

**Sanjay Shrestha**

**MARKETING STRATEGY IN BREWERY INDUSTRY**

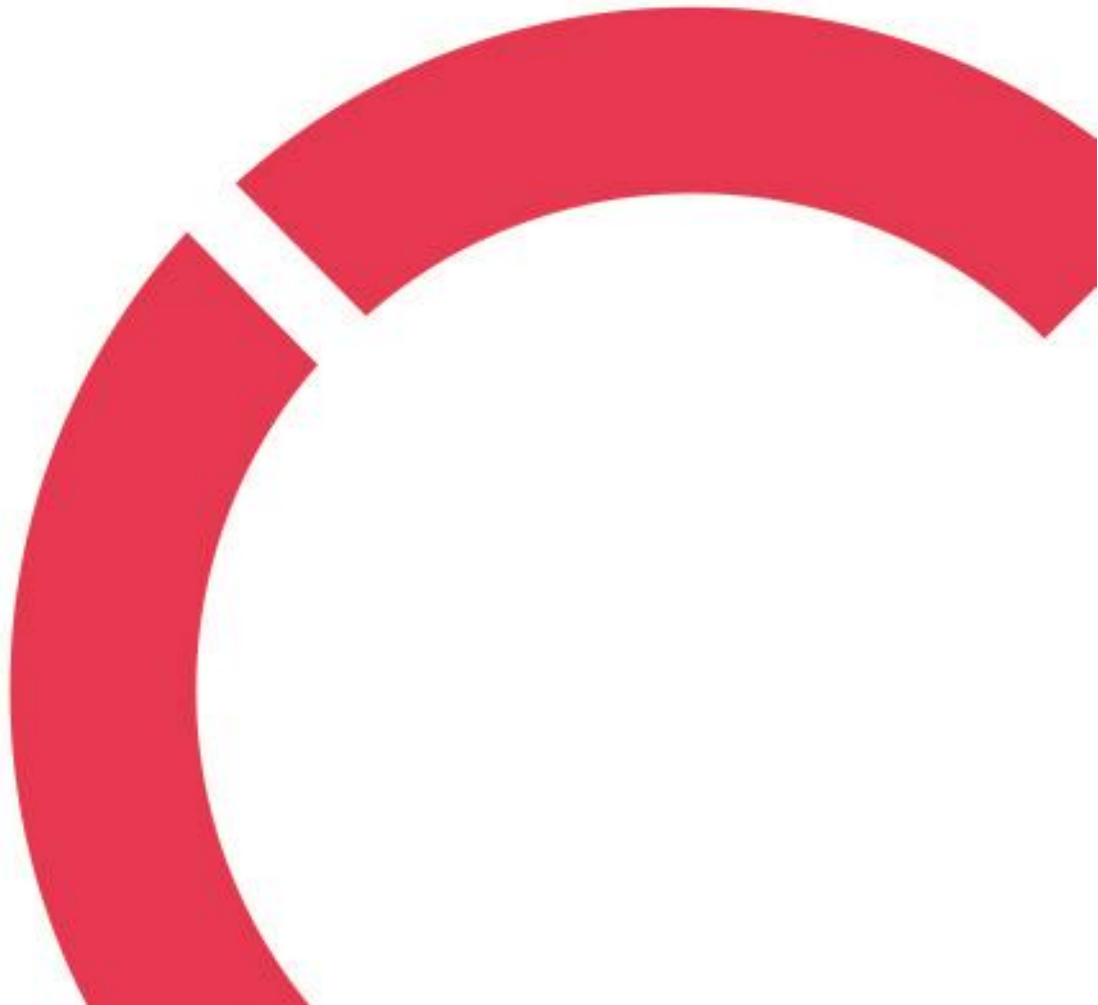
**Case study of Gorkha Brewery**

**Thesis**

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<p>Marketing is a long-term process that involves planning and identifying the right market and tools to develop a sound business strategy. The goal of marketing is to create and capture customer value, which requires careful planning and strategic thinking to achieve success.</p> <p>The objective of this thesis was to conduct a realistic analysis of marketing strategies and tools, using the case study of Gorkha Brewery to identify and evaluate selected market targets. In addition, the study aimed to increase the company's visibility by comparing the results of the marketing analysis with the company's goals of becoming the best service provider in its market area. Gorkha Brewery, located in Nepal, has established a strong market presence with a market share of over 70%. It is considered one of the leading manufacturing sites in South Asia, with a state-of-the-art brewing facility and technical expertise.</p> <p>The thesis consists of principal aspects: the theoretical element and implemented idea in designing an advertising plan of Gorkha brewery. The first element describes analytical tools which might be implemented for developing an advertising plan, which includes PESTEL, SWOT, and the 4P's (advertising mix). The second part of the thesis will involve applying theoretical knowledge to the case organization, utilizing both primary and secondary data sources to gain a valuable insight. This will enable a deeper understanding of the practical application of marketing strategies and tools in the context of the case organization.</p>		

<p><b>Key words</b> Beer, brand, brewery, marketing, marketing strategy, Nepal</p>
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## 1 INTRODUCTION

One of the significant trends in the beer market is the increasing preference for low and non-alcohol beers among consumers. While there has been a decline in overall alcohol consumption, the demand for beer globally continues to rise. In recent years, there has been a noticeable shift towards premiumization in response to changing consumer preferences. Beer manufacturers are now focusing more on quality rather than quantity, aiming to develop high-quality and distinctive products that appeal to discerning consumers. This shift has led to the emergence of numerous smaller and independent breweries that promote their products regionally and directly to consumers. Local producers are also prioritizing the creation of immersive experiences for customers by inviting them to visit their breweries and learn about the production process. Through tastings and product analysis, these producers are able to establish stronger connections with customers and deepen their understanding of the brand. This approach has proven to be a powerful tool for enhancing customer loyalty and driving business growth in the highly competitive brewing industry. (Micet Craft 2022.)

The beer market in Nepal was equal to 89.00 million USD (calculated in retail prices) in 2015. Until 2024, the beer market in Nepal is forecasted to reach 260.23 million USD (in retail prices), thus increasing at a CAGR of 7.53% per annum for the period 2020-2025. This is a decrease, compared to the growth of about 16.69% per year, registered in 2015-2019. (WM-Strategy 2023.)

Marketing is a dynamic process that involves planning, careful identification of target markets, and strategic use of effective tools and techniques to create and capture customer value over the long term. Strategic actions require making the right kind of plans. Entrepreneurs need to focus on creating effective marketing plans that take into account the key components necessary for success. These components may vary depending on the target audience and industry, but can include factors such as market demand, consumer preferences, communication strategies, and branding initiatives. For instance, some entrepreneurs may place a higher value on understanding consumer behavior and lifestyle trends, while others may prioritize effective communication and branding efforts to better penetrate the market. Regardless of the specific approach, a well-crafted marketing plan can help entrepreneurs achieve their business goals and grow their customer base over time. (Kotler 2003, 2-5.)

