

ONE BUSINESS, ONE NAME! MANAGING A NEW CORPORATE IDENTITY

INTRODUCTION

Diageo is the world's leading premium drinks business with the most well recognised collection of premium spirits, wine and beer brands. It is a global and multinational company trading in 200 markets around the world generating some \$19 billion in revenue and employing 26,000 people worldwide. With a turnover of €1 billion and profits in the region of €215 million Diageo Ireland is a major contributor to the Group and to the Irish economy.

Surprisingly, however, Diageo is a relatively new company. It was formed in December 1997 following the merger between two of the world's leading food and drinks companies, Guinness and Grand Metropolitan.

Diageo Ireland HQ at the Guinness Brewery, St. James' Gate.



THE INTEGRATION OF TWO COMPANIES

This business story outlines how the world famous Guinness company merged with Grand Metropolitan to form a new corporate entity now called Diageo. It describes its extensive portfolio of brands and the story of the emergence of the new corporate brand, Diageo with particular focus on Ireland. It also looks at the new corporate culture at Diageo and its role as a responsible corporate citizen.



The Guinness Storehouse.



OPTIONS FOR MANAGEMENT - DEVISING GROWTH STRATEGIES

There are many different growth strategies that a company may adopt and implement. Managers can grow the business **organically**, or through **diversifying** into new businesses or alternatively through **mergers and acquisitions** of other companies.

An organic growth strategy simply means that the business achieves growth through expanding the market share of its current products or services. This may be achieved by:

- ▶ encouraging new users to try a product
- ▶ encouraging existing customers to consume more of the product
- ▶ winning over competitors' customers

Diageo Ireland is focused on investment in marketing and innovation as a key to driving its business.

Growth can also be achieved through a **diversification strategy** whereby the company moves into new markets. This is a more risky strategy as the company may enter unfamiliar markets. In the past Guinness diversified into fish farming, electronics and tourism! However, fish farming is completely different from brewing and Guinness subsequently exited from this industry, although its support of fisheries has resulted in a major research facility in County Mayo.

Another strategy for growth is through **mergers and acquisitions**. A merger usually takes place when two companies decide that they each have some complimentary skill or resource to offer the other. By joining forces they can create a **synergistic** effect i.e. together they become a much stronger force than operating as separate businesses.

THE INTEGRATION BETWEEN GUINNESS AND GRAND METROPOLITAN

Guinness has been the market leader in the Irish stout and beer markets for many years with its flagship brand, Guinness, in production since 1759. In 1986 Guinness also acquired a substantial presence in the global spirits arena with the establishment of UDV through the acquisition of United Distillers and Bells. Grand Metropolitan was also a key player in the international spirits market, owning Gilbeys and Baileys in Ireland.

The spirits portfolio of Grand Metropolitan was complimentary to the Guinness beer and spirits brands. Therefore there were major synergies and cost savings to accrue from integrating the companies.

The merger of these two leading companies led to the establishment of a leading player in the global drinks market. The newly integrated organisation had wider geographic breadth than either company on its own. They also possessed the broadest and most recognised collection of **premium drinks brands** across the world.

As part of the integration, a very significant amount of change had to be undertaken and managed. Some of the critical activities of the merger involved:

- ▶ creating a new corporate brand identity for the newly merged company – namely Diageo
- ▶ managing the repertoire of brands through the merger
- ▶ establishing and defining the new organisational culture
- ▶ defining Diageo's role as a responsible corporate citizen

CREATING A NEW CORPORATE BRAND IDENTITY

The newly merged company needed a single corporate identity that would embody the culture and the ethos of all parts of the business. The name Diageo was chosen to fulfil this objective. The word Diageo comes from the Latin word for 'day' and the Greek word for 'world'. This truly international word is taken to mean 'every day, everywhere', i.e. every day, everywhere around the world. Diageo brands offer consumers a way to celebrate occasions responsibly.

Diageo \de-a-je-o'n. [Latin dia day + Greek geo earth]
 1. celebrating life every day, everywhere, responsible 2.
 the world's leading premium drinks business 3.
DGE - LSE / DEO - NYSE

At the time of the merger Diageo was a broad-based consumer goods company, with food and drink at its core. By 2000 it had sold off its food divisions, the Pillsbury food-company and the Burger King Corporation, to focus on its drinks business. Diageo is now one business, with one name and one focused corporate strategy.

MANAGING THE REPERTOIRE OF BRANDS THROUGH THE MERGER

Diageo's products are strong **premium brands** and enjoy extremely high levels of **brand equity**. Brands possessing this command enormous power and value in the marketplace. They enjoy high levels of **brand recognition** and **brand loyalty** among their users. The Guinness brand itself has been around since 1759 and is one of the world's best recognised brands. The amount of brand equity tied up in such a brand is invaluable. The challenge facing Diageo was to establish the new **corporate brand identity** while protecting the enormous equity of its individual **product brands**. Diageo needed to decide on the most appropriate brand strategy for achieving this.

Adopting a corporate brand strategy would mean that the corporate brand name Diageo would become the strong brand identity across its product portfolio. Many companies have chosen to pursue such a strategy e.g. Mercedes Benz. However, Diageo believed that a multi-brand strategy was more appropriate for its business.

By adopting such a strategy, each of its individual brands continues to be the most widely recognised product in the marketplace. For example, the Guinness brand name, and the many activities with which it is associated, remains the flagship brand in Ireland. The Guinness name remains synonymous with the *Guinness Storehouse*, the *Guinness All-Ireland Hurling Championship*, etc. At the same time, Diageo is now understood in the marketplace as the organisation that houses this range of drinks brands. Awareness of the Diageo corporate brand name is increasing through various marketing and sponsorship initiatives, e.g. the Diageo Print Room at the National Gallery. It is also a principal sponsor of Wexford Festival Opera.



