	0.2	0.2	-0.01	0.4	0.4	-0.03
HOEGAARDEN	0.1	0.1	-0.01	0.2	0.2	-0.03
BAGBIER	3.1	3.1	0.05	2.1	2.0	-0.04
BRAHMA	0.4	0.4	-0.02	0.7	0.6	-0.05
STAROPRAMEN	0.3	0.3	-0.03	0.5	0.5	-0.06
Klinskoe	4.6	4.7	0.05	5.0	5.0	-0.06
T	0.6	0.5	-0.06	0.8	0.7	-0.08
Sibirskaya Korona	3.2	3.1	-0.13	4.0	3.7	-0.28

Appendix G

Budget of promotion of Bud beer in Omsk cinemas, rubles [43], [46],
[47].

Cost	«Galaktika» cinema center	«Mayakovskiy» cinema center
Placement of video trailer duration of 30 seconds before each film after 20.00 during one month	45000	40000
Placement of posters (format A3, 12 pieces, 3000 rubles for production, 7000 rubles for placement) in toilets, on the doors, in the cafes during one month	10000	10000
Ashtrays with Bud logo (40 rubles per 1 piece, total 200).	8000	8000
Placement of advertising billboards, light-boxes and banners in the hall of cinemas during one	Billboard in front of the entrance to hall #1 (1,2x1,8 м.) – 10000; banner in the hall on 2nd floor (2x2,2 м.) – 7000; advertising above the bar on the 2nd floor (5,4x2,4 м.) – 15000	Light-box (0,7x1 м.) at the entrance – 5000; light-box in the bar (1,2x1,8 м.) – 7000; light-box (0,7x1 м.) minibar, near the cinema hall – 7000.
Total cost	95000	77000