Matthew J. Bellamy

Losing the "Lager War:" International Entrepreneurship and Business Failure in the United Kingdom Brewing Industry, 1975–1995

During the last three decades of the twentieth century, John Labatt Ltd., one of Canada's oldest and most successful breweries, attempted to gain a share of the British beer market. This article examines the push and pull factors of why foreign brewers like Labatt decided to enter the competitive British marketplace and analyzes the strategies of the winners and losers of the "lager war." The article pays attention to the branding efforts of marketing managers and how some used product–place associations to imbue their brands with authenticity. While positive country images often lead to a favorable assessment of the products from that country, it is also true that unfavorable perceptions often foster negative assessments of their products. By examining the entrepreneurship and structural barriers of the beer industry in the United Kingdom toward the end of the twentieth century, the article adds to our understanding of the dynamics of business failure.

Keywords: business failure, brewing, branding, entrepreneurship, United Kingdom.

In September 1989, Sid Oland, the president and CEO of one of North America's oldest and most successful breweries, John Labatt Ltd., addressed the company's shareholders: "We will continue to look overseas for opportunities for growth. And of all the markets around the globe, Europe holds the greatest potential for us as a brewer."[1] At the time of the statement, John Labatt Ltd. had a significant presence on both sides of the US–Canadian border. Established in 1847, Labatt was Canada's largest brewer and its flagship lager brand, Blue, accounted for

[1] Sidney Oland, "Speech to the Shareholders," (7 Sept. 1989), Box A01-039-348, *Labatt Collection*.

Business History Review 98 (Autumn 2024): 727–755. doi:10.1017/S0007680524000540
 ISSN 0007-6805; 2044-768X (Web).

one in seven beers sold in the country. But Labatt had only recently expanded outside the continent and, like every other North American brewer, it had not yet gained a global presence. Indeed, globalization—the presence of and often domination by large-scale multinational corporations in markets around the world (leading to the integration of economies, consolidation of industries, and homogenization of consumer tastes)—came relatively late to the business of brewing. Entrenched brands with close cultural ties to national identities, barriers to trade, consumer tastes, and convoluted distribution systems made brewing a form of trench warfare: gains for those with global aspirations came only slowly. The exception was a small group of exceptional brewers including Heineken (Holland), Guinness (Ireland), Carlsberg (Denmark), and Elders IXL (Australia), which gained an unprecedented global presence over the last half of the twentieth century. These forward-looking brewers pushed taste and culture in a new direction and succeeded by developing the corporate strategies, global brands, and market knowledge that allowed them to penetrate foreign markets.[2] They were attracted to those markets, such as those in the United Kingdom, where the demand for lager was on the rise. Labatt joined this global push only later, but it was not successful in gaining a significant presence in the UK. What accounted for this failure is the subject of this article, which includes examining the entrepreneurial actions of the winners in what the British press dubbed the "lager war." Ultimately, this article seeks to add to our understanding of what business historians Philip Scranton and Patrick Fridenson describe as the "neglected field of business failure."[3]

The article is divided into five sections. The first section examines the various perspectives on business failure. The second section situates the "lager war" in its historical context by examining what was taking place more generally in the brewing industry during the last half of the twentieth century. The third section analyzes the push and pull factors that propelled foreign brewers to the UK. The fourth section briefly details Labatt's strategy in Britain, and the fifth examines the reasons why some foreign brewers did better than others at gaining market share, paying attention to the marketing efforts of brewers during the 1980s and 1990s The article seeks to shed light on the entrepreneurial and structural forces at play during the lager war in the UK.

[2] Martin Stack, Myles Gartland, and Tim Keene, "Path Dependency, Behavioral Lock-in and Beer Markets," in *Brewing, Beer and Pubs: A Global Perspective*, ed. Ignazio Cabras, David Higgins, and David Preece (New York, NY, 2016), 59–60.

[3] Philip Scranton and Patrick Fridenson, *Reimagining Business History* (Baltimore, MD, 2013), 108-113.

International Entrepreneurship and Business Failure

In their study *Reimagining Business History*, Scranton and Fridenson call on practitioners to pursue new methods and areas of inquiry, including the neglected field of business failure.[4] The analysis of failure is important, they maintain, because "economic organizations, like all others, cannot ignore their intrinsic fragility."[5] According to the US Bureau of Labor Statistics, approximately 20 percent of new businesses fail during the first two years of opening, 45 percent during the first five years, and 65 percent during the first ten years.[6] Only a quarter of new businesses make it to fifteen years or more. These statistics have been fairly consistent since the 1970s. And yet business historians have too often overlooked failure in favor of success. As Fridenson notes in an earlier work, the standard narrative in business history progresses from "humble beginnings to flowering success," thus leaving a distorted record of the commercial past.[7] In seeking a better balance, Fridenson invites historians to "place failure on a common scale with success" by reversing the order of the sequence to follow the more common progression of "success followed by failure."[8]

To accept Fridenson's invitation, we must come to terms with what is meant by business failure. While there are various definitions in the world of business, the type discussed in this article relates to the cessation of a business venture because it has not met the minimum threshold for economic viability as stipulated by the entrepreneur.[9] A business venture can also fail because it takes too much time and money and diverts the attention of management away from other profitable pursuits. This was the case at John Labatt Ltd. during the period under review. Labatt's failed foray into Britain contributed to the Canadian brewery's demise and its takeover in 1995 by Belgium's Interbrew. Labatt's now resides in the globe-straddling stable of AB InBev, the world's largest brewer.

While there is no general theory of business failure, most academics agree that the symptoms of a failing business include market share

4 Scranton and Fridenson, *Reimagining Business History*, 108–113.

5 Scranton and Fridenson, *Reimagining Business History*, 108.

6 U.S. Bureau of Labor Statistics. "Table 7. Survival of Private Sector Establishments by Opening Year." https://www.bls.gov/bdm/us_age_naics_00_table7.txt

7 Patrick Fridenson, "Business Failure and the Agenda of Business History," *Enterprise & Society* 5 (December 2004): 572.

8 Fridenson, "Business Failure and the Agenda of Business History," 567, 572.

9 J. Gimeno, T. B. Folta, A. C. Cooper, and C. Y. Woo, "Survival of the Fittest? Entrepreneurial Human Capital and the Persistence of Underperforming Firms," *Administrative Science Quarterly* 42 (1997): 750–83; D. Ucbasaran, P. Westhead, M. Wright, and M. Flores, "The Nature of Entrepreneurial Experience, Business Failure and Comparative Optimism," *Journal of Business Venturing* 25 (2010): 541–555.

erosion, persistent low or negative profitability, shrinking critical resources, and the loss of legitimacy.[10] Academics disagree, however, as to the causes of failure. Is the entrepreneur central to the success or failure of a business enterprise, as Schumpeterians maintain; or are structural factors such as regulatory conditions, price shocks, insufficient credit or distribution networks or technological obsolescence more to blame? Scholars of business leadership stress the importance of innovation, flexibility, creativity, and integrity as key factors for commercial success.[11] Conversely, when a business fails it is often blamed on the shortcomings of the management in charge. The leadership is said to have been incompetent or naïvely optimistic; excessive in terms of their risk-taking; greedy; over-confident; or timid in terms of strategy and action (i.e., risk averse).[12] For example, historian James Cortada argues that IBM lost its leadership position in the industry and recorded the largest corporate loss in history in the early 1990s because its leadership had become complacent and risk averse.[13] Likewise, according to Stephen Fay, the spectacular failure of Barings Bank in 1995 was a result of a closed network of privilege, greed, and incompetence. In the rapidly changing system of global finance, the directors of Barings came to rely on people they hardly knew—such as their derivatives trader Nick Leeson—to make their fortunes in markets they did not fully understand.[14] Was this the case when it came to the losers of the lager war? Did Labatt and others fail in Britain because of a lack of leadership? Or, as others have maintained, is business failure a

[10] Kamel Mellahi and Adrian Wilkinson, "Managing and Coping with Organizational Failure: Introduction to the Special Issue," *Group and Organizational Management* 35 (2010): 531–541.

[11] M. Bliss, *A Canadian Millionaire: The Life and Business Times of Sir Joseph Flavelle, Bart, 1858–1939* (Toronto, Canada, 1978; Rod McQueen, *The Eatons: The Rise and Fall of Canada's Royal Family* (Toronto, Canada, 1998); Donna McDonald, *Lord Strathcona: A Biography of Donald Alexander Smith* (Toronto, Canada, 1996); Greg Marchildon, *Profits & Politics: Beaverbrook and the Gilded Age of Finance* (Toronto, Canada, 1996).