The primary objective of this thesis was to conduct a comprehensive analysis of marketing strategy, while the secondary objective was to study the case of Gorkha Brewery in order to provide practical insights into the application of marketing principles in the brewing industry.

The thesis consists of the theoretical element and implementation of this idea in designing an advertising plan. The first element describes analytical tools which might be implemented for developing an advertising plan, which includes PESTEL, SWOT, Porter's five forces evaluation and the 4P's (advertising mix). The second part of the thesis involves applying theoretical knowledge to the case organization using primary and secondary data.

Jim Jones, an importer of American and Vietnamese craft beer Business360 (2019), responded that beer culture is the fastest growing alcohol sector in the nation with a huge market when asked about the beer culture in Nepal. Jones stated, "There is a market of 15 to 17 million target people or target group in Nepal" with more than half of the population in the country being of legal drinking age, beer manufacturers and distributors - both new and old - have taken a keen interest in the market, regardless of individual drinking preferences or consumption habits. This presents a significant opportunity for businesses in the industry to tap into a large and growing market, provided they can develop effective marketing strategies that resonate with consumers and meet their unique needs and preferences. Additionally, based on how heavily beer is marketed via various media in every placeable corner of cities and highways; one can assume that beer companies are making strong moves to capture this growing market. (Business360 2019.)

## 2 DEFINITION OF MARKETING

Marketing can be understood in different ways. The marketing definition given by Kotler and Armstrong (2011, 6) in their book “Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others”.

Marketing is a process to create and capture customer value that requires a long-term planning and identification of the right market as well as right tool for developing sound business strategy. In order to make strategic moves, proper planning is essential. Therefore, successful entrepreneurs must prioritize careful planning and pay close attention to the fundamental components of marketing, such as market identification and selection, as well as the development of sound business strategies. By doing so, they can position themselves for long-term success and stay ahead of the competition. The preference of marketing components varies according to individuals or businesses. For example, a group of marketers might consider the market need or consumption culture as important whereas others might prioritize the communication and branding in penetrating the market (Kotler 2003, 2-9). Drucker (1974, 98) defines strategic marketing as the process of continuous analysis of the markets, competitors, external threats, and opportunities to support the businesses in forecasting future consumers' demand and factors that affect the sales of business. The widely used 'people' component is more specifically addressed in this definition as a target group. The principal purpose of marketing strategy is to be able to choose the right customers and thus the markets where the businesses plan to operate (McDonald 1999, 62). As per McDonald (1999, 62), utilizing the 4Ps (Price, Place, Product, and Promotion) as a marketing strategy would help the businesses to balance their product portfolio, to pursue opportunities, to build on strengths and defend threats.

Marketing includes several core concepts. First, markets refer to the area where the company operates. The second concept, needs, wants, and demands, is what consumers expect the company to offer. The third concept, value, and satisfaction are how to please customers in order to establish good relationships and create values. The fourth concept is the creation of exchange, transactions and relationships with parties involved in the business. Understanding at least these core concepts as well as their connection with each other is a key to success in business. (Kotler 2003, 4-9.)

## 2.1 Defining marketing strategy

Marketing is a strategic approach that businesses and organizations use during the planning stage to effectively introduce a planned product or service to the market. By utilizing marketing techniques and strategies, businesses can create a strong brand image and penetrate the market in a targeted and impactful manner. Ultimately, a well-executed marketing strategy can help businesses to gain a competitive edge and establish themselves as key players in their industry. Globalization, use of technology, consumers' behaviour, responsible living, and the internet are some of the changes that have revolutionized the market opportunity along with creation of even greater competition among the marketers. Such competition seemingly has created an urge of creative and innovative approach among the marketers to stand out in the crowd. (Kotler & Keller 2011, 23-45.)

Marketing strategies explain the planning of business to reach the targeted consumers by analysing the sales activities in the market. This process helps organizations to plan and utilize their available resources in all possible ways to gain more profit than the competitors. Marketing and its various strategies are made up of multiple interrelated components that can also be viewed as individual factors directly linked to a product, service, or business. These components can include market research, target audience identification, branding and messaging, pricing, and promotional activities. By understanding the importance of each of these individual factors and how they work together, businesses can develop effective marketing strategies that help them to achieve their goals and succeed in their respective markets. Some of these common components are product, price, promotion, and place, community, communication, and convenience. (Kotler & Keller 2011, 32-45.)

Marketing strategy is the science and art of selecting target markets and supplying value to satisfy the consumers in the target markets. Marketing strategy is explained as a long-term planning which identifies the right markets, analyses the consumer's demand, and needs, plans the services that consumers need and develops the marketing resources. (Kotler & Keller 2011, 32-45.)

There are several definitions given for marketing strategy. Baker (2008, 27) gives the most appropriate definition for this thesis. According to him, "marketing strategy is a process that could enable an organization to focus its resources and funds on the optimal opportunities with the aims of increasing sales and managing a sustainable competitive advantage" (Baker 2008, 27).

## **2.2 Marketing plan**

Solomon, Marshall, & Stuart (2008, 44) define marketing plan as: “A document that describes the marketing environment, outlines the marketing objectives and strategies, and identifies who will be responsible for carrying-out each part of the marketing strategy.” The author of this thesis views a marketing plan as a valuable tool for managers to delegate responsibilities to company employees and suggests that a marketing plan document is essential for any company looking to succeed in a competitive market. Considering strategic plans, it is necessary to remember that a written plan increases business success regardless of the size of the enterprise. The study conducted by Skokan, Karel & Pawliczek, Adam & Piszczur, Radomir (2013, 57-72) showed that in 80% of the cases, enterprises that had a written detailed strategic plan performed better than the companies without detailed strategic plan.

## **2.3 Structure of marketing plan**

According to Kotler (2003, 112) a marketing plan consists of six main steps: situational analysis, objectives, strategy, tactics, budget, and control. Situational evaluation enables the organization to apprehend the enterprise surroundings with such variables as economic, political-legal, social-cultural, and technological. In addition, the marketing plan aids in analyzing extraordinary events of the enterprise such as companies, competitors, vendors, and suppliers. A situational evaluation is carried out with the assistance of equipment inclusive of a SWOT (strengths, weaknesses, possibilities, and threats) and a PESTEL evaluation (Political-legal, economic, social, technological and environmental).

