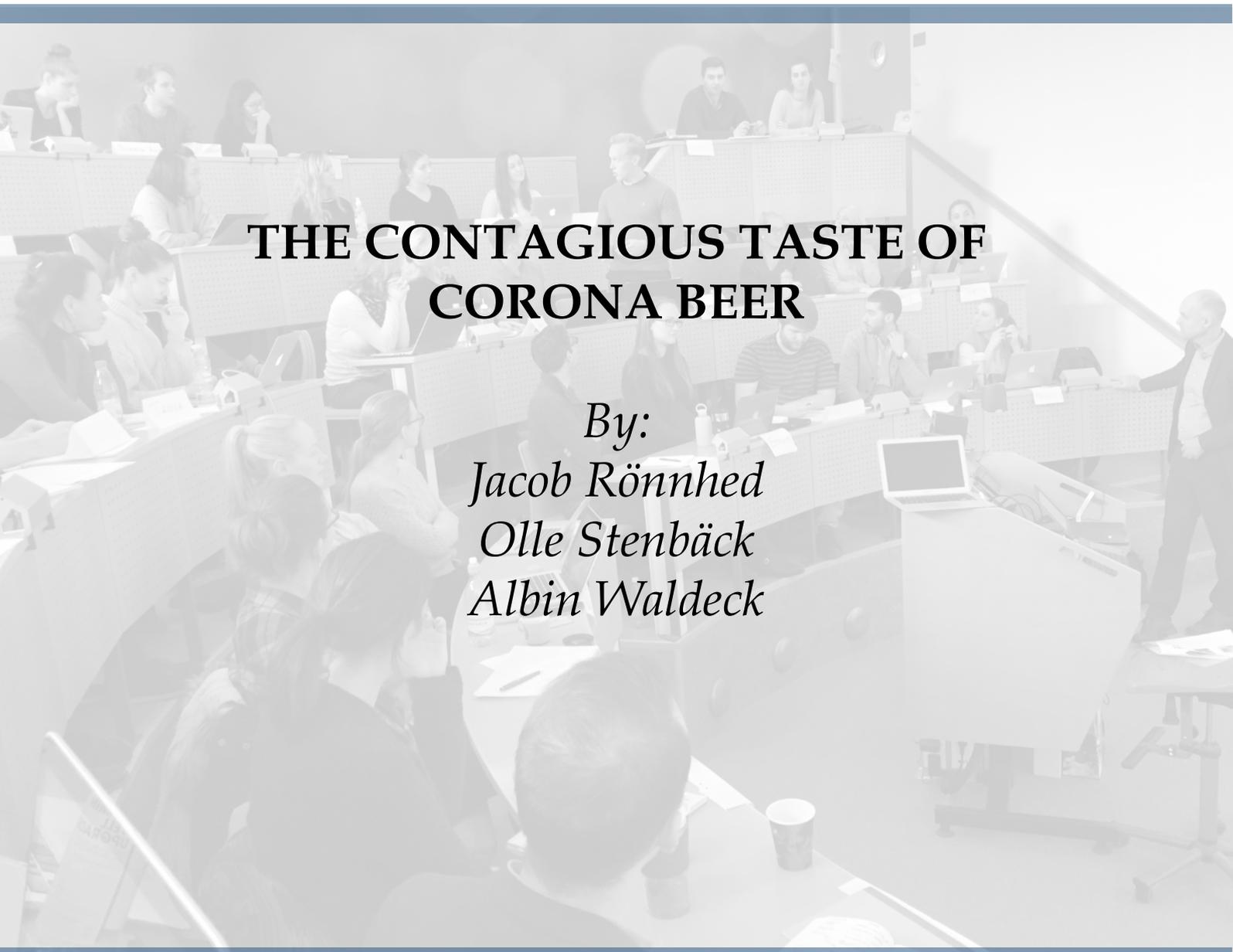


CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



THE CONTAGIOUS TASTE OF CORONA BEER

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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THE CONTAGIOUS TASTE OF CORONA BEER

The Covid-19 virus started spreading over the world in the beginning of 2020. WHO soon thereafter declared the virus as a pandemic and due to the crown-looking shape of the virus it was soon to be called the Coronavirus, Corona as it translates into crown in Latin. Not a big thing for most people, but if you happen to be one of the biggest beer companies in the world and from one day to another suddenly share your brand's name with a global pandemic, it might be of greater interest. Bill Newlands, the CEO of Constellation Brands, the American distributor and owner of Corona beer must have had a rather unpleasant morning that day in early 2020 when waking up to the headlines:

“THE CORONAVIRUS IS SPREADING OVER THE WORLD”.