[12] C. R. Osthaus. *Freedmen, Philanthropy, and Fraud: A History of the Freedman's Savings Bank* (Urbana, IL, 1976); W. Schell, "American Investment in Tropical Mexico: Rubber Plantations, Fraud, and Dollar Diplomacy, 1897–1913," *Business History Review* 64 (1990): 217–254; D. J. Cooper, T. Dacin, and D. Palmer, "Fraud in Accounting, Organizations and Society: Extending the Boundaries of Research," *Accounting, Organizations and Society* 38 (2013): 440–457; P. L. Govekar, "An Historical Perspective on the Sarbanes-Oxley Act," *Journal of Management History 14* (2008): 284–293; E. J. Balleisen, *Fraud. An American History from Barnum to Madoff* (Princeton, NJ, 2017); M. Hollow, "The 1920 Farrow's Bank Failure: A Case of Managerial Hubris?" *Journal of Management History* 20 (2014):164–178; M. S. Salter, *Innovation Corrupted: The Origins and Legacy of Enron's Collapse* (Cambridge, MA, 2008); Ucbasaran, Westhead, Wright, and Flores, "The Nature of Entrepreneurial Experience," 541–555; M. Bliss, *Northern Enterprise, Five Centuries of Canadian Business* (Toronto, Canada, 1987), 304.

[13] James Cortada, *IBM: The Rise and Fall and Reinvention of a Global Icon* (Cambridge, MA, 2019).

[14] Stephen Fay, *The Collapse of Barings* (Ann Arbor, MI, 1996).

consequence of weaknesses in institutional structures?[15] Assuming for a moment that success or failure is determined primarily by strategies and actions of those in charge, are the personal traits that lead to triumph or defeat in business genetically endowed, as Schumpeter seems to suggest, or are they, as David Landes has long maintained, more a factor of national cultural values and social attitudes?[16] This article considers these questions in the context of the foreign brewers' quest for a significant share of Britain's lager market.

Globalization and the Brewing Industry

Globalization came late to the brewing industry. Until the 1960s, brewing predominantly functioned as a national business, often controlled by domestic brewing duopolies or oligopolies.[17] To be sure, brewers had been exporting their products to foreign markets for centuries.[18] Improvements in transportation, particularly through railways and steamships in the early 1800s, facilitated the movement of goods across continents. This enabled breweries to access new markets and source ingredients from distant regions, leading to the development of consistent brewing techniques and the standardization of beer styles. These technological innovations, along with the advent of refrigeration and pasteurization in the late nineteenth century, allowed breweries to meet the demand for their beers in foreign markets more efficiently and consistently, contributing to the spread of beer

[15] Barry Boothman, "High Finance/Low Strategy: Corporate Collapse in the Canadian Pulp and Paper Industry, 1919–1932," *Business History Review* 74 (Winter 2000): 611–656; G. Robb, *White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845–1929* (Cambridge, MA, 1992); M. Hollow, *Rogue Banking. A History of Financial Fraud in Interwar Britain* (Basingstoke, UK, 2015).

[16] David S. Landes, Joel Mokyr, and William J. Baumol, eds., *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times* (Princeton, NJ, 2010); David Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present* (New York, NY, 2003); David Landes, "French Entrepreneurship and Industrial Growth in the Nineteenth Century," *Journal of Economic History* 9 (1949): 45–61.

[17] S. R. H Jones, "The New Zealand Brewing Industry, 1840–1995," in *The Dynamics of the International Brewing Industry Since 1800*, ed. R. G. Wilson and T. R. Gourvish (London, UK, 1998): 247–265; David T. Merrett, "Stability and Change in the Australian Brewing Industry, 1930–94," in *Dynamics of the International Brewing Industry*, 229–248; Tony Millns, "The British Brewing Industry, 1945–95" in *Dynamics of the International Brewing Industry*, 142–159; T. R. Gourvish, "Economics of Brewing, Theory and Practice: Concentration and Technological Change in the USA, UK and West Germany since 1945," *Business and Economic History* 23 (Fall 1994): 253–261; Matthew J. Bellamy, "The Rise of the Big Three: The Emergence of a Canadian Brewing Oligopoly, 1945–1962" in *Pleasure and Panic: New Essays on the History of Alcohol and Drugs*, eds. Dan Malleck and Cheryl Warsh (Vancouver, Canada, 2022), 270–294.

[18] Richard W. Unger, *Beer in the Middle Ages and the Renaissance* (Philadelphia, PA, 2004), 57–67, 73, 76–79, 86–88, 98, 107, 113, 120, 192, 200, 234–235, 292.

consumption patterns and preferences. For example, Burton upon Trent's Bass Brewery exported its ale to India, Australia, New Zealand, Canada, and various parts of Africa during the nineteenth century. The distinctive red triangle logo, introduced in 1876, further solidified Bass Pale Ale's identity as a premium export product and a symbol of British craftsmanship in brewing. Other European brewers, such as Heineken, Carlsberg, and Guinness, were also selling their beers to a global audience by 1914.[19] But exports as a percentage of total output remained small for most brewers. Even in Britain, where domestic brewers had preferential access to colonial markets and international trade networks, exports represented roughly 3 percent of total output during the Victorian era.[20] The heavy and cumbersome nature of kegs and large cases of bottles or cans, coupled with high tariffs on beer and customers' diverse preferences for local brands, made it challenging for brewers to secure a substantial share of foreign markets through exports alone. Consequently, few brewers pursued foreign direct investment (FDI) before the 1960s.

Meanwhile, other industries had been globalizing through FDI and stretching the appeal of their brands since the late nineteenth century. During the Second Industrial Revolution, many firms, with competitive advantages derived from economies of scale and scope, had established production facilities in foreign markets. Geographic expansion into distant lands was a way for modern industrial enterprises to exploit their comparative advantages. The automobile industry, for example, had begun to globalize during the earliest days of mass production. By 1928, Ford and General Motors were assembling vehicles in twenty-four countries, including Japan, India, Malaysia, and Brazil. Ten years later, both automakers were operating large-scale "transplant" facilities in Europe. After the Second World War, an increasing number of businesses embraced a strategy of FDI as a means of global growth.[21] Many firms were motivated to move across the world due to maturing markets at home. For example, American fast-food giant McDonald's went global beginning in the 1970s, erecting its golden arches in places

[19] Boje and Johansen, "The Danish Brewing Industry," in *Dynamics of the International Brewing Industry*, 59–75; Unger, "Dutch Brewing in the Nineteenth Century," in *Dynamics of the International Brewing Industry*, 13–31; Teresa Da Silva Lopes, *Global Brands: The Evolution of Multinationals in the Alcoholic Beverages*, (Cambridge, MA., 2007), 242–243.

[20] T. R. Gourvish and R. G. Wilson, *The British Brewing Industry 1830–1980* (Cambridge, UK, 1994), 169–178.

[21] Between 1945 and 1970, Canadian corporations such as Inco, Brascan, Noranda, Cominco, Alcan, MacMillan Bloedel, and Massey-Ferguson made substantial investments abroad. See Duncan Campbell, *Global Mission: The Story of Alcan* (Toronto, Canada, 1985); Donald MacKay, *Empire of Wood: The MacMillan Bloedel Story* (Vancouver, Canada, 1982), 245–275; Edward Neufeld, *A Global Corporation: A History of the International Development of Massey-Ferguson Limited* (Toronto, Canada, 1969), 290–302.

where there was an emerging class of consumers with the disposable income to eat out. By the 1990s, Big Macs were being sold in twenty nations around the globe, including Brazil, China, and Russia.[22] The homogenization of pop culture, or what sociologist George Ritzer termed the "McDonaldization" of the world, was underway.[23] Firms from around the world became successful challengers to what eminent business historian Alfred Chandler termed "first movers"—those industrial organizations like Ford, GM, RCA, DuPont, and Dow that had established branch plants overseas early in the twentieth century.[24] Having relentlessly expanded the output of their standard production line (i.e., increased their scale) and introduced products (i.e., increased their scope), postwar industrial firms invested in more new products and other geographic markets to continue to grow. The global enterprise thus evolved naturally from the successful national corporation.

In the brewing industry, the period after 1960 witnessed a greater level of international activity as an increasing number of large domestic breweries looked abroad for opportunities for growth.[25] Enterprising brewers penetrated foreign markets by entering into licensing agreements with domestic firms or through FDI. For example, the Danish brewers Carlsberg and Tuborg established new breweries in the 1970s either in countries that were large enough for them to obtain the economies of scale necessary for profitable production or in developing countries with little or no previous experience in brewing and with high protective tariffs.[26] The first of these breweries were set up in Africa and Asia, but then Tuborg and Carlsberg began brewing in England, Sweden, and Germany. By 1990, more Danish beer was brewed abroad than in domestic plants.[27] Likewise, Heineken, which had already expanded into Nigeria, Ghana, Sierra Leone, France, Spain, Italy and Britain, made investments in breweries in Hungary, Poland, and Slovakia shortly after the Berlin Wall came down in 1989.[28]At about the same time, Guinness gained a significant stake in Asia Pacific Breweries of Singapore, which

[22] James Watson, *Golden Arches East: McDonald's in East Asia* (Stanford, CA, 2006), 15.

[23] George Ritzer, *The McDonaldization of Society: An Investigation into the Changing Character of Contemporary Social Life* (Los Angeles, CA, 1993).

[24] Alfred Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA, 1990), 117, 122, 171–5, 213–17, 446–52.

[25] Eline Poelmans and Johan F. M. Swinnen, *The Economics of Beer* (Oxford, UK, 2011), 1–17; Matthew J. Bellamy, *Brewed in the North: A History of Labatt's* (Montreal, Canada, 2019), 320–383; David H. Jernigan, "The Global Alcohol Industry: An Overview," *Addiction Review* 104 (October 2008): 6–12.