The identification of objectives is primarily based on the careful analysis of favourable opportunities derived from the situational assessment, which subsequently facilitates the ranking and selection of targets and goals to be pursued. Furthermore, organizations may also establish sub-targets with regards to their vision and stakeholder considerations. The achievement of each objective can be approached through various means. Nonetheless, a critical challenge in strategic management lies in discerning the optimal and fitting course of action that will effectively enable the organization to attain its intended outcomes. (Kotler 2003, p. 68.)

For advertising processes to be successful, they must be clearly outlined in detail, including the specific marketing mix and corresponding actions that need to be taken by the responsible parties implementing the plan. By planning and executing these actions and activities, the organization can better control costs. For the organization it is essential to set assessment intervals and measures that display

whether or not development is made in the direction of the goals set by the companies. If the overall performance of the organization is not as good as initially planned, the organization should make necessary adjustments to improve the situation. These adjustments may involve revising the targets, strategies, or resources of the organization. The most crucial step in the marketing process is the situational analysis, as it provides a solid foundation for the subsequent stages. If the current situation of the organization is analysed and understood incorrectly, the later stages of the marketing plan development may create an inaccurate vision of reality. Therefore, it is imperative to conduct a thorough and accurate situational analysis to ensure the success of the marketing plan. It is important for an organization to understand its limited resources and avoid setting unrealistic goals that are unattainable. Control is an important part of an approach for the reason that figuring out errors within the early levels will assist to save a pointless use of resources inclusive of cash and time. (Kotler 2003, 112-121.)

## **2.4 Analytical tools for situational analysis**

Several analytical tools can be utilized to enhance marketing plans, including PESTEL analysis, SWOT analysis, and Porter's Five Forces model. PESTEL analysis examines the Political, Economic, Socio-cultural, Technological, Environmental, and Legal factors that may impact the organization and its marketing strategy. SWOT analysis involves assessing the organization's Strengths, Weaknesses, Opportunities, and Threats, providing valuable insights into internal capabilities and external market dynamics. Porter's Five Forces model evaluates the competitive forces within an industry, including the bargaining power of buyers and suppliers, the threat of new entrants, the threat of substitute products, and the intensity of competitive rivalry. By employing these analytical tools, marketers gain a comprehensive understanding of the market landscape, identify potential risks and opportunities, and make informed decisions to achieve strategic objectives.

## **2.5 Pestel**

A PESTEL analysis is a framework (FIGURE 1) or device utilized by marketers to examine and reveal the macro-environmental (outside advertising environment) elements which have an effect on an organisation. In marketing, before any form of strategy or tactical plan may be implemented, it is essential to complete a situational evaluation. This evaluation ought to be repeated each six months to pick out any adjustments within the macro-surroundings. Organisations that efficaciously reveal and reply

to adjustments within the macro-surroundings can differentiate from the opposition and therefore have an aggressive gain over others. (Professional academy 2023.)

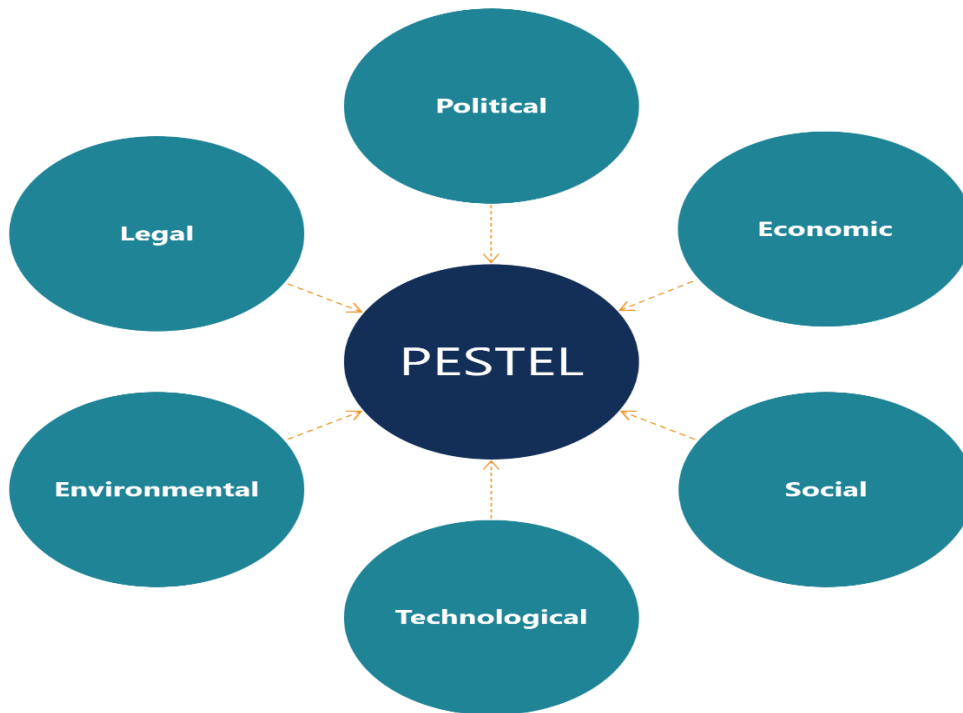


FIGURE 1. The PESTEL model (Professional academy 2023)

### 2.5.1 Political factors

Political factors are all approximately how and to what degree a government intervenes with in the economy. This can include authorities' coverage, political balance or instability in distant places markets, overseas change coverage, tax coverage, labour law, environmental law, change regulations. It is obvious from the listing above that political elements regularly have an effect on enterprises and the way they do business. In order to adapt to current and anticipated future regulations, organizations must be able to adjust their marketing policies accordingly. (Perera 2020, 8-16.)

### 2.5.2 Economic factors

Economic factors have a significant impact on how an organisation does business and also how profitable they are. Factors include economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses. These factors can be further broken down into macro-economic and micro-economic factors. Macro-economic factors refer to the larger economic conditions of a

given economy, which include how the government manages demand through mechanisms such as interest rate control, taxation policy, and government expenditure. (Perera 2020, 8-16).

### **2.5.3 Social factors**

Social factors refer to the shared beliefs and attitudes of a population, which include variables such as population growth, age distribution, health awareness, occupational attitudes, and more. These factors are especially important for marketers, as they have a significant impact on understanding consumer behaviour and what motivates them. (Perera 2020, 8-16.)

### **2.5.4 Technological factors**

The rapidly changing technological landscape has a significant impact on the way we market our products. Technological elements have a significant impact on advertising and its management in three distinct ways. First, through the introduction of new methods for producing goods and services; second, through the implementation of innovative approaches for distributing goods and services; and third, through the adoption of new methods for communicating with target markets. (Perera 2020, 8-16.)

