

Business Strategy Briefing on Domestic Alcoholic Beverages

Main Questions and Answers (Held on June 4, 2024)

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Q1 What was the reason behind the changes in marketing made since 2010?

You use brand positioning, brand experience, and community strengthening as keywords. Will you stick with these approaches or change your focus?

A1 We started harboring doubts in the second half of the 2000s when competition on the cost performance of beer-type beverages intensified. We were prompted to reconsider what we could offer to the industry and to customers, and what our strengths were from a long-term perspective. We decided that making beers, in the narrow sense, more attractive would be appreciated by consumers, and that we needed to invest in making our diverse beer brands, which are our strength, into an even greater advantage.

In the marketing realm, a particular type of competition was taking place regarding the characteristics and differences of functional value (taste), but we wondered whether this would be beneficial to customers. In the past, we have also conducted marketing in such a competitive environment, but as we carefully listened to our customers once again, we received specific feedback concerning Black Label such as “this beer reminds me that I’ve become an adult,” or “I drink this beer when I want to express the part of me that I know” from light users in particular. We thought that we could had an opportunity to create an attractive type of beer by concentrating our competitive efforts on the value felt by our customers.

We think our focus evolves as circumstances change. We are now emphasizing “brand experience.” Next, we will probably place emphasis on “community.” In an era characterized by the diversification of value systems, the sharpening of each values, and groups becoming smaller, we will strive to use our beer brands to enrich the community and grow the community and our brands together.

Q2 Black Label’s customers have increased by 1.9 times. Have you made progress on the inclusion of indifferent consumers?

A2 All sorts of lifestyles are represented within the indifferent customer category. Therefore, we cannot completely view these customers as indifferent. With Black Label, the inclusion of light users is progressing steadily and becoming a growth driver. In particular, a strong increase in the number of buyers in their 20s proves that people who are not interested in beer are highly likely to use Black Label to enter the category, and this is confirmed by the qualitative feedback from customers.

As mentioned previously, various lifestyles are represented within the indifferent customer category, so we want to determine which type of consumers require which type of approach or connection.

Q3 What is the scale of the fan community, and what are your initiatives toward it? I would also like to confirm what your expectations are regarding this fan community.

A3 The membership scale is 500,000 members for CLUB Black Label and 130,000 members for YEBISU BEER TOWN, but our goals for each fan community are different. With CLUB Black Label, the platform to apply for promotional campaigns plays a big role. We aim to use it as a point of contact to spread various types of content connected to Black Label, and expand it. In the future, we want to reach a scale of 1 million members for this fan community. With YEBISU BEER TOWN, we are not solely focusing on scale, but also are looking to increase loyalty, strengthen our connection to fans, encourage exchanges between fans, and develop both fans and the brand together.

Our final goal for both communities is that fans continue to buy our products, but we see the increase in fans' enthusiasm as the entry point. We grasp the changes in attitudes and behaviors through to purchases, and leverage this understanding in our marketing actions.

Q4 Are there any brand activities you are benchmarking?

A4 We do not benchmark specific marketing activities, but we do closely monitor marketing initiatives that value fans' passion and connection to fan communities, such as relatively small-scale efforts, or activities involving brands with strong ties to specific areas.

Q5 Black Label has grown significantly in the past ten years, especially in Western Japan, and I understand that the external environment, such as alcohol tax revisions, had an impact. Could you share your analysis on internal and external factors separately?

A5 We have been able to achieve continuous growth even before the alcohol tax revisions

in 2020, and have been able to continue to outpace total beer demand even after the revisions, which leads us to believe that, while changes in the external environment played a role, the impact of our long-term marketing efforts was stronger. We are proud of our distinctive growth, made possible by the differences found with competing brands, even in demographic analyses of the buyers whose number is actually increasing.

Q6 I think Western Japan is a region with a lot of price-conscious consumers. Are there any risks in securing sales channels for commercial products?

A6 There is no particularly big risk. On the contrary, this region represents an opportunity for us as a white space.

Q7 How will you connect the current favorable situation to the next steps?

There is an expectation that, in the Japanese market, volume will go down even if your market share increases. What is your opinion on the measures to be taken now when preparing for the future?

A7 The beer market (especially beer in the narrow sense) is our foundation and the current growth driver and there is no change in that. It is essential for us to tackle the appearance of “new alcoholic beverages” which capture the demand for beer substitutes, and we are now strengthening our initiatives. A clear example of this is our RTD business, which is now growing continuously. We also believe that, when taking a longer view, it is necessary not to view the alcoholic beverage business only from the perspective of sales volume. In addition to products, we will consider various perspectives, including services that capture substitute demand for the benefits customers are getting from alcoholic beverages.