[26] Boje and Johansen, "The Danish Brewing Industry," 70–72.

[27] Boje and Johansen, "The Danish Brewing Industry," 70–72.

[28] Katie Sluyterman and Bram Bouwens, "From Colonial Empires to Developing Countries and on to Emerging Economies: The International Expansion of the Dutch Brewery Heineken, 1930–2010," *Management & Organizational History* 10 (2015): 103–118.

was the brewer of such popular lager brands as Tiger and Anchor.[29] The seeding of brand-driven taste by these European brewers helped open the door to globalization.

As occurs with mergers and acquisitions, the result was the consolidation of the global beer industry. In 1975, the top ten global brewers controlled 25 percent of the global beer production. Fifteen years later, in 1990, that level had increased to 35 percent, and by 2005 it was two-thirds of the world's production.[30] These global brewing giants leveraged economies of scale and international distribution networks to dominate markets worldwide while also introducing efficiencies in production and marketing. During their global quest, some brewers, like Anheuser-Busch, expanded at the level of the brand, while others, like InBev, expanded at the level of the firm. Which strategy worked better is considered next. These strategies for growth led the brewing industry to become more concentrated and increasingly global during the last quarter of the twentieth century.

Push and Pull Factors

Historians of immigration and diasporas often analyze the push and pull factors that cause peoples to leave one country and go to another. The same analysis can be conducted on business. Why and how do businesses expand abroad, and why do they choose the locations that they go to? In other words, what pushes or pulls a business from one jurisdiction to another?

In terms of the push factors, many brewers in traditional beer-drinking nations were running out of customers. After decades of galloping postwar growth, by the 1980s beer consumption had fallen flat. The first of the baby boom generation were now in their mid-forties and drinking less than when they were in their twenties and thirties.[31] Research showed that, in part, this was because beer drinkers were becoming tired of the bland-tasting brands of their big national brewers. With their tastes becoming more sophisticated, many switched to drinking wine or spirits, which had a cachet that beer did not.[32] Brewing executives in many Western nations could take some comfort that Generation Xers were proving to like beer as much as the earlier

[29] Andreas Zangger, "Chops and Trademarks: Asian Trading Ports and Textile Branding, 1840–1920," *Enterprise & Society* 15 (2015): 759–790.

[30] Lopes, *Global Brands*, 23–42.

[31] Saverio Gioffre, "Growth Opportunities That Exist for Canada's Brewing Industry: A Market Study" (MA thesis, Ryerson Polytechnical Institute, 1984), 5–7.

[32] Gioffre, "Growth Opportunities," 6.

generation, and had a propensity to binge drink.[33] In addition, studies indicated that female Gen Xers were far more likely than the women who preceded them to drink beer on a regular basis. The problem was that Gen X was a smaller cohort, which meant per capita beer consumption began to fall in traditional beer-drinking nations. In Canada, for instance, annual per capita beer consumption fell from 87.0 liters per person in 1975 to 77.1 liters in 1990. This shrinking beer market at home helped push Labatt overseas. Similarly, per capita beer consumption declined in Belgium, the home of Interbrew, the maker of Stella Artois, from 130.5 liters per person in 1975 to 104.0 liters in 1990.[34] Beer consumption also fell in Australia where, after a series of mergers and acquisitions in the late 1970s and early 1980s, a duopoly emerged—Carlton & United Breweries (CUB), which was owned by John Elliott's Elders IXL and Bond Brewing, part of Alan Bond's empire. Faced with declining demand for beer at home, both Australian brewers "displayed a commitment to selling their brands overseas from the mid-1980s that was entirely new."[35] They were not alone in looking abroad for opportunities for growth.

Many lager producers were attracted to the UK beer market for economic and cultural reasons: the UK market was huge. In 1987, Britons consumed 63,243,000 hectoliters of beer, or about 111 liters on average per person.[36] That same year, the British spent over £9.2 billion on beer. In contrast, Canadians consumed only 21,146,318 hectoliters that year, averaging 79.1 liters per person. Although per capita consumption in Australia was similar to that of Britain, the total beer consumption in Australia was lower than in Canada.[37] To be sure, the same trend away from beer and to other alcoholic beverages was as evident in Britain as in many Western nations. In 1950, beer's share of the alcoholic beverage market was 81 percent, but had fallen to 55 percent by 1975, and remained at about the same level in 1985. However, in 1987, total beer consumption in Britain surpassed that of Austria, Belgium, Denmark, France, and Italy combined. Additionally, Britain's

[33] Rod Mickleburg, "Student Drinking, Drug Abuse on Rise, ARF Says," *Globe and Mail*, 20 November 1991, A7.

[34] Ed Gregory, Wendy Hurst, and Thomas Gussman, *Alcoholic Beverage Taxation and Control Policies*, *Alcoholic Beverage Taxation and Control Policies: An International Survey* (Toronto, Canada, 1997), 50.

[35] David Merrett and Greg Whitwell, "The Empire Strikes Back: Marketing Australian Beer and Wine in the United Kingdom," in *Adding Value: Brands and Marketing in Food and Drink*, eds. Geoffrey Jones and Nicholas Morgan (London, UK, 1994), 166.

[36] Gregory, Hurst, and Gussman, *Alcoholic Beverage Taxation and Control Policies*, 466.

[37] Gregory, Hurst, and Gussman, *Alcoholic Beverage Taxation and Control Policies*, 6, 8.

liquor laws were relatively favorable to beer, and the industry was one of the most profitable in the world.[38]

But the main attraction of the UK market was that lager consumption was on the rise. In the words of *The Observer*, "lager was the drink of the Eighties."[39] As a result, foreign brewers flooded into the British market, motivated by flat beer sales at home and the dramatic shift away from ale consumption in the UK. By 1987, the UK lager market accounted for 42 percent of total beer sales, up from 15 percent just five years earlier, and up almost 40 percent since 1967 when lager consumption stood at just 4 percent.[40] Labatt's own forecast called for lager sales to continue to grow to "maybe 45% [of total beer sales] in the long term."[41] Labatt's estimate turned out to be inaccurate. By 1995, lager accounted for over 50 percent of all beer sales in the United Kingdom.

The transition from ale to lager in the UK was influenced by a number of factors. One significant driver was the heightened exposure of UK residents to travel to those parts of the world where lager was widely consumed. Also, the British diet experienced a growing diversity and penchant for spicier flavors after the end of rationing in the 1950s. In response, consumers sought out lighter and crisper beers to pair with their meals. With rising incomes, enhanced housing standards, and increased ownership of amenities like televisions and cars, there was a notable increase in home beer consumption. An increasing number of British households had a refrigerator, which stimulated the sale of lager because it was best served chilled. Furthermore, an increasing amount of drinking was taking place in clubs and other outlets such as discothèques, particularly in London where exotic "up-market" drinks like cocktails and international lagers were more likely to be consumed.[42] Lager was increasingly seen as the drink of the young and the hip, and so the postwar baby boom worked to lager's advantage. These factors collectively contributed to a transformation in drinking habits, with lager emerging as the favored alcoholic beverage in major markets around the world.[43]

As a result of the shift in consumer tastes, the "Big Six" British brewers—Allied Breweries, Bass Charrington, Courage, Scottish & Newcastle Breweries, Grand Metropolitan, and Whitbread, which

38 John Spicer, Chris Thurman, John Walters, and Simon Ward, *Intervention in the Modern UK Brewing Industry* (London, UK, 2012), 31–39.

39 Emily Bell, "You Can't Top a Premium Lager," *The Observer*, 27 September 1992, 32.

40 Merrett and Whitwell. "The Empire Strikes Back," 167.

41 "United Kingdom Beer Market Potential for Labatt Participation," 28 Nov. 28 1979, Box A10-039-236, Labatt Collection.

42 Monopolies and Mergers Commission, *The Supply of Beer*, 185.

43 Merrett and Whitwell. "The Empire Strikes Back," 167.

produced about 80 percent of all beer consumed in the UK—added a line of foreign lagers to their portfolio of brands.[44] By 1985, lager accounted for almost half of Whitbread sales, which brewed Stella Artois and Heineken under license.[45] Three years later, lager sales at Allied Breweries, which brewed Castlemaine XXXX, SKOL, Lowenbrau, and Swan under license, accounted for 51 percent of total sales.[46] That same year, 55 percent of Grand Metropolitan beer sales came from Carlsberg, Holsten, and Budweiser, plus a few other lager brands that it brewed under license. British brewers like Scottish & Newcastle, which did not have a popular brand as the lager revolution in the UK got underway, saw their bottom line suffer. During the 1980s, some lager brands experienced phenomenal growth. For example, the sale of Castlemaine XXXX increased by 28 percent in 1988, while Foster's was up 18 percent that same year.[47] Much of the consumption took place in the more affluent and rapidly growing southern and eastern regions of the UK. "The British beer market has shown a remarkable ability to generate boom after boom to keep volume growing," one Labatt report stated. "It was the bottled beer boom in the fifties, followed by the resurgence of draft in the sixties. In the seventies, lager and real ale have provided the impetus."[48]

The two beer trends of the 1970s could not have been more different. The Campaign for Real Ale (CAMRA), which originated in 1971 and thereafter was most dominant in the north of England, wanted a return to traditional brewing methods. CAMRA was concerned that British "cask" beer (with its characteristic secondary fermentation taking place in the barrel in the pub's cellar before being dispensed) was being replaced by pasteurized, filtrated, and force carbonated "keg" beer, which was the type being served by the large lager producers.[49] CAMRA criticized the Big Six for using inflated marketing budgets to promote foreign lager brands. The campaign linked "real ale" (that is, cask beer) to notions of "quality," which came from the use of local ingredients and craftsmanship. In contrast to some of the "placeless" international lagers, CAMRA maintained that real ale was "authentic"

[44] Geoffrey Gibbs, "Lager Peps Up Whitbread," *The Guardian*, 21 Nov. 1985, 27.