### **2.5.5 Environment factors**

In recent years, there has been a growing recognition of the importance of environmental factors, such as climate change and sustainability, in the business landscape. This heightened awareness has led to an increased emphasis on incorporating environmental considerations into overall marketing strategies. Failing to address these factors can result in detrimental outcomes, including damage to a company's reputation, loss of customers, and potential legal consequences. This shift in focus can be attributed to several factors, including the diminishing availability of raw materials, escalating pollution targets, and the growing demand for ethical and sustainable business practices. Additionally, governments have set carbon footprint objectives that carry both political and environmental significance, further underscoring the significance of environmental factors in contemporary marketing practices. (Perera 2020, pp. 8-16.)

### **2.5.6 Legal factors**

Legal factors encompass the legal forces that outline the boundaries of business activities, encompassing laws and regulations pertaining to labor, health and safety, consumer protection, and intellectual property. In conducting a PESTEL analysis, businesses must consider these legal factors to ensure compliance with legal requirements and prevent potential legal challenges that may disrupt their operations and harm their reputation. Furthermore, legal and political factors often intersect when governments introduce legislation and regulations that impact how businesses operate. (Perera 2020, 8-16.)

### **2.5.7 Advantages and disadvantages of PESTEL analysis**

A PESTEL analysis is a framework used by marketers to assess the external factors that can impact an organization. It examines political, economic, social, technological, environmental, and legal factors. Here are the advantages and disadvantages of conducting a PESTEL analysis.

A PESTEL analysis offers several advantages for businesses. Firstly, it provides early insights into potential risks and opportunities that may arise in the external environment, allowing organizations to proactively prepare and respond. Additionally, this analysis encourages businesses to adopt a broader perspective by considering the various external factors that can impact their operations, thus promoting a more comprehensive understanding of the business landscape. (Pathak 2015.)

However, there are also some disadvantages associated with a PESTEL analysis. Critics argue that the model's simplicity may limit its effectiveness, as it provides a basic list of factors that may not encompass the full range of influences on the organization. Moreover, the focus of the analysis primarily centers on the external environment, potentially overlooking critical internal aspects of the organization that may also impact its performance and strategic decisions. (Pathak 2015.)

In conclusion, the beer market is experiencing a shift towards low and non-alcohol beers, driven by changing consumer preferences and the trend towards premium label. According to WM-Strategy (2023) the beer market in Nepal is forecasted to reach 260.23 million USD by 2025, presenting a significant opportunity for businesses in the industry. Marketing is crucial for businesses to succeed in this competitive market, and a well-crafted marketing plan that considers factors such as market de-

mand, consumer behaviour, and branding initiatives is essential. A comprehensive analysis of marketing strategy, as well as practical insights from the case of Gorkha Brewery, can provide valuable guidance for businesses in the brewing industry. By understanding the core concepts of marketing, developing effective strategies, and utilizing analytical tools like PESTEL, SWOT, and Porter's Five Forces, businesses can position themselves for success and achieve their goals.

### 3 GORKHA BREWERY

One of the biggest and most successful beverage companies of Nepal is Gorkha Brewery. As a joint venture between the Khetan Group and the Carlsberg Group, Gorkha Brewery was founded in 1989. In 2010 the Carlsberg Group acquired the majority of the shares in Gorkha Brewery and took over operations. Gorkha Brewery is equipped with state-of-the-art brewing equipment and has a high level of technical expertise, making it one of the most advanced production facilities in South Asia. With a market share of more than 70%, the business dominates the Nepalese market. Gorkha's current product line comprises mainstream, premium, local premium, and strong beers. (Brewery 1989.)

The Gorkha Brewery, with its high-tech brewing equipment and technical know-how, is one of South Asia's most advanced manufacturing facilities. Gorkha Brewery uses advanced technologies, including a cutting-edge laboratory and automated manufacturing techniques, to maintain precise control and follows the Carlsberg Global standards throughout the brewing process. This commitment to modern practices ensures that the quality of their beer consistently meets the highest standards set by Carlsberg on a global scale. In order to maintain the high quality of the products, labels, crown corks, cartons, bottles, and cans all undergo rigorous quality tests. (Brewery 1989.)

The Carlsberg Golden Words Award 2000 was given to Gorkha Brewery as a recognition for the company's ability to meet the highest standards of quality. In recognition of its commitment to maintaining a high standard of product quality, Gorkha Brewery was awarded the NS (Nepal Standard) Award by the Department of Standards and Metrology twice, once in 2005 and again in 2011. Gorkha Brewery has consistently benefited from skilled labour. Gorkha Brewery provides a welcoming yet professional environment that enables employees to work productively and meet the high production demands year-round. The brewery also offers ongoing training programs to ensure that all employees have the necessary skills and knowledge to handle the challenging responsibilities that may arise in the future. Nearly seven hectares of land are devoted to the brewery, which is situated on the Narayani River's banks close to Narayanghat city. The region's most advanced and comprehensive wastewater treatment facility is located at Gorkha Brewery. Gorkha Brewery has become a hub for education, as its commitment to environmental protection has garnered widespread recognition among academics, students, and environmentalists. The Gorkha Brewery factory has the ability to lower biological oxygen demand to below 10 mg/lit according to international standards. (Brewery 1989.)

In 1990, Tuborg made a significant milestone by becoming the first foreign beer brand to be sold in Nepal. Subsequently, in 1995 and 2002, Carlsberg and Royal Danish Tuborg Strong were respectively introduced in the Nepalese market. In 2004, the brewery also began brewing San Miguel legally. In 2007, Gorkha Brewery launched Gorkha beer, a new regional beer brand, and expanded its product line to include Invenio wine in the same year. In 2010, Gorkha Brewery and T.C Pharmaceuticals, Thailand, signed an exclusive deal for the sole distribution of Red Bull in Nepal. Gorkha Brewery is presently the sole importer and distributor of Red Bull in the country. Gorkha Brewery recognized the consumers' desire for ongoing innovation and in 2014 unveiled The New Look of Tuborg with the ground-breaking Pull-Off cap. With the introduction of Somersby Apple Cider in 2016, Gorkha Brewery entered the non-beer area. (Brewery 1989.)

### **3.1 Objectives of the study**

The objective of the thesis is to study the beverage industry of Nepal. The aim of this study is to know how the company operates, runs, and produces the good quality beer beverages in Nepal. One of the most important objectives of this case study is to find out the importance of marketing, and how it is one of the inseparable parts of designing the product. The study also tries to highlight the importance of the proper marketing and advertising focusing on social media advertising. In today's world where the use of internet and mobiles has been drastically increased, social media advertising has become very effective and has been very crucial. The social media advertising adopted by the business has influenced the youth as well as mature people towards the targeted products. The output of the case study can help any business sector because it describes the importance of marketing, marketing tools, marketing challenges in 21<sup>st</sup> century, swot analysis and the advertising strategies of Gorkha Brewery.