How would you react and respond to an unfortunate coincidence and potential crisis like this? Did Mr. Newlands begin to cold sweat and did his heart beat faster than ever before? Or did Mr. Newlands open an alcohol-free Corona, put a lime wedge in the bottleneck and sipped on an ice-cool Corona Extra as his morning routine before driving off to work?

Background

Brand situation

Corona beer is produced by the Modelo Group in Mexico, but the Corona brand and the global distribution of the beer consists of split ownership between the American wine distributor Constellation Brands and the Belgian brewer Anheuser-Busch InBev. After a merger between the two companies and after an antitrust lawsuit, Anheuser-Busch InBev agreed on selling their share and right of selling Corona on the U.S market (Wyatt, 2013). This means that Constellation Brands is the distributor of Corona beer in the U.S market where the focus lies on this case.

Corona Beer

Like many traditional lagers, Corona has its roots in a German recipe and as the story goes that it was German immigrants that came to Mexico in the early 1900s and started brewing their beer. In 1925 Grupo Modelo S.A was founded by the Mexican Pablo Diez. The original recipe of Corona came to become the brewery's flagship brew and became a national brand. It was first 10 years later when Grupo Modelo decided tapping the Corona beer into clear glass bottles to differentiate from others that the brand was getting more popular and taking a bigger market share from the competitor's Pacifico, Victoria and Leon (Corona USA, 2020).

Corona beer was first exported in the 1970s and started to spread like wildfire in the U.S. After the start of export to the US, Corona could begin its journey towards an iconic brand, a brand of high reputation. The success story of Corona began during the mid-1980s when the beer was considered among the cheapest beers in Mexico. During this time, the sales of Corona beer was primarily within Mexico as well as the southern parts of the U.S. The 1980s was also a time of spring-break vacations amongst American college students. They travelled to the southern coasts of the U.S as well as to the beach resorts of Mexico to party, dance, drink and enjoy themselves. The drinking played a major part during these festive vacations and Corona capitalized on that. Due to cheap prices, distinctive packaging and a well-designed bottle, the beer was perceived as an authentic Mexican beer compared to other Mexican beer brands who served their beer in bright coloured cans. This was also the time for the all so classic tradition of putting lime into the Corona to make its first appearance (Holt, 2004).

"The Iconic Lime Wedge"

Why bartenders put a slice of lime into the Corona Bottles when served in a bar is a debate in itself. Some people claim it is a procedure that the Mexicans did to take the rust from the cap away while others claim it is to add some flavor to the tasteless beer. Furthermore, some argue the lime wedge is a way of stopping the flies from entering the beer while others say it is just a matter of branding the beer as something you will enjoy on a tropical island with a refreshing slice of lemon. Regardless of what history is true about the lime wedge, it has become strongly associated with the Corona beer brand.



As these college students returned to college, the stories of Corona were retold to others and created a certain shimmer over the brand. The distribution of Corona tended to follow the students wherever they went, from college into the work life. As these, now professionals, went out for a beer after work in major cities all around the US, Corona became their choice of beer for a night of partying. As a result, the Corona beer tried to claim ownership of the concept and associations of partying amongst many other beer brands at the time. Corona capitalized on the fact that the Corona beer was used during spring breaks to anchor itself to the partying stories. The business was booming and as of 1986, Corona claimed the position as the second

most popular imported beer in the U.S. However, as Corona became more and more popular as a beer associated with partying, the trend-leading consumers who had initially advocated Corona's myth started to see the coolness of it disappear slowly. This resulted in a decrease in sales and by 1990 it collapsed. People were now replacing Corona with other beers that they could associate with partying. The situation called for new measures to be taken (Holt, 2004).

Corona decided to move in another direction by launching a campaign called "Change Your Latitude" where they portrayed a scene of an idyllic beach that was viewed from the perspective of a couple walking along the beachside. They wanted to mediate a sense of complete relaxation. They continued on this theme by creating commercials and campaigns involving the main concepts of sandy beaches, blue oceans, coronas and the feeling of time standing still, being completely relaxed miles away from home. Corona moved from owning the associations of partying to owning associations of the relaxation of being far away from everything on a tranquil beach vacation. For a few dollars, people were allowed to experience the feeling of being on a beach with a Corona in hand and not a care in the world. Due to a shift in the labour market in the U.S at the time, people were more stressed than ever before which created an even greater urge for relaxation and Corona could offer that. Since the shift of brand essence and associations, the business was back on track and by 1999 the brand overtook the first place from Heineken of being the most popular imported beer in the U.S in the American market (Holt, 2004).