[45] Gibbs, "Lager Peps Up Whitbread," 27.

[46] Geoffrey Gibb, "Aussie Assault on the Poms Picks Up," *The Guardian*, 17 Feb. 1988, 11.

[47] "John Labatt Limited, Corporate Strategy Review," 27 Sept. 27, 1989, Box A10-039-088, Labatt Collection.

[48] "United Kingdom Beer Market Potential for Labatt Participation," 28 Nov. 1979, Box A10-039-236, Labatt Collection.

[49] Ignazio Cabras and Charles Bamforth, "From Reviving Tradition to Fostering Innovation and Changing Marketing: The Evolution of Micro-Brewing in the UK and US, 1980–2012," *Business History* 58 (2016): 625–646.

because it was rooted in domestic geography, history, and culture.[50] Thus, the British brewing industry became increasingly polarized between global lager producers and regional craft brewers specializing in cask beer. Despite their differences, both groups sought to present their products as "authentic." The following discussion explores how international brewers engaged with this challenge.

By 1987, the lager war was well underway. The brands Stella Artois, Carlsberg Pilsner, Harp Lager, Tennent's Pilsener, Carling Black Label, Foster's Lager, Heineken, and Budweiser were battling for the top spot in the British lager market. Given the explosive growth in lager consumption, the UK represented a significant opportunity for Canada's leading lager maker.[51] In the words of John Morgan, the head of Labatt's UK operations, "the dynamic and profitable UK lager market provides an excellent opportunity for Labatt's to be the first to mass-market a quality Canadian lager in draught and packaged formats."[52] It was Labatt's goal to be one of the top five lager brands in the UK within three years.[53]

Those at Labatt were confident that this was a realistic goal, in part because of the strong cultural ties between Canada and the United Kingdom. Sid Oland stated in 1988: "Most of us in Canada have 'roots' in the U.K. In fact, our founder, John Kinder Labatt, received his master brewing certification in the U.K."[54] Perhaps Oland did not know it, or perhaps he was not willing to share the story that day, but Labatt's roots ran deeper still. Born in Ireland in 1803, John Kinder Labatt spent the first thirty years of his life in the United Kingdom, only coming to the rough-and-tumble frontier of Upper Canada in 1833. In 1847, just months before buying into the brewing company that would eventually bear his family name, he returned to England looking to acquire a manufacturing enterprise. But it was not only Labatt who had a connection to the UK. Most of those who controlled the Canadian brewing industry were of British descent. People like John Molson, Thomas Carling, Eugene O'Keefe, John Sleeman, William Dow, Alexander Keith, and members of Oland's own family had established breweries in Canada to produce British-style ales, porters, and stouts.[55] The Canadian brewer Edward Plunket Taylor felt such a kinship for the British that he went to the UK to change the way the industry operated.

[50] Thomas Thurnell-Read, "The Embourgeoisement of Beer: Changing Practices of 'Real Ale' Consumption," *Journal of Consumer Culture* 18 (2018): 539–557.

[51] Sid Oland, "Eldridge Pope Public Presentation," A08-053-304, Labatt Collection.

[52] "Labatt's News Release," 29 Jan. 1988.

[53] Labatt Brewing (UK) Limited, "Presentation to Mr. Roy McMurtry Canadian High Commissioner to the UK, Box A10-039-236, Labatt Collection.

[54] Sid Oland, "Eldridge Pope Public Presentation," Box A08-053-304, Labatt Collection.

[55] Matthew J. Bellamy, *Brewed in the North: A History of Labatt's* (Montreal, Canada, 2019), 263.

In 1953, Taylor introduced Carling Black Label, a lager beer, to the British after striking a deal with the Hope & Anchor Brewery. Instead of simply instructing his partner to sell Black Label in Britain, Taylor convinced Hope & Anchor to acquire a number of competing firms. Recognizing the complacency of many British breweries and the undervaluation of their pubs, Taylor, much like he had done in Canada, purchased these breweries, streamlined their operations, and introduced a few key brands, including Carling Black Label, for promotion. According to historian Tony Millns, Taylor's "pioneering vision had a profound impact both on the structure of the brewing industry and, with the rise of lager, the nation's drinking habits."[56] Two decades later, Oland was hoping to duplicate the feat. "We feel a natural affinity since we share a common language and traditions," Oland stated in 1987, "and we are thus confident that we can gain a slice of the larger British market."[57]

Strategy and Structure

After deciding to expand into the UK, Labatt's management debated how best to go about achieving its objective. The company had been exporting its flagship lager, Labatt Blue, to the UK since the late 1970s. Many of its competitors had been doing so for much longer. For instance, CUB had established a niche market for Foster's Lager among those Australian tourists, expatriates, and students living around London's Earls Court in the late 1950s and early 1960s.[58] Like Labatt, the Australian brewer found it difficult to make a healthy profit, in part because of the tariff on its beer. "It is hard to see any further opportunities for Labatt exports to the UK because of the tariff which ranged from £17.42 (C$45.30) to £31.94 (C$83.00) per barrel based on alcoholic content," an internal report noted.[59] The same report recommended the acquisition of a regional brewer or a joint venture with one of the national brewers.[60] However, Labatt did nothing at the time. On those few occasions when making a blockbuster international acquisition was debated by managers at Labatt, fear and hesitancy won out over daring and determination. At a time when the industry was witnessing a wave of global mergers and acquisitions, those at Labatt

[56] Millns, "The British Brewing Industry," 154.

[57] Labatt Brewing (UK) Limited, "Presentation to Mr. Roy McMurtry Canadian High Commissioner to the UK, Box A10-039-236, Labatt Collection.

[58] Merrett and Whitwell. "The Empire Strikes Back,"167–173.

[59] "United Kingdom Beer Market Potential for Labatt Participation," 28 Nov. 1979, Box A10-039-236, Labatt Collection.

[60] "United Kingdom Beer Market Potential for Labatt Participation."

debated buying Australia's Bond Brewery for as much as $1.8 billion.[61] Bond had a significant presence in the UK; its Castlemaine XXXX, which was brewed under license by Allied Lyon and later by Courage, was the sixth best-selling draught beer in 1988. The size of the deal caused those at Labatt to balk, so Labatt half-heartedly went after Spain's largest and fastest growing brewery, Cruz del Campo, maker of the country's most popular lager, Cruzcampo.[62] Again, Labatt lost its nerve, and the icon of Andalusia went to Guinness for $1.2 billion.[63] With so many big breweries in the global hunt, easy prey was increasingly hard to find. When one was spotted, those who moved fast and fearlessly ended up with the prize. Labatt never did.

Unable to clinch a deal, Labatt instead entered into production and distribution agreements with a number of smaller regional brewers in the UK.[64] Executives at Labatt justified their decision by saying that a partnership with a British brewer would generate a "better financial return, compared with the alternative of building or purchasing a brewery in the UK."[65] There was no evidence given to support this conclusion. That being said, Australia's CUB had initially adopted a similar strategy in 1980 after it was approached by Watney, Mann & Truman (later Grand Metropolitan) when it was looking for a lager brand that would not be confused with other European lagers on the UK market.[66] The partnership lasted until September 1986, when CUB's parent company, Elders IXL, purchased Courage for £1.3 million, thus expanding at the level of the firm rather than the brand. Elders's acquisition of a prominent participant with a long history in the domestic beer and pub sectors foreshadowed the significant global takeover of UK-brewing entities after implementation of the Beer Orders in 1989.[67] Compared to mergers or acquisitions, joint ventures were a safer, although less rewarding, maneuver.

In 1987, Labatt entered its first partnership with the brewer Greenall Whitley. Based in Warrington, Greenall Whitley was the largest regional brewer in the UK, with more than 1,600 pubs and hotels, most of which were located in the North and the Midlands. In early 1987, Sid Oland wrote to Andrew Thomas of Greenall Whitley stating that Labatt

[61] Marina Strauss, "Labatt Eyes Breweries of Troubled Bond Corp," *Globe and Mail*,12 Jan. 1990, B1.

[62] Anonymous, "Guinness to Acquire Spanish Brewer, "*Globe and Mail*, 22 Nov. 1990, B24.

[63] Paul Brent, *Lager Heads: Labatt, Molson and the People Who Created Canada's Beer Wars* (Toronto, Canada, 2004), 154.

[64] Brent, *Lager Heads*, 153.

[65] Sid Oland to Andrew Thomas, 16 Jan. 1987, Box A08-053-304, Labatt Collection.

[66] Merrett and Whitwell, "The Empire Strikes Back," 169.

