



# Corona Extra

## THE MARKET

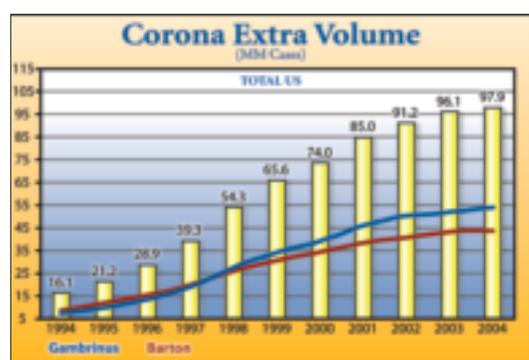
Beer-related businesses, including brewers, wholesalers, retailers, and brewer suppliers, contributed more than \$162 billion to the U.S. economy in 2004, according to the Beer Institute and the National Beer Wholesalers Association (NBWA). The economic impact of the beer industry includes nearly 1.8 million jobs paying more than \$54 billion in wages as well as more than \$30 billion in federal, state, and local taxes generated and paid, including consumption taxes. The overall beer industry has remained essentially flat for many years, while most growth has taken place within the light beer and higher-priced Import and Specialty segments. Consumers have been trading up in many product segments, and beer is no exception.

Within the entire U.S. beer category, the refreshing and clean-tasting Corona Extra brand stands as one of the most distinct. With its appealing taste, distinct packaging, and memorable marketing, the tremendous growth of Corona Extra has fueled growth of the entire Import Beer segment, which, over the past few years, has doubled in volume share, to now command approximately 12 percent of all beer sold in the United States.

## ACHIEVEMENTS

The Corona Extra brand, brewed by Grupo Modelo of Mexico, has become a worldwide phenomenon. First brewed in 1925, Corona has a legacy of number-ones, starting with its position today as the top-selling beer in its home country of Mexico. Corona Extra is also the number-one-selling imported beer among U.S. imported brands, and the number-six-selling brand within the total U.S. beer category. Leveraging the brand's export success to the United States, Corona has become the fourth-largest-selling beer brand worldwide, sold in over 150 countries.

Corona's success in the United States is truly astounding. Although initially only a popular brand among consumers in restaurants and bars, Corona Extra now has claim to the top-selling beer stock-keeping unit (SKU) in grocery stores



nationwide. In the wake of Corona's success, the brand has received numerous beverage industry Hot Brand awards.

Corona Extra's advertising has been almost legendary since it was first created in the late 1980s. While undergoing a subtle evolution, and through several advertising agency changes over the years, the brand has staunchly maintained the sense of escape and the relaxed tropical feel in all of its marketing efforts. This persistent approach explains why the "Miles Away from Ordinary" campaign is so central to Corona's brand equity today. As a result, the brand's advertising has been recognized many times over the years among *AdWeek's* Best Spots, while garnering other industry awards as well.

Other advertising milestones include the first-ever Corona Super Bowl TV ad aired in 1999, and the first-ever major TV advertising campaign for Corona Light was created in 1998. The tagline "Miles Away from Ordinary" was adopted in 2000.

## HISTORY

Corona Extra is imported in the United States by The Gambrinus Company in San Antonio, Texas, and by Barton Beers Ltd. of Chicago, Illinois. Gambrinus is the larger U.S. importer, and sells the Modelo portfolio in Texas and the eastern United States. The portfolio of imported Modelo brands include Corona Extra, Corona Light, Modelo Especial, Negra Modelo, and Pacifico Clara. Gambrinus also imports Moosehead Lager from Canada for the entire United States, and it owns the BridgePort Brewery in Portland, Oregon, the Trumer Brauerei in Berkeley, California, and the Spoetzl Brewery in Shiner, Texas. The Pete's Wicked brand family is also owned and marketed by Gambrinus.



The Gambrinus Company includes more than 300 corporate, sales, distribution, brewing, and support personnel. From its headquarters in San Antonio, Texas, Gambrinus partners with a family of distributors and world-class brewers to bring its portfolio of top-quality products to a dynamic and growing consumer base.

Carlos Alvarez, president of The Gambrinus Company, is the visionary who first brought a beer in the clear long-neck bottle called Corona Extra to the United States. Having grown up in the beer business (his father established a Corona distributorship in Acapulco in the mid-1940s), he later went to work for the brewery. As export director for the Modelo Brewery in the late 1970s, he convinced Modelo's management that the strategy of exporting Corona in a brown bottle — looking like domestic

American brands — was not only generating little volume, but also did not reflect the original image and authenticity that was inherent in Corona Extra's clear, long-neck bottle, and he was right.