ESTABLISHING AND DEFINING THE NEW ORGANISATIONAL CULTURE

Organisations, like people, have their own unique personalities and value systems. This is often referred to as the culture of the organisation. Culture is an intangible aspect of an organisation. While it is not possible to touch, culture is present in the work environment, in the attitudes of the people within the organisation and usually underpins the rules by which the organisation operates.

The merger of Guinness and Grand Metropolitan and more recently the acquisition of part of another major international drinks company Seagrams, brought together different cultures from separate organisations. It was thus necessary to define and establish the culture that was to underpin the new Diageo plc. From the outset, this was very much people-driven. Diageo's goal was to foster an organisational culture that would attract and develop the most talented people to drive its business.



To fulfil this goal, management decided to create an inspiring working environment by promoting new ways of working. Trust, openness and teamwork underpin the ethos and culture that has become the Diageo environment. Management encourage values of diversity in the workplace and foster an entrepreneurial spirit releasing the potential of each employee and giving them the freedom to succeed. This culture permeates every Diageo office throughout its world-wide operations. Introducing this entrepreneurial people focused culture brought with it changes in work practices. For instance, open plan offices became the norm to facilitate such an entrepreneurial climate.

DEFINING DIAGEO'S ROLE AS A RESPONSIBLE CORPORATE CITIZEN

Inherent in Diageo's approach to business is a belief that the countries and communities within which it operates should benefit from its presence. Diageo is involved in a wide number of projects also called **corporate social responsibility (CSR)** initiatives, throughout its international markets to ensure that this is achieved. Some of these initiatives have evolved simply beyond charitable giving and include:

A RESPONSIBLE APPROACH TO MARKETING ITS BRANDS

Marketing brands in today's environment requires that companies pay attention to the responsibilities to their various stakeholders and to society in general. *Societal marketing* is about delivering customer satisfaction at a profit while at the same time respecting and protecting society.

The marketing, sale and consumption of alcohol raise some important public issues and for this reason there are strict legal and regulatory rules into place. Diageo believes that these rules are in the interest of the industry, the consumer and society, as they promote the need to understand sensible drinking. Voluntarily, Diageo has recently strengthened The Diageo Marketing Code laying down very strict principles on the marketing, packaging, naming and promotion of its brands.



TACKLING THE MISUSE OF ALCOHOL

Diageo is committed, through its ongoing education programmes and through its support of other initiatives, to tackling alcohol misuse and promoting sensible drinking. It is a member of a number of industry-funded groups around the world that work to educate consumers about responsible drinking and to develop initiatives which tackle alcohol abuse. It works with governments, teachers, the public health community, media outlets, advertising bodies and licensing authorities on initiatives aimed at promoting sensible drinking.

THE LIBERTIES LEARNING INITIATIVE

The Digital Hub at James' Gate is a learning initiative in the heart of The Liberties in Dublin that makes it possible for people in the area to have access to digital media. Diageo has so far contributed €1.3 million towards



establishing this. Indeed this CSR initiative continues to reflect the historical contribution of the Guinness family and company to the welfare of local communities in Dublin.

THE DIAGEO FOUNDATION

The Diageo Foundation was established to provide kick-start funding for social projects in specific focus areas such as:

Water of Life – supporting water-related environmental and humanitarian initiatives

Local Citizens - getting involved in the communities within which Diageo operates e.g. providing disaster relief in the event of natural disasters

Our People – supporting and encouraging Diageo staff to engage in the community in whichever way they choose to get involved

DIAGEO'S VISION FOR THE FUTURE

Today, Diageo is the world's leading drinks business made up of premium brands, a dynamic workforce, and strong sense of corporate citizenship. Diageo's vision and goal is to ensure its customers enjoy its products *everyday, everywhere responsibly*. Diageo continues to be famous for its portfolio of consumer driven brands which it takes great care in marketing responsibly. That is the success that is Diageo!



GLOSSARY OF TERMS

Corporate Brand Identity – A corporate identity is a brand that the public can easily recognise and identify with. Companies can improve brand equity by providing time to public service activities.

Product Brands - This is a branded product that is distinct from the corporate brand and often forms part of an overall product portfolio.

Premium Brand – This is a quality brand with considerable brand equity that may command a premium price for the perceived quality.

Brand Equity – The value of a brand, based on the extent to which it has high brand loyalty, awareness, perceived quality and strong associations.

TASKS & ACTIVITIES

- 1) a. Explain what is meant by an organic growth strategy.
B. Describe how Diageo would use an organic growth strategy in the Irish market.
- 2) a. Explain what is meant by a diversification growth strategy.
b. Describe the diversification strategies of three companies of your choice.
- 3) a. Explain the meaning of a company merger.
b. Identify two companies who you feel could merge together and gain synergies effect for their business.
- 4) a. Identify five brands that you feel enjoy high levels of brand equity in the marketplace.
b. Explain why each of the brands possess brand equity.
- 5) List three companies that have adopted a corporate brand strategy and three companies that have adopted a multi-brand strategy.
- 6) a. Explain what is meant by the 'culture' of an organisation.
b. Describe the organisational culture of your school or college.
- 7) a. Explain the term Societal Marketing.
b. Identify three organisations that place a strong emphasis on societal marketing.
c. Describe the way in which each firm adopts the principles of societal marketing.
- 8) What lessons can other organisations learn from this business study?
- 9) Why do you think Diageo sold Pillsbury and Burger King?

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