### **3.2 SWOT analysis of Gorkha Brewery**

SWOT stands for strength, weakness, opportunity, and threat. It is a framework where an organization's strengths, weaknesses, opportunities and threats can be identified and analysed. Using SWOT analysis, an organization can determine their strength, weakness, opportunity, and threats in relation to competitive business. (Renault.)

### 3.2.1 Strength

Gorkha Brewery, a prominent player in the brewery industry of Nepal, possesses several noteworthy strengths that contribute to its success in the market. Firstly, the company benefits from a recognized brand image. Through its joint venture with Carlsberg, a globally renowned brand, Gorkha Brewery enjoys the association with a reputable name in the industry. With a diverse product portfolio that includes popular brands like Tuborg, Carlsberg, San Miguel, Gorkha, Somersby apple cider, and Red Bull energy drink, Gorkha Brewery has established a positive image in the market, thanks to the brand value and reputation of Carlsberg. (Doe 2015.)

Another significant strength of Gorkha Brewery lies in its substantial market share. The company commands the largest market share in the Nepalese brewery industry, surpassing any other brands or competitors. Holding approximately 70% of the total market share, Gorkha Brewery has firmly established itself as the leader in the industry. (Doe 2015.)

Furthermore, Gorkha Brewery enjoys an international presence due to its partnership with Carlsberg. Carlsberg is a multinational company with globally recognized products such as Carlsberg, Tuborg, and San Miguel. The association with Carlsberg lends Gorkha Brewery a sense of international presence, benefiting from the reputation and familiarity of these well-known products. (Doe 2015.)

### 3.2.2 Weakness

Despite being one of the most successful brands in the country, Gorkha Brewery still faces several weaknesses that need to be addressed. Firstly, pollution poses a significant challenge for the company. Like any other industry, the production process generates waste materials that need to be managed effectively. There have been reports and concerns regarding the company's impact on the environment and its contribution to air and water pollution. Particularly during the dry season, the presence of smoke in the sky becomes more noticeable. (Doe 2015.)

Additionally, Gorkha Brewery encounters controversies related to its operations. The company relies on importing technology, raw materials, and other beverage items to produce its products. However, the taxes imposed on the import of brewery and alcoholic items are generally higher compared to other

consumable goods and services. Consequently, Gorkha Brewery is burdened with substantial financial obligations to the government of Nepal. (Doe 2015.)

### **3.2.3 Opportunity**

Opportunities in the market refer to positive moments or possibilities that can benefit a company. Gorkha Brewery has identified several opportunities, including the significant opportunity lies in digital marketing. In today's world, digital media offers immense benefits for product marketing. Leveraging platforms such as Facebook, YouTube, Instagram, OTT platforms, and websites has played a crucial role in driving sales growth and revenue for the company. Adopting these digital marketing channels has enabled Gorkha Brewery to effectively reach its target customers, while also allowing for immediate feedback on marketing efforts. (Praja 2013.)

Furthermore, a well-functioning supply chain is vital for manufacturing companies, as it encompasses the production, marketing, and delivery of products. Gorkha Brewery excels in this area, benefiting from a smooth and efficient supply chain management system. This ensures that the products reach consumers in a timely and reliable manner, contributing to the company's overall success. (Praja 2013.)

Moreover, the quality and taste of consumable goods play a crucial role in customer satisfaction. Gorkha Brewery's commitment to quality is reflected in its brewing process, which utilizes key components such as water and malted barley. As a result, Gorkha Brewery's beers have received positive feedback for their taste, further enhancing the company's reputation and customer loyalty. (Praja 2013.)

### **3.2.4 Threats**

This chapter explores the potential threats faced by Gorkha Brewery, acknowledging that risks and threats exist at every step. One significant threat arises from the government. The political stability of the Nepalese government differs from that of other countries, and it is not particularly lenient toward alcoholic beverage producers. The industry faces high tax rates and encounters challenges stemming from government policies, which can pose risks and obstacles for Gorkha Brewery. (Praja 2013.)

Another threat is related to price and competition. With numerous beverage companies operating in Nepal and producing brewery products, intense competition prevails among different brands. This fierce competition leads to price fluctuations in the beer market. Companies are compelled to sell their products at highly competitive prices, as price plays a vital role in determining sales output. The presence of strong competition adds pressure on Gorkha Brewery to navigate price dynamics effectively to maintain its market position. (Prajā 2013.)

#### 4 MARKETING CHALLENGES IN THE 21<sup>ST</sup> CENTURY, PORTER'S FIVE FORCES MODEL

Marketing challenges in the 21st century are different from those in the past, as businesses face new and complex challenges. To analyze the competitive environment and help companies make informed decisions, Porter's Five Forces Model is commonly used (Bruijl 2018, 2). When applied to the beer industry in Nepal, Gorkha Brewery faces various challenges, including competition from foreign brands, the threat of new entrants, and changing consumer preferences, among others. By understanding and utilizing the five forces model, Gorkha Brewery can strategize and improve its competitive position in the market. The Porter's five forces model is shown in the (FIGURE 2) and described below.