Entering the year 2020, Corona is sold in more than 150 countries all over the world and apart from the home market Mexico, the American market holds the largest and most important share of sales. The Corona brand was even ranked as the number six in the world of most valuable and strongest beer brands in the world during 2019, entering 2020 (Brand Finance, 2019). Furthermore, the year of 2020 holds several promises for the brand Corona. They have planned to launch several products, where one of their major launches includes the 40 million dollars launch of the Corona-branded hard seltzer. The drink hard seltzer is a popular drink among millennials and is also referred to as "Skinny bitch". It is an alcoholic drink consisting of mineral water with added seasoning (Clifford, 2020).

The incident

December 2019, an unknown disease starts spreading in Wuhan, China, that causes fever, coughing and breathing difficulties for its victims. At first sight, the virus infection did not seem deadly but after the first confirmed death caused by the virus, the media started reporting about it all over the world. The first months were filled with uncertainties and speculations regarding the virus. People did not know what to believe or expect from it and after a couple of hectic weeks at the beginning of 2020, the Director-General of the World Health Organization declared the outbreak of the coronavirus to be a public health emergency of international concern

and temporary recommendations were issued as of 30 January 2020. Shortly thereafter, the identified coronavirus disease 2019 (Covid-19) was declared an ongoing pandemic and until today more than 109 million confirmed cases and more than 2,4 million deaths have been caused by Covid-19. (WHO, 2020).

The unfortunate coincidence of sharing the brand's name with an ongoing pandemic is the incident that the managers at Constellation Brands now were facing. In January 2020, the pandemic was spreading and the rumours of possible connections between the coronavirus and the Corona beer were arising. It was during this time that unusual Google searches started to trend all of a sudden. Searches such as "corona beer virus", "beer coronavirus" and more became increasingly popular. "Corona beer virus" increased more than 2300% globally from the 18th of January to the 26th of January while "beer virus" jumped 744% and "beer coronavirus" increased by 3233%. There were clearly people who started to think and worry about there being a connection between the coronavirus and the corona beer (Bostock, 2020).

Soon after the increase in searches for connections between coronavirus and Corona beer, a survey was released to the public. The survey conducted by 5W Public Relations said that 38% of the Americans would not buy Corona under any circumstances and that 14% said that they would not order a Corona beer in public. Another 16% of the participants in the survey found themselves confused about whether there was a connection between the coronavirus and the Corona beer (Gibson, 2020). The survey caused a lot of buzz, especially since it was tweeted by CNN **[Exhibit 1]** and other news outlets, causing an even larger commotion regarding the peculiar situation. The buzz continued to grow, and soon social media exploded with various memes and jokes about the connection between the beer and the virus. Jokes such as "Corona beer changes their name to avoid association with the coronavirus outbreak, to Ebola Extra" **[Exhibit 2]** and "Do you know what goes great with the coronavirus? Lyme disease" **[Exhibit 3]**. The list can be made much longer but these were a few examples of the jokes that flourished about the Corona beer during the beginning months of the outbreak of the coronavirus.

As a result of the uncertainty and fear of the spreading coronavirus, stock markets all around the world were falling drastically during February 2020. So was also Constellation Brands stock that dropped 48,8% during the most dramatic days in the stock exchange in March 2020 (Forbes, 2020).

In the beginning of 2020, when this case takes place, uncertainties around the world are present and the pressure is high on governments and businesses to handle the crisis that the coronavirus has caused in the best possible way. Newlands and the management are now facing a unique situation that not many businesses have experienced before. Nevertheless, it is now time to take action and cope with the situation at hand. How should Bill Newlands and the management team act, considering the following questions:

- *What alternatives are the managers of Constellations Brands left with, how should they act and what potential effects could different actions have both short term and long term?*
- *How should Bill Newlands and his team at Constellation Brands act regarding the launch of Corona Hard Seltzer and what potential outcomes could different actions have?*

Exhibit 1 - CNN on twitter (@CNN), February 28, 2020



Exhibit 2 - Corona Beer Meme 1

CORONA BEER CHANGES THEIR NAME TO AVOID ASSOCIATION WITH THE CORONA VIRUS OUTBREAK



Exhibit 3 - Corona Beer Meme 2

You know what goes great with the Corona virus?



Lyme Disease



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