In 1981, the first Corona Extra in its distinctive original bottle was sold in the United States in Austin, Texas. With virtually no marketing support, Corona became an almost overnight sensation in the United States, and the brand's distribution was continually expanded into more states. With the popularity of Corona clearly evident, Alvarez was most concerned with opening new markets (beyond the West) and rapidly expanding distribution to capitalize upon the opportunity. In 1986, Alvarez left the Modelo Brewery and formed The Gambrinus Company to import Corona Extra and other Modelo products in Texas and the eastern United States, a move that would allow Corona to eventually achieve national distribution.

The clear, long-neck bottle served with a lime wedge was becoming visible in restaurants, bars, and clubs from coast to coast. However, Corona's success in the United States was not yet assured. The initial consumers who drove the brand's early sales naturally migrated to other brands, and economic conditions in the late 1980s contributed to depress the sales of higher-priced imported products. Soon Corona's U.S. sales were falling as rapidly as they had once grown. Alvarez again championed the brand. The U.S. Federal Excise Tax (FET) on alcohol products was raised in 1991. In sharp contrast to the industry practice of passing on such taxes in price increases, The Gambrinus Company seized the opportunity to regain the price-value relationship that Corona had lost by absorbing the tax and not raising prices. No other beer company in the United States was as daring as Gambrinus was in taking this entrepreneurial action. This creative step rejuvenated Corona's popularity and was identified by the industry as the single most significant factor in the brand's impressive turnaround. In 1997, Corona became the number-one-selling imported beer in the United States, and in 2000, The Gambrinus Company passed Barton Beers (importer for Modelo in 25 western states) as the largest U.S. importer of Corona Extra.



Today, Corona is exported to over 150 countries, and The Gambrinus Company is proud to be the single largest customer for Grupo Modelo sales worldwide.

### THE PRODUCT

Corona Extra is an exceptionally smooth and refreshing beer to drink — perfect for a warm, sunny day at the beach, or anywhere for that matter.

Every bit as unique and appealing as the beer itself, Corona's packaging caused consumers to

take notice. The bottles, made from a heavier glass, were originally designed to aid in the cleaning of returnable bottles in Mexico. The brand's distinctive printed label also served to aid in the reuse of the bottles.

The logical and practical design of this package for use in Mexico was perceived and accepted as quite unique when first imported into the United States. Corona's innovative bottle created a packaging revolution within the U.S. beer industry. Until Corona, the non-returnable bottle was of the short, stubby kind. American brewers started using long-neck non-returnable bottles in 1987. While many brands today attempt to leverage packaging as a competitive asset, such efforts were not evident to this degree in the early 1980s when the clear Corona long-neck was first introduced to U.S. consumers. The rest is history.

### RECENT DEVELOPMENTS

The Corona success story continues on. Despite a significant retail price increase in 2004, the brand's sales from wholesalers to retail customers grew at a surprising 2 percent, after industry experts had predicted a decline. Competition, in the form of look-alike brands and with often mimicking marketing efforts, continues to target the U.S. Importers' strategy for growth, but with little success. Corona Extra, the original, remains unduplicated. In early 2005, Corona Extra was once again surging ahead.

Corona Light has grown to become the number-eight-selling imported brand, in its own right, supported by its "Tropic of Corona Light" campaign. The brand, already the number-one-selling imported light beer in grocery stores, is poised to become the overall number-one-selling imported light beer in all U.S. retail channels.

### PROMOTION

Corona Extra's promotional activities have always been every bit as unique as the brand's advertising. Corona's sponsorship association with Jimmy Buffet's concert tours has been an ongoing relationship for nearly two decades.

Retail promotional activities have in no small part contributed to the brand's growth. Without any significant advertising when first launched, it was the unique presentation of clear, long-neck bottles being served with lime wedges in restaurants and bars that first inspired the curiosity of consumers. Taking the brand's tropical imagery to convenience stores and grocery stores has fueled the brand's almost universal acceptance.

Today, Corona Extra is promoted year-round with events and themed materials, but the brand's association with the Cinco de Mayo holiday has been its most significant promotion. This unique promotion is supported by all forms of media and serves to kick off the important summer selling season.

### BRAND VALUES

Brand development is the principal philosophy that drives day-to-day thinking, strategies, and actions. The core Corona brand equity has always



been centered upon a mind-set of a tropical vacation. That association provides a sense of escape, which is refreshingly different from the benefits communicated by other beer brands.

The Gambrinus Company is known for its aggressive stance on brand development and for providing the consistent long-term commitment developing brands require.

The continued success of Corona relies on commitment to these ideals:

- **Passion.** Total commitment to a business built on relationships and trust.
- **Dedication.** Unrelenting focus on volume growth through brand development.
- **Persistence.** Absolute attention to detail in every aspect of the business.
- **Creativity.** Building awareness among retailers and consumers through focused business execution and a never-say-never attitude.

### THINGS YOU DIDN'T KNOW ABOUT CORONA

- The Gambrinus Co., one of Corona's two U.S. importers, was named after King Gambrinus, who brewing lore has named the "King of Beer" and the man who declared "Beer brings enjoyment to the