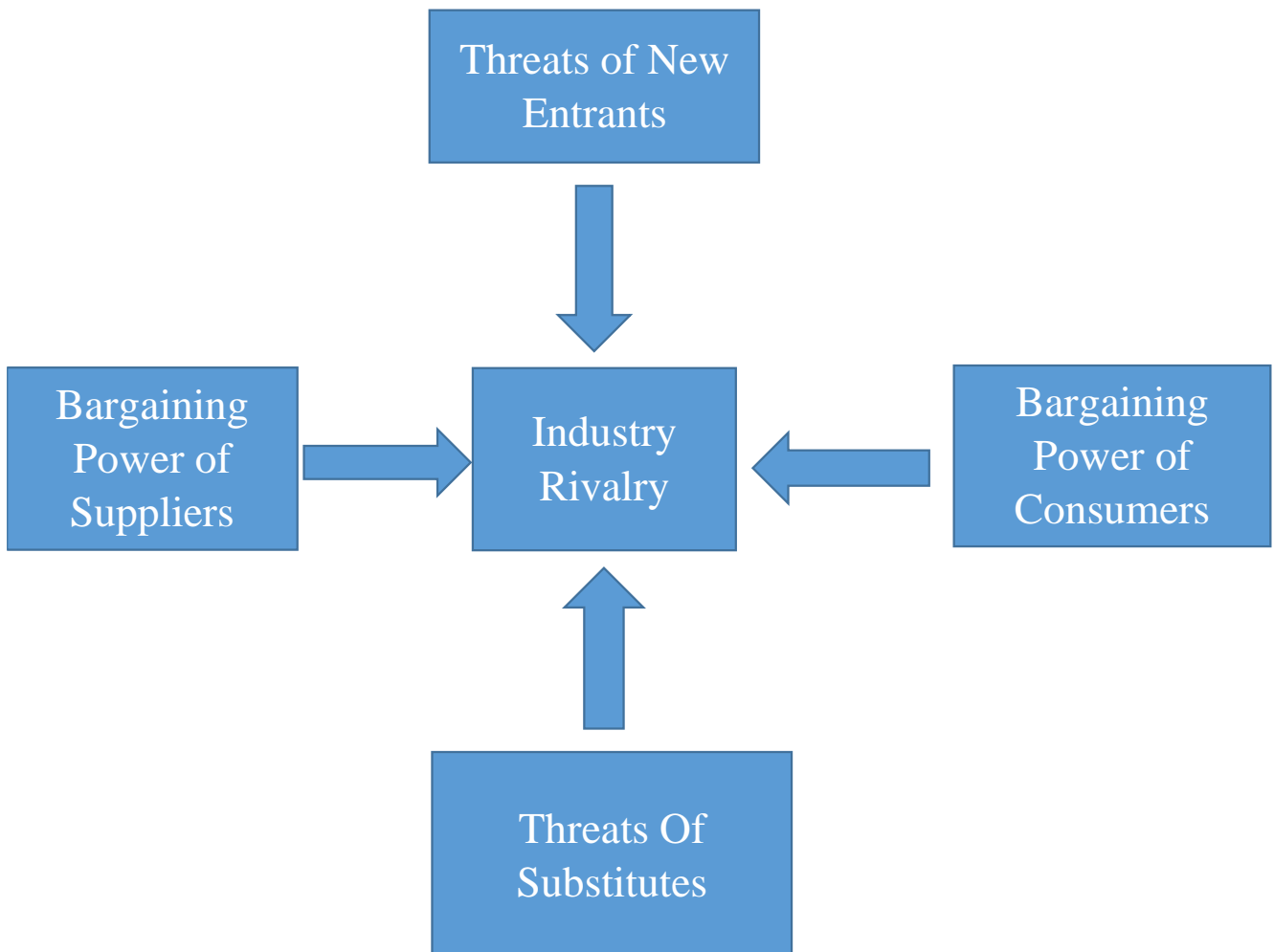


FIGURE 2. Porter's five forces model (adapted from Bruijl 2018).

#### **4.1 Industry rivalry**

One of the challenges of Porter's five forces model refers to the existing competitors in the market. The greater the number of competitors in the market is with their products and services the more the industry becomes very competitive. In the same way one of the current issues or challenges of the Gorkha Brewery is competition in the industry. That is industry rivalry which refers to the competition inside the industry or the competition before the operation of the company. (Bruijl 2018, 2.)

#### **4.1 Threats of new entrants**

Threats of new entrants refer to the potential challenges posed by the entry of new competitors or industries into a market. In the case of Gorkha Brewery in Nepal, the company faces the risk of new brewery industries and their products entering the market. This can lead to increased competition, market share erosion, and the need for Gorkha Brewery to stay competitive and adapt to the changing market dynamics. One of the most commonly encountered challenges for successful businesses is the emergence of competition, particularly when a company's products and brand are well-received by consumers and generating substantial profits. (Bruijl 2018, 2.)

#### **4.2 Bargaining power of suppliers**

The next factor of Porter's five forces model is the bargaining power of suppliers that refers to the power of suppliers to supply the raw materials to the company. It tells how suppliers can directly influence the final price of the finished goods because the cost of the goods depends on the price of the raw materials. So, if there are fewer suppliers, the industry should more depend on them and has to pay more. But if there are a greater number of suppliers in the market, it helps the industries to deal and switch the suppliers if they want. (Bruijl 2018, 3.)

#### **4.3 Bargaining power of customer**

Another significant factor that poses a challenge is the bargaining power of customers. Just as suppliers hold bargaining power, customers also possess the ability to negotiate with producers regarding

product price and quality. The presence of numerous companies and brands in the market intensifies competition, granting customers greater leverage to secure favorable prices through their bargaining power. This dynamic compels producers, including Gorkha Brewery, to carefully consider customer demands and respond accordingly in order to maintain competitiveness. (Bruijl, 2018, 3.)

#### **4.4 Threat of substitute**

In today's world we can find the substitute for almost everything available in the market. For example, Coke can be replaced by Pepsi meaning Pepsi can be the substitute product of Coke. In the same way substitute of beer are also found in the market. This is also one of the challenges of today's market. The demand of the product may fluctuate due to such substitute goods and can have a great impact on sales. (Bruijl 2018, 3-4.)

## **5 ORGANIZATIONAL STRUCTURE OF GORKHA BREWERY**

Gorkha Brewery has a hierarchical organizational structure with clearly defined levels of authority and responsibility. At the top of the hierarchy is the board of directors, followed by the executive committee and the management team. The company is divided into several departments, including production, marketing, sales, finance, and human resources, each with its own manager responsible for overseeing its operations. The structure of the company is designed to facilitate communication and collaboration between departments while ensuring efficient decision-making and accountability. (Gorkha Brewery 2023.)

### **5.1 Leadership team**

The capacity to influence and direct followers or other members of an organization is referred to as leadership. Making wise, challenging decisions, defining, and communicating a clear vision, setting realistic goals, and empowering subordinates with the information and resources they need to reach those goals are all aspects of leadership. A leadership team is a collection of managers and executives (professionals) who are in charge of many of the decision-making processes within the company. This means that this team is in charge of creating and implementing new operational strategies, updating current ones, and overseeing staff job responsibilities and tasks. A strong team of leaders can set the course for the organization's other members and support their achievement at all levels of expertise and departments. (Gorkha Brewery 2023.)

The leadership team at Gorkha Brewery consists of experts in various aspects of the field, with Mr. Arjun Sharma serving as the managing director. His role involves overseeing and maintaining the company's operations and overall performance. And the deputy managing director and CFO is MR Surendra Silwal. HR director is Shanta Shova Tuladhar. Marketing director is MR Asish Bista. In the same way the sales department is managed by MR Kajiman Subba. The strategy department is directed by MR Amar Baidya, and the corporate affair director is MR Prabin Adhikari. In this way a team of expertise in their respective field is led by the respective one. Almost all of the directors have the experience of more than 20 years in their respective field. So, the company is working fluently and smoothly and is capable of maintaining the first position in the market in brewery industry. (Gorkha Brewery 2023.)