[67] Spicer, Thurman, Walters, and Ward, *Intervention in the Modern UK Brewing Industry*, 128.

"would like to 'rent' processing capacity from you."[68] What he was proposing was an agreement which would see Greenall Whitley produce both a standard and a premium lager for Labatt at its Warrington plant and distribute it through its chain of pubs. Like licensing agreements, rent agreements were a means for firms with global aspirations to break into distant markets by piggybacking on another firm's production and distribution facilities; this was especially beneficial when the targeted market was protected by tariffs. In theory, these rent agreements were a win-win scenario: the renter gained access to the market and existing channels of distribution while reducing transportation costs, and the owner had the advantage of using surplus capacity in return for a fee that could be used to offset fixed costs.[69]

At the time, Greenall Whitley was producing its own premium lager, Grünhalle, which was a "German-sounding" beer that was a direct translation of Greenhall. However, the brand was not selling well and as a result Greenall Whitley had brewing capacity that was not in use.[70] As Greenall Whitley management later told the Monopolies and Mergers Commission, its agreement with Labatt enabled Greenall to strengthen its lager portfolio and better compete with some of the international lager brands on the market.[71] Under the terms of the contract, Greenall Whitney agreed to brew draught lager for Labatt in its facilities in accordance with Labatt's product specifications and production processes, and consistent with an approved production plan. Greenall Whitley used its own equipment, labor, and other resources in the production process, under the observation of Labatt's team of technical experts.[72] Labatt purchased the lager for £19.50 per keg. Over the next eighteen months, Labatt signed similar rental agreements with fifteen other regional brewers and set up its headquarters in Esher, in southern England, to coordinate the production, marketing, and distribution of its beer throughout the United Kingdom.[73]

However, in 1994, Labatt sold just 306,000 barrels of lager, which represented less than 1 percent of total lager sales in the UK. In comparison, Foster's sold 1.4 million barrels of its flagship brand in that same year, giving Foster's Lager 4 percent of the market and making it the second-most popular lager in Britain. Sales of Britain's most popular lager, Carling Black Label, reached 2 million barrels that year, giving it

[68] Spicer, Thurman, Walters, and Ward, *Intervention in the Modern UK Brewing Industry*, 128.
[69] Sam Floy, "Competition and Oligopoly in the UK Beer Market: How Do Small Brewers Survive?" *Brewery History* (2014): 41.
[70] Sid Oland to Andrew Thomas, 16 January 1987, Box A08-053-304, Labatt Collection.
[71] Spicer, Thurman, Walters, and Ward, *Intervention in the Modern UK Brewing Industry*, 185.
[72] Stephen Ward, "Labatt Battles for a Beachhead in Britain," *Globe and Mail*, 17 Nov. 1992, B4.
[73] Agreement, 3 Dec. 1987, Box A10-039-169, Labatt Collection.

5.7 percent of the market. Labatt's lager failed to become a top-five beer brand. Worse, the company never made money in Britain.

Things were so dire that in 1992 management had initiated a program of restructuring, consolidation, and cost reductions.[74] These austerity measures lasted for three years, and then Labatt revised its long-term objective. Gone were the days when the Canadian-based brewer thought it could be a major player in the UK. Now the goal was to "secure a profitable, sustainable brand business."[75] Labatt could not accomplish even that goal. It was purchased by Interbrew in 1995, which gradually removed Labatt from the UK marketplace.

Accounting for Failure

What had gone wrong? Who or what was to blame for Labatt's failure in the United Kingdom? How did the Labatt style of entrepreneurship differ from the breweries that had success moving into the UK?

One principal problem for Labatt was that it was a late entrant into the UK beer market. The eventual winners of the lager war had all been there longer, giving them first-mover advantages. Heineken, for instance, had been exporting its lager to the UK since 1946, before entering into a licensing agreement with Whitbread in 1969. Carlsberg and Carling had been in the UK even longer. All of these brewers, plus many others, had slowly developed their brands and their market over time. The Australian brewers, for instance, had slowly built up a loyal base of consumers for their products through exports, which grew at a compounded rate of over 20 percent per year between 1970 and 1984. Some domestic brewers had been producing and promoting lagers for over a decade by the time Labatt arrived. For example, Bass Charrington and Guinness had been promoting their lager brands with significant advertising outlays since the 1960s. Even those relative newer arrivals to the British beer market, like Bond Brewery (Castlemaine XXXX) and Anheuser-Busch (Budweiser) had arrived in the UK before Labatt.

All of these foreign brewers confronted the same structural challenges. Protecting the domestic brewers were high tariffs and a closed system of distribution. Even so, foreign brewers should have been able to compete with British brewers in catering to the new-found British taste for lager. However, they were also unable to enter the UK market because they could not gain access to the British public houses, which were owned by the domestic brewers. As a result, they were forced to license British brewers to produce their beer (e.g., Heineken and

[74] Labatt's of UK and Europe, Report, 4 Mar. 1995, Box A10-039-297, Labatt Collection.
[75] Labatt's of UK and Europe, Report.

Castlemaine), build plants in the UK, sign distribution agreements with UK brewers (e.g., Carlsberg), or buy a UK brewer to get access to its tied estates (e.g., Elders IXL).[76] Having access to pubs mattered not only because that was where most people drank their beer but also because the profit margins were about three times higher on sales from beer sold in the pub than sold to take home.[77]

In its submission to the Monopolies and Mergers Commission (MMC) in 1989, Guinness blamed the underperformance of its brand Harp Lager on the tied-house system. Harp was sold only in the pubs of those brewers that produced it in partnership with Guinness, so it was rarely available in the pubs of other brewers.[78] The MMC was sympathetic to Guinness' opinion:

> We must ... note that Guinness' evidence indicates the difficulties faced by any brewer who attempts to enter and maintain a presence in the United Kingdom market without acquiring an estate or reaching some accommodation with one of the major national brewers.[79]

At the time of the MMC's statement, the UK beer market was controlled by vertically integrated national brewers that were simultaneously producers, distributors, wholesalers, and, in many cases, retailers of their products. While off-trade sales continued to grow as a percentage of total beer sales during the last quarter of the twentieth century, the pub remained the center of community engagement and social interaction. The pub was what American sociologist Ray Oldenburg termed a "third place."[80] Distinct from both the workplace and home, it contributed conceptually to the construction of individual identity and the outward projection of the self in the public sphere. Some pubs, like Ye Olde Trip to Jerusalem in Nottingham, had been serving

[76] Monopolies and Mergers Commission, *The Supply of Beer,* 239–240.

[77] Roger Cowe, "Carlsberg – Probably the Most International Lager," *The Guardian*, 13 June 1988:12.

[78] Spicer, Thurman, Walters, and Ward, *Intervention in the Modern UK Brewing Industry*, 31–39. Why Guinness's Harp Lager was not widely stocked in the UK while its stout was is an interesting question. Part of the answer is that Guinness stout had been sold in the UK for decades before Harp Lager was introduced, allowing the company to slowly build a loyal customer base for the brand. Since the early nineteenth century, the company had emphasized the quality and uniqueness of its stout, appealing to a niche segment that appreciated the beer's rich flavor and smooth texture. Guinness could not make this product differentiation with Harp Lager. Furthermore, effective marketing highlighted stout's Irish heritage, with the iconic harp logo and the slogan "Guinness is Good For You." Finally, Guinness's international success bolstered its reputation back in Britain.

[79] Monopolies and Mergers Commission, *The Supply of Beer*, 259.

[80] Ray Oldenburg, *The Great Good Place: Cafes, Coffee Shops, Bookstores, Bars, Hair Salons, and Other Hangouts at the Heart of the Community* (New York, NY, 2019), 16-18.

beer to patrons since the Crusades. Most pubs as noted were tied to the nation's biggest brewers, which demanded that their beers be privileged over that of their competitors. Often, the competitors' brands were completely kept out of tied houses.

In 1989, the MMC issued a detailed report of its multiyear investigation of competition in the UK beer market. The MMC discovered a complex monopoly at work in the UK that favored brewers who owned tied houses or who had loan-tied agreements with free houses. The MMC concluded that this restricted the growth of brewers without tied estates. To restore a meaningful measure of genuine freedom to the "free trade," the MMC was determined to end the vertical monopoly power of the Big Six by recommending that a ceiling of 2,000 tied-on licensed outlets be placed on any one brewery group.[81] The recommendation was embraced by Margaret Thatcher's government, which had come to power in 1979 on a neoconservative platform of laissez-faire economics. When the Iron Lady walked into her first Cabinet meeting following her election as leader of the Conservative Party, Thatcher slammed Friedrich Von Hayek's *The Road to Serfdom* down on the table and declared: "This is what we believe."[82] Hayek had nothing to say about the brewing industry, of course, but his book was a warning about state intervention. The only role for government, Hayek maintained, was to promote and protect the free market. With that goal in mind, in December 1989, Thatcher's government issued the Beer Orders, which forced the Big Six brewers to sell off a substantial number of their pubs.

In theory, this gave foreign brewers like Labatt that were struggling in the UK an opportunity. "The recent monopolies and mergers commission [*sic*] recommendations," an internal report stated in 1989, "once accepted and implemented, could create an overall favourable impact to Labatt."[83] In practice, however, the Big Six were tremendously strategic when it came to disposing of their pubs. Furthermore, two of them, Courage and Grand Metropolitan, did a crafty pubs-for-breweries swap in an attempt to circumvent the legislation. Courage traded pubs to Grand Met in exchange for brewing operations, aiming to prioritize brewing. Grand Met, in turn, sought to expand its pub ownership and divested its brewing assets, including Watney Mann, to focus on retail. The Big Six attempted to meet the most onerous requirements of the MMC by the deadline of November 1,

[81] Julie Bower and Howard Cox, "How Scottish & Newcastle Became the U.K.'s Largest Brewer: A Case of Regulatory Capture?" *Business History Review* 86 (Spring 2012), 59–61.

[82] Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Econo*my (New York, NY, 1998), 89.

[83] "John Labatt Limited, Corporate Strategy Review, 27 Sept., 1989," Box A10-039-088, Labatt Collection.

1992.[84] As business historian Julie Bower writes: "The policy intervention of the Beer Orders was an external shock that changed a deeply-embedded vertical structure, making way for a power shift from regulators to financial intermediaries in the 1990s and 2000s."[85] The Beer Orders also contributed to the global conglomeration of UK brewing.[86] After the Beer Orders, some of the Big Six brewers ceased to exist. In Whitbread's case, it no longer has any involvement in the drinks trade, and the four national brewers are all subsidiaries of foreign giants.[87]

Following the Beer Orders, the Big Six started selling their pubs. The first to go were the least desirable pubs from a purchaser's perspective, often being rundown and in remote places.[88] The demand for good pubs was tremendously high, and a small number of pub companies, known as pubcos—most of which were started by former executives from the Big Six—emerged to dominate the market. It has been estimated that of the roughly 11,000 tied-house pubs sold, about 8,000 were purchased by new pubcos.[89] Like the Big Six before them, these pubcos used beer ties.[90] The pubcos not only employed many landlords on tenant contracts, as was done under the old tied-house system, but also established supply contracts with large brewers. Consequently, the options available to landlords were only slightly less restricted than they were before the Beer Orders. The divestiture of pubs by the Big Six, as Keon Deconinck and Johan Swinnen argue, "merely caused a shift from pub ties with brewers to ties with real estate companies."[91] A provision in the Beer Orders mandating pubs to provide at least one "guest beer" did, in principle, contribute to promoting a broader selection of beers and therefore greater consumer choice. But less than a quarter of the tied houses implemented the guest beer clause.[92] Furthermore, when given the choice, landlords preferred to stock popular beers like Guinness

[84] Spicer, Thurman, Walters, and Ward, *Intervention in the Modern UK Brewing Industry*, 128–138.

[85] Julie Bower, "Vertical and Financial Ownership: Competition Policy and the Evolution of the UK Pub Market," *Business History* 58 (2016): 659.

[86] Spicer, Thurman, Walters, and Ward, *Intervention in the Modern UK Brewing Industry*, 152–164.

[87] These are (1) A.B. InBev U.K. Ltd. (Stella Artois), (2) Carlsberg UK Brewing Ltd., (3) Heineken U.K. Ltd., and (4) Molson Coors Brewing Company (UK) (owns Carling Black Label, Britain's best-selling lager).

[88] R. J. Clark to S. M. Oland, 26 March 1991, Box A10-039-088, Labatt Collection.

[89] Spicer, Thurman, Walters, and Ward, *Intervention in the Modern UK Brewing Industry*, 137.

[90] David Higgins, Steven Toms, and Moshfique Uddin. "Vertical Monopoly Power, Profit and Risk: The British Beer Industry, c.1970–c.2004." *Business History* 58 (2016): 667–693.

[91] Keon Deconinck and Johan Swinnen, "Tied Houses: Why They Are So Common and Why Breweries Charge Them High Prices for Their Beer," in *Brewing, Beer and Pubs: A Global Perspective*, eds. Ignazio Cabras, David Higgins and David Preece (New York, NY, 2016), 232.

[92] Shane Butler, Karen Elmeland, Betsy Thom, and James Nicholls, *Alcohol, Power and Public Health: A Comparative Study of Alcohol Policy* (New York, NY, 2017), 135.

stout rather than those that were not well known or in high demand, like Labatt's lager.[93] Nevertheless, Labatt's management believed that owning a string of pubs was essential for success, so the board of directors authorized an expenditure of $133 million for the purchase of outlets.[94] Finding itself operating in an "unfriendly environment," Labatt was able to buy only 257 pubs by December 1992, which was well short of its goal of owning "at least six hundred by the end of the year."[95] The project was proving costly, yet in February 1994 the board authorized an expenditure of another $50 million. By the end of that year, Labatt owned only 512 pubs. The majority of these pubs, however, were located in the Midlands, northern England, and Wales. This was a problem because most of the consumers buying lager lived in southern England. London alone accounted for over 20 percent of lager consumption in the UK in the 1980s and 1990s.

Labatt's "pub crawl," as one observer termed it, made enough money to occupy management's time, but it was not enough to drive sales of Labatt's lager.[96] Worse, a recession, price wars, flat industrywide sales, and hostile breweries were squeezing out foreign brewers like Labatt. "There is no need to belabour the point that the economic milieu in which we operate is far from robust," Oland said in September 1992.[97] Times were tough in Britain, and Labatt lacked the international advantages necessary to compete. By 1995, Labatt had roughly 1 percent of the UK beer market and had yet to record a profit.[98]

The biggest problem for Labatt was at its brand level. Early on, Labatt's management decided on a "one brand, two strengths approach." Blind taste tests conducted among regular beer drinkers in 1987 showed that Labatt's lager outperformed Heineken, Carlsberg's pilsener, Tennent's pilsner, Carling Black Label, and Foster's lager. There was thus nothing wrong with Labatt's beer. By nearly every measure, Labatt's product was as good as its competitors' product.[99]

So, if the quality of the beer was not the problem, then what was holding Labatt back in the UK? The short answer is marketing and brand management. Labatt's managers struggled to develop a popular brand, something that is essential for success in the alcoholic beverage

[93] *Minutes*, John Labatt Limited, 10 Dec.1992 Toronto.

[94] *Minutes*, 5 Nov. 1992.

[95] *Minutes*, 10 Dec. 1992.

[96] Brent, *Lager Heads*, 155.

[97] Sid Oland, "Year-End Review John Labatt Limited Annual General Meeting," 10 Sept. 1992, Box A10-039-088, Labatt Collection.

[98] Stephen Ward, "Labatt Battles for a Beachhead in Britain," *Globe and Mail*, 17 Nov. 1992, B4.

[99] Labatt Brewing UK, "Liquid Map and Profiles," 4 Dec. 1995, Box A10-039-090, Labatt Collection.

industry.[100] The question for Labatt's executives was how to create a top-of-mind brand. The United Kingdom had a rich tradition of brewing, with a multitude of iconic local beer brands competing against a growing number of international brands. In 1988, there were over 320 lager brands on the UK market.[101] To be successful, therefore, brewers had to differentiate their products from those of their competitors. They had to convince consumers that their offerings were worth exploring amid all the local favorites and international beers. Marketing and branding played a crucial role in this regard.

Labatt's brand managers determined that "to be a successful lager brand requires that a strong emotional link be forged with consumers" and "to give Labatt's a place in the consumer's heart requires that Canada is given a place there also."[102] Labatt's marketing executives were thus aware that, in the age of global brands, product–place associations could be used to strategic advantage. These associations were important because the image of the country where the product was from often affected consumers' assessment of the product.[103] French vintners had long associated their product with the place it came from—its *lien au terroir*, or link to terroir—typically by using climatic, geological, pedological, and physiographical factors as well as cultural references.[104] The mythology of wine was both constitutive of the French nation and an inherent part of the stereotypical image of France, the French, and French products abroad.[105] Likewise, IKEA used Swedish colors to link its products to a place that was seen by many in the international community as innovative, modern, authentic, and caring. CUB, for example, launched an advertising campaign during the 1980s that tapped into the positive view of Australia, particularly among

[100] Lopes, *Global Brands,* 1–66, 129–279; Merrett and Whitwell, "The Empire Strikes Back," 162–190; Hans Chr. Johansen, "Marketing and Competition in Danish Brewing," in *Adding Value: Brands and Marketing in Food and Drink*, eds. Geoffrey Jones and Nicholas Morgan, (London, UK, 1994), 126–138; Ronald Weir, "Managing Decline: Brands and Marketing in Two Mergers: 'The Big Amalgamation' 1925 and Guinness–DCL 1986," in *Adding Value: Brands and Marketing in Food and Drink*, eds. Geoffrey Jones and Nicholas Morgan, (London, UK, 1994), 139–162.

[101] Geoffrey Gibb, "Aussie Assault on the Poms Picks Up," *The Guardian*, 17 Feb. 1988, 11.

[102] Labatt Brewing (UK) Limited, "Presentation to Mr. Roy McMurtry, Canadian High Commissioner to the UK," Box A10-039-236, Labatt Collection.