## 5.2 Organizational structure of Gorkha Brewery

Gorkha Brewery has a hierarchical organizational structure as presented in FIGURE 3 which is led by the managing director, Mr. Arjun Sharma. The deputy managing director and CFO, Mr. Surendra Silwal, heads the finance and administration department. Mr. Asish Bista is the marketing director, responsible for overseeing the marketing functions of the company. The sales director, Mr. Kajiman Subba, leads the sales department. The HR director, Ms. Shanta Shova Tuladhar, is responsible for the human resources function of the company. The corporate affairs director, Mr. Prabin Adhikari, manages the public relations and corporate social responsibility of the company. Finally, the CSC and strategy director, Mr. Amar Baidya, leads the information technology and strategy department of the company. (Gorkha Brewery 2023.)

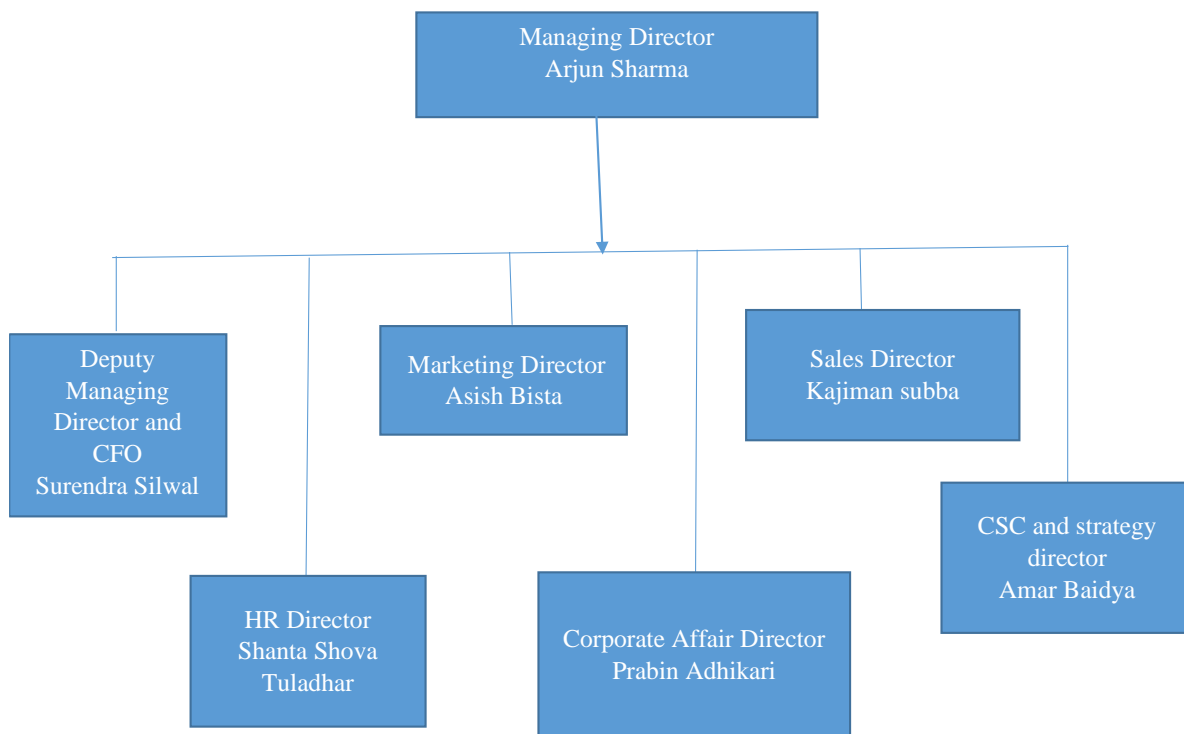


FIGURE 3. Management team of Gorkha Brewery (Gorkha Brewery 2023).

## **6 MARKETING TOOLS**

Marketing tools are strategies, materials, and software that businesses can use to efficiently market their goods and services. These resources could aid businesses in starting marketing efforts and monitoring their results later. The marketing mix concept comprises four key pillars, which are: product, price, promotion, and place. But it is an old concept and now the marketing mix has seven components. And the additional ones are people, place and physical evidence. No organization or company can run without the use of the marketing mix. The Marketing mix are those concepts of the business which are essential for the business. So Gorkha Brewery has also fully utilized the marketing mix in order to promote and the sales of the brewery products produced in their organization. Below are some of the marketing mixes used in Gorkha brewery. (Online Manipal Editorial Team 2023.)

### **6.1 Product**

What is being marketed is the product of the marketing mix. The product includes features like quality, packaging, design, and brand. When creating the product, companies must make sure that it fits the needs of the market. What is the product? How it can be used? What are its advantages? Are the features of the product enough to fulfil the needs of the customers? These are the aspects included in the product. (Online Manipal Editorial Team 2023.)

### **6.2 Price**

Price is one the most important factors that determines the demand of the product. Price in the marketing mix is the sum of money that the company's targeted customer is prepared to spend. As this determines business profit or survival, the price must, by definition, be higher than the cost of production. The sales, demand, and perception of the company brand are all significantly impacted by pricing changes. This component is also one of the important factors of marketing mix because pricing determines the value of the product. Does the price remove favourable to pay for that product? Is the price comparable to the competitors. (Online Manipal Editorial Team 2023.)

### **6.3 Place**

Place in the context of the marketing mix refers to the distribution and accessibility of companies' products to potential customers and to the potential area. Additionally, companies cannot discuss the place without bringing up the focused target market. To effectively reach their target audience, companies need a thorough understanding of their target market. By gaining insight into the needs and preferences of their audience, businesses can identify the most effective distribution strategies to reach and connect with their customers. It includes where the product is planned to distribute and the place where the particular product have more demand. (Online Manipal Editorial Team 2023.)

### **6.4 Promotion**

The promotion mix component of the marketing mix encompasses the "who, what, and how" of marketing communication. It involves determining what messages are communicated, identifying the target audience, selecting the channels to reach them, and deciding on the frequency of advertising. Gorkha Brewery utilizes various methods for promotional purposes, including advertising, sales promotions, public relations, emails, and social media. These strategies are employed to effectively reach and engage the target market, promoting and advertising the company's products. The goal is to maximize product visibility and attract the intended audience through targeted promotional efforts. (Online Manipal Editorial Team 2023.)