[103] W. J. Bilkey and E. Nes, "Country-of-Origin Effects on Product Evaluations," *Journal of International Business Studies* 13 (1982): 89–99; C. M. Han, "Country Image: Halo or Summary Construct?" *Journal of Marketing Research* 26 (1989): 222–229; M. Larouche, N. Papadopoulos, L. A. Heslop, and M. Mourali, "The Influence of Country Image Structure on Consumer Evaluations of Foreign Products," *International Marketing Review* 22 (2005): 96–115.

[104] R. A. D. Hill, "'Le terroir, c'est la vie': Re-Animating a Concept Among Burgundy's Wine Producers," *Environment and Planning E: Nature and Space* 5 (2022): 447–472.

[105] F. Graby, "Countries as Corporate Entities in International Markets," in *Product-Country-Images. Impact and Role in International Marketing*, eds. N. Papadopoulos and L. Heslop (New York, NY, 1993), 257–283.

young, middle-class people living in cosmopolitan centers like London. CUB chose the well-known Australian entertainer and the star of the 1986 sleeper film *Crocodile Dundee*, Paul Hogan, to promote its flagship brand using the tag line, "Foster's—Australian for Lager." Hogan exemplified Australian values through his humor and warmth.[106] Fifty television commercials featuring Hogan appeared on UK televisions during the 1980s, transforming Foster's Lager from a niche brand with a cult status among the Australian backpack community living in the West End of London into one of Britain's most popular lagers.[107] In the words of one marketing mix study, Foster's was seen as a "trendy, social, and youthful brand."[108] By 1985, Foster's had captured 6 percent of the UK lager market and 12 percent of the all-important London trade. Foster's, and to a lesser degree other Australian brands like Castlemaine XXXX and Swan Premium Lager, succeeded because of consumers' extraordinarily positive view of Australia and the ability of brewers to associate their products with that place. When beliefs about a country are positive, and while controlling for other variables, products and brands from that country are also seen in a positive light.[109]

So, what was the British perception of Canada? Was it seen in a positive light? Did Canada have the cultural cache of Australia? Britons knew very little about Canada or Canadians, as it turned out: "In general, Britons have little knowledge of the country or its people and impressions are weak and ill-formed."[110] Britons who were surveyed drew on "mythical" stereotypical impressions to describe Canadians. Responses included: "They're all mounties [*sic*] and lumberjacks," "Mooses and big blokes," and "Mounties playing ice hockey." Related to the location, responses included: "There were just mountains, snow and lakes," "There's no one there," and "It closes down in winter." When it came to the character of the people, Britons thought Canadians were dull and boring. "There's never any news from Canada," offered one focus-group participant. "There is nothing interesting there," said another. Canadians "didn't brag like the yanks" [*sic*], but they were also not "funny or famous."[111]

[106] Merrett and Whitwell, "The Empire Strikes Back," 170.

[107] S. Bartholomeusz, "CUB Launches Foster's Lager in UK," *The Age*, 20 July 1984, 21.

[108] Memorandum, 23 Oct. 1987, Box A10-039-236, Labatt Collection.

[109] Bilkey and Nes, "Country-of-Origin Effects on Product Evaluations, "89–99; Han, "Country Image, 222–229; O. Wästberg, "The Symbiosis of Sweden and IKEA," *PD Magazine* (Summer 2009); M. Kang and S.- U Yang, "Comparing Effects of Country Reputation and the Overall Corporate Reputations of a Country on International Consumers' Product Attitudes and Purchase Intentions," *Corporate Reputation Review* 13 (2010): 52–62.

[110] Labatt Brewing (UK) Limited, "Presentation to Mr. Roy McMurtry."

[111] Abbott Mead Vickers/SMS Ltd. "Malcolm the Mountie": Summary of Findings from Qualitative Research, October 1987, Labatt Collection.

Consumers in the UK had equally little knowledge of Canadian beer. In their minds, Canadian beer was American beer. This was a problem, a confidential memorandum noted, "because U.S. beers are held in low esteem in the UK and the association is commercially damaging."[112] When UK beer drinkers were asked what they would expect from a Canadian lager, they typically said that it would taste like American beer. "You would think it would be pond-water, like Budweiser," stated one respondent.[113] This was not complete naivety on the participants' part. Since the 1970s, Canadian brewers had been creating derivative American-styled brands. In addition to producing "lite" beers, they jettisoned their quintessentially Canadian packaging—the stubby bottle—in favor of the long-neck American beer bottle, and they also brewed US brands under license. These licensing agreements cannibalized the brands of Canada's Big Three brewers (i.e., Labatt, Molson, and Carling-O'Keefe) and initiated the Americanization of the Canadian brewing industry.[114]

The first task for the brand managers at Labatt, therefore, was "to strongly establish Canadian as different from American."[115] After some false starts, the marketing managers decided on the "Malcolm the Mountie" campaign.[116] The central figure in these campaigns, which ran from 1988 to 1994, was a beer drinker who was employed by the Royal Canadian Mounted Police. The Mountie nickname had been coined by the British press in 1897 to describe the Canadian police who appeared in red tunics and on horseback at Queen Victoria's Diamond Jubilee in London. The Mountie had long been a focal point in the national mythology and engendered mythological narratives in Canada and abroad about what was "foreign" and what was "domestic."[117] By the 1950s, more than 250 English language movies and almost as many novels featured the Mountie, who was emphatically not American. Divorced from the histrionics of American Manifest Destiny, the Mountie symbolized Canada's dominant ideals: order, stability, and progress. In contrast to America's legendary heroes like Billy the Kid, who were rugged individuals (that is, hard, stoic, isolated, and violent), the Mountie's appeal was based on his social role. In popular culture, the Mountie's character was almost static, weighed down by a history and a tradition of *esprit de corps* (Figure 1).

[112] Labatt Brewing (UK) Limited, "Presentation to Mr. Roy McMurtry."
[113] Labatt Brewing (UK) Limited, "Presentation to Mr. Roy McMurtry."
[114] Bellamy, *Brewed in the North*, 275–286, 349–351.
[115] Labatt Brewing (UK) Limited, "Presentation to Mr. Roy McMurtry."
[116] Abbott Mead Vickers/SMS Ltd., "Malcolm the Mountie."
[117] Keith Walden, *Visions of Order: The Canadian Mounties in Symbol and Myth* (Toronto, Canada, 1982), 211.

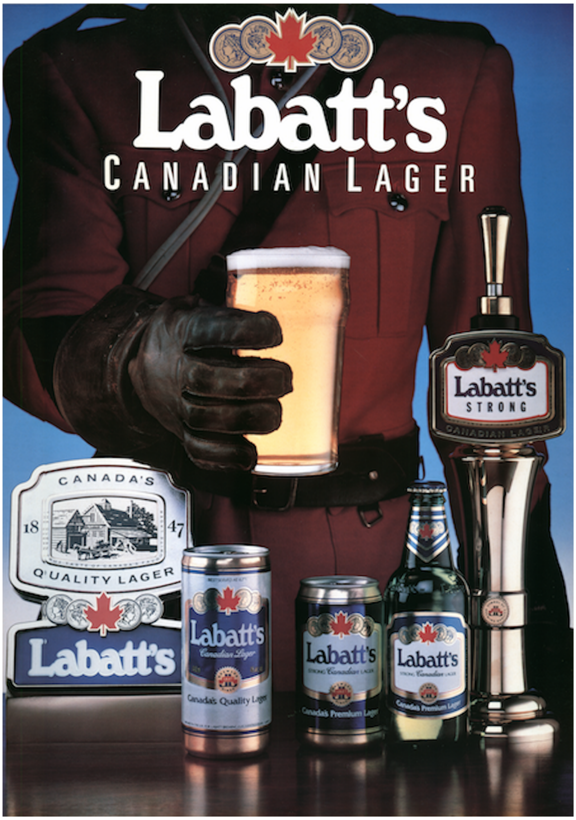

Figure 1. "Malcolm the Mountie": British advertisement for Labatt's Canadian Lager, c. 1990. (Source: Box A08-053-604, Labatt Collection.)

Having decided to use the Mountie in their campaigns, the brand managers at Labatt crafted a detailed character description of "Malcolm." He was between 28 and 34 years of age, about 6 foot tall, and "looked like a beer drinker." In terms of his personality, he was "laid back, casual, and never had to try too hard." He was also "resourceful and ingenious, fallible, but always came out on top." In addition, he was not cowardly but "believed that discretion was the better part of valour." He was affable, approachable, and enjoyed the company of others, and was "single minded in pursuit of his can of Labatt's." He lived in a log hut in a rural part of Manitoba, and his favorite pastime was "to drink Labatt's, eat steaks and engage in vigorous relaxation." In terms of his marital status, he was "single, but thoroughly heterosexual."[118]

[118] "Malcolm the Mountie: A Profile," Box A10-039-236, Labatt Collection.

In 1988, Labatt launched a multimillion-dollar advertising campaign in Britain for Labatt's Canadian Lager. Labatt spent £7 million that year on mixed marketing to promote its product. This was an enormous investment and slightly more than the sum that each of the Big Six spent on lager advertising that year.[119] However, almost immediately, problems with the campaign appeared. British actor and comedian Tony Slattery played Malcolm the Mountie in the first series of TV commercials, singing call-and-response to an ersatz life-size moose puppet. In another promotional spot, Malcolm thwarted a criminal gang by dumping ice cubes in its path. The commercials always ended with the tagline, "Malcolm the Mountie always gets his can," which was a play on the famous catchphrase first used in a US newspaper in 1877, "The Mountie always gets his man!" The problem was that British beer drinkers know the container as tins, not cans.

While a majority of Britons found the commercials amusing enough, they did not feel any more inclined to buy Labatt's lager. Indeed, fully a quarter of those surveyed said that "if anything it would put me off buying it." Executives flagged this answer.[120] When asked by Labatt's brand managers how they would describe Malcolm the Mountie to a friend, the answer most often given by participants was "well-built/big/broad-shouldered," but this was followed by "stupid/idiot/thick/fool." The answer least often given was "laid back/cool/relaxed."[121] Other viewers were put off by a Mountie "consuming liquor while dressed in the official uniform."[122] This was incongruent with the myth of the Mountie. A Mountie did not drink on the job. He was no hedonist. As cultural historian Keith Walden explained, a Mountie's "incorruptible morality ensured that he acted from a feeling of paternal concern for society, rather than self-interest."[123] At a time when the Mountie was increasingly disrespected in popular culture, appearing on everything from underwear to ash trays and even starring in porn, the Royal Canadian Mounted Police asked Labatt's to pull the advertisements.[124] They, like a number of British consumers, were offended that Labatt was exploiting one of Canada's sacred symbols to sell its beer.

Adding to Labatt's troubles was that research showed that while Malcolm the Mountie "immediately communicates Canadian origin …

[119] Monopolies and Mergers Commission, *The Supply of Beer,* 239–240.

[120] Tom Brennan, "Memorandum. The Malcolm Campaign—Quantitative Tests," 21 Oct. 1987, Box A08-053-304, Labatt Collection.

[121] Brennan, "Memorandum. The Malcolm Campaign."

[122] Marilyn McLeod to Sid Oland, 16 Sept. 1988, A10-039-088, Labatt Collection.

[123] Keith Walden, *Visions of Order*, 211.

[124] J. R. Bentham to John Morgan, 14 Apr. 1988, Box A08-053-304, Labatt Collection.

quality comes through less readily." This was a problem because, as the internal report noted:

> While quality may not be a consumer term, it is a concept that is readily understood by the U.K. lager drinker. He has no difficulty in assigning the descriptor to lager where he feels it is warranted. But he is not assigning it to Canadian lager.[125]

This mirrored what Labatt's brand managers were seeing in their other market research. Unlike Australia, Belgium, Germany, and Ireland, Canada was not thought of as a beer-making nation by UK consumers.[126] Indeed, the overall image of Canada was decidedly bland.[127]

It was not necessary for Labatt to associate its lager with a place. Many other brewers with global aspirations for their brands had deliberately avoided product–place associations. For example, Belgium's Interbrew promoted its flagship lager, Stella Artois, in the UK with ads claiming "Reassuringly Expensive," which stressed quality over place. Likewise, the commercials for Carling Black Label associated its beer with "remarkable people" wherever they live with the tagline "I bet he drinks Carling Black Label." Similarly SKOL, which was the leading lager brand in the UK in the 1970s, was promoted using the tagline "Say SKOL—the international beer." When choosing the colors for the SKOL label, the brand managers rejected "forest green" because it looked "too German" and instead went with an "international green" color.[128] In the 1990s and 2000s, Anheuser-Busch pursued a global brand strategy using the tagline "Budweiser: One World, One Beer." Therefore, product–place associations were unnecessary for creating popular global brands. Only when the place in question is viewed by consumers in a positive light do product associations pay dividends. The weakness of Labatt's advertising campaign therefore played a major role in its failure in the UK.

Conclusion: Entrepreneurship or Structure?

Obviously, long-term success for companies requires selling a quality product, marketing it effectively, and having consumers who want to

125 Memorandum: UK Brand Image Grid," 27 Oct. 1987, Box A08-053-304, Labatt Collection.

126 "Malcolm on the Trail of British Drinkers," *Globe and Mail*, 30 April 1988: B1.

127 Melissa Aronczyk, *Branding the Nation: The Global Business of National Identity* (Oxford, UK, 2013), 107–126.

128 "SKOL International Limited—General Correspondence," 25 July 1964, Box AFC 101-25, Labatt Collection.

buy it. Barriers can make any of these steps difficult to accomplish. For foreign brewers during the last quarter of the twentieth century looking to break into the UK lager market, the high tariffs on foreign-made beer made it difficult for them to ship their products to Britain. Beer is a low-value and high-bulk good, making transportation costs and protective tariffs structural impediments to brewers aiming to profit abroad. In addition, systems of distribution in the UK were tightly held by competitors, creating another barrier to entry. These were obstacles for all foreign brewers, thus entrepreneurship rather than barriers determined which foreign brewers succeeded in the UK and which failed.

What business decisions made the difference? First, successful companies were quick to recognize consumer tastes in the UK, and, second, they were willing to seize opportunities presented to them. The lager brands that went on to dominate the British market moved relatively quickly into Britain during the 1950s and 1960s. They then had the time to methodically develop recognition for their brands and a loyal customer base. The decisions they made to expand further into the market after establishing a foothold in the UK through exports was also important. E. P Taylor, Elders, Heineken, and Carlsberg all made the bold decision to purchase local firms and then gradually introduced their flagship lager brands at the premium level.[129] This proved to be a winning formula for growth.

Labatt's strategy was different and much less rewarding. First, it was unwilling to spend the money to acquire a British brewer, instead signing a number of agreements with regional brewers to produce its lager in the UK. Second, it chose to expand at the level of the brand rather than at the level of the firm. The owners of two of the brewing industry's well-known brands, Budweiser and Guinness, like Labatt, embraced a global brand strategy. It was not a winning formula for them either. However, it proved particularly damaging for Labatt, which introduced a new brand with an identity that was linked to a place unknown to most Britons. As made clear in this article. while positive country images can lead to a favorable assessment of that country's products (such as with Foster's Lager), negative perceptions have the opposite effect. Labatt's own market research showed that Britons knew very little about Canada, and what they did know was based on mythical, antiquated, and sometimes negative stereotypes. Canada was not known as a beer-making nation; as a result, the product–place association worked against Labatt's marketing efforts in the UK.

[129] Stack, Gartland, and Keene, "Path Dependency," 68–70.

Building and managing brands is a complex exercise for marketing managers related to market tastes, consumer wants, and societal and cultural trends, along with research on innovative knowledge, distributors, and retailers. Building a brand is an analytical process, and Labatt executives did not follow it. For example, their best-selling lager brand, Blue, took almost a decade to develop.[130] For whatever the reason, managers decided not to promote Blue when it made their strongest push into Britain in the late 1980s. This speaks to the Canadian corporate condition. There has long been hesitancy on the part of Canadian businesses to believe in the global appeal of their products, other than its natural resources. Only a handful of companies, like Roots lifestyle brand and Canada Goose clothing, have struck a distinctively Canadian identity abroad. Canada's biggest brewer did not. Many of the brands that Labatt's was competing against in the UK had been around for decades and had quality products, effective distribution channels, and brand identities that appealed to global beer drinkers. UK consumers did not view Labatt's lager as a quality product and the Canadian identity was unknown. A number of recent studies find that tradition, heritage, craftsmanship, and naturalness are elements that give a brand its authenticity and are the cornerstone of modern marketing.[131]

Were the managers at Labatt to blame for its failure in the UK? To an extent, but as historian David Landes notes, the mutually reinforcing phenomena of culture and place matter when it comes to entrepreneurship and the growth (and survival) of firms.[132] The spirit of Canadian capitalism has often been cautious and conservative, including the decision makers at Labatt. Labatt managers needed to take calculated risks and then pursue them aggressively, but they chose not to.

. . .

[130] Matthew J. Bellamy, "The Making of Labatt 'Blue': The Quest for a National Lager Brand, 1959–1971," *Business History* 62 (2020): 123–150.

[131] Lisa Peñaloza, "The Commodification of the American West," Marketers' Production of Cultural Meanings at the Trade Show." *Journal of Marketing* 64, (October, 2000), 82–109; Kent Grayson and Martinec Rand. "Consumer Perceptions of Iconicity and Indexicality and Their Influence on Assessments of Authentic Market Offerings." *Journal of Consumer Research* 31 (September 2004): 296–312; Michael Beverland, Adam Lindgreen, and Michiel W. Vink, "Projecting Authenticity through Advertising: Consumer Judgments of Advertisers' Claims." *Journal of Advertising* 37 (Spring 2008): 5–15.

[132] David Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor* (New York, NY, 1998); David Landes, *Dynasties: Fortunes and Misfortunes of the World's Great Family Businesses* (New York, NY, 2006); Landes, Mokyr, and Baumol, eds., *The Invention of Enterprise*.

MATTHEW J. BELLAMY, Professor, Department of History, Carleton University, Ottawa, Canada

Professor Bellamy is recognized for his teaching and research in business, political, and cultural history. He authored Profiting the Crown: Canada's Polymer Corporation, 1942-1990 *(2005), which won the National Business Book Award. His recent research, including his latest book,* Brewed in the North: A History of Labatt's (2019)*, focuses on the history of the brewing industry.*