### **6.5 People**

Any of the existing businesses of the world is created by the people in order to sell the goods or services to the people. People in marketing mix indicates the group of individuals who uses or consumes the product. Everything available in the market is specialized for certain groups of people. The products consumed by the older people are different, the products consumed by the adults and children are different. Not only regarding the age group but also considering the gender the products used by the males and the females are totally different. So, people of different age groups and the different genders use different products. (Online Manipal Editorial Team 2023.)

## **6.6 Process**

The product or service is offered to customers using the process in the marketing mix. The company's efficiency might be guaranteed by sales funnel, distribution network, or other methodical activities. In order to save money, companies also want to make sure that their technique is well structured. (Online Manipal Editorial Team 2023.)

## **6.7 Physical evidence**

The 7 Ps of marketing require physical proof. It could be concrete or intangible, and business need to show proof that it was delivered. Physical examples include aspects like product packaging, receipts, and customer service. The market's view of a company's goods is an intangible form of physical proof. It is possible to influence customers' perceptions so that the brand is the first thing they think of when they hear a word, sound, or phrase by using consistent branding across media. (Online Manipal Editorial Team 2023.)

## **7 ADVERTISING STRATEGY OF GORKHA BREWERY**

As the leading brewery of Nepal, Gorkha brewery is using a variety of advertising methods through digital media, social media and hosting events to promote its products. Since advertising of brewery through television and print media is restricted by the governmental regulations, Gorkha brewery also follows this. They are also using social media platforms, billboards, and event sponsorships to reach their target audience. Additionally, they are also using in-store promotions, sales promotions, and public relations to promote their products. They also have their own website, where they provide information about their products and events, and they also have their own official Facebook and Instagram page, where they advertise their products. (More 2019.)

The government-imposed restrictions on advertising in traditional mediums such as TV and print media create a limited marketing communication channel for the beer market. To overcome these limitations, Gorkha Brewery has adopted alternative promotional strategies, notably organizing a series of events to promote their products. Tuborg, a brand owned by Gorkha Brewery, plays a significant role in sponsoring and organizing numerous sports-related celebrations in Nepal. The company also leverages concerts and other direct marketing channels to advertise their products and enhance brand visibility in the market. These efforts allow Gorkha Brewery to navigate the restricted advertising landscape and effectively reach their target audience. (More 2019.)

### **7.1 Gorkha's new advertisement in regional language is winning hearts Nepal**

Gorkha Beer has recently undertaken a rebranding initiative that focuses on effective brand communication. This endeavor entails capturing the essence of being Gorkhali/Nepalese and presenting it in a novel and innovative manner. By reflecting the brand's true identity, Gorkha Beer has achieved a creative breakthrough. In their previous campaign, titled "Hami Gorkhali" (meaning "We Gorkhali"), the brand utilized slogans such as "Khukri," "Namaste," and "Mountain" to reflect the product and embody the persona of a Gorkhali. FIGURE 4 campaign successfully portrayed the product's reflection and

showcased the personality associated with being a Gorkhali. (More 2019.)



FIGURE 4. Previous campaign, “Hami Gorkhali” (Copied from More 2019)

## 7.2 The campaign from personality to emotions by Gorkha Brewery

The company's latest marketing plan replaces the previous "Hami Gorkhali" campaign while upholding its commitment to employing innovative marketing strategies. The new campaign "Nepali Paan, Gorkhali Maan," which uses shadow as the background for the medium of communication, moves focus from expressing a Gorkhali's personality to expressing the feelings that unite Gorkhalis and Nepalis. The new advertising features a group of friends raising a drink to the Gorkhali spirit of Unison as shown in the FIGURE 5, while an upward rising fists in clap forms in the backdrop. The image of the shadow in the background upward rising fists in clap position called Namaste reflected in the bottle shows their healthy relationship. (More 2019.)



FIGURE 5. Evolvment of the campaign from Personality to Emotions (Copied from More 2019)

### 7.3 Use of regional language

To make the campaign more accessible to ethnic populations, the company has used local language in its communication strategy. The message has been translated into seven different regional languages, and its use of the digital platform has been gaining popularity which is shown in the FIGURE 6. After anticipating the commercials of this company, the company hoped that the following campaign would raise more profits and more sales in coming years. (More 2019.)



FIGURE 6. Use of regional language for marketing (Copied from More 2019)

Gorkha brewery used regional language to connect with the local audience and make the campaign more relatable to them. The campaign featured local phrases and idioms in Nepali language to make it more authentic and relatable to the Nepali people. This helped the company to connect with the local population, and as a result, the campaign was well received by the audience. The company has also incorporated local cultural symbols and traditional art forms in their marketing materials, further emphasizing their connection to the Nepali people and culture. By doing so, the company hopes to increase its market share in Nepal and establish a deeper relationship with its customers. (More 2019.)

## 8 CONCLUSION

Effective market segmentation through the identification of various specific markets and execution techniques will be essential for the success of Gorkha Brewery. Accordingly, the business plans to put its target audiences into focus while implementing advertising, direct marketing, and direct product promotion. The Gorkha group of breweries is launching several categories of beer which has a 3.5 percent of alcohol and no odour or 5 percent of alcohol for strong beer or normal beer and many more. People that drink beer are becoming more numerous every day. They are looking for odourless, light, and soft beer, and Tuborg Classic from Gorkha brewery group is one of them. People drink more beer during festivals than any other time of year. The number of women purchasing beer is rising, and many of them drink it every day. It suggests a slow expansion of the beer sector.

It is important to evaluate a company's strengths and shortcomings in light of the macroenvironmental problems it encounters. Diversification would profit from switching to large-scale mass manufacturing once demand is strong enough. However, businesses must first concentrate on their target market and effectively promote them in order to create demand before they can get there. This may be achieved by switching up the types, concentrating on high-end clients, and enlarging the current footprint.

This thesis concludes that the company's major goal is to give beer drinkers the best possible product. Gorkha Brewery strive to offer the best beer possible to customers worldwide. The objective of Gorkha beer is to increase its sales and achieve long-term global corporate growth following the initial procurement phase. Within the context of Nepal, there exists a notable gender disparity in beer consumption, with men comprising the predominant consumer segment while women demonstrate relatively lower consumption rates. This discrepancy can be attributed, in part, to certain women perceiving beer as unpalatable or potentially detrimental due to its alcoholic content. The business also encourages the consumption of healthy low-alcohol beverages. The business believes that when the "Tuborg Classic" product is introduced in Nepal by the Gorkha brewery group, it will persuade women to drink beer. The values and beliefs of the Nepalese culture are another component of beer branding there. Beer is often seen as an element of local culture. People enjoy going to festivals. The market in Nepal will see a major increase in beer consumption as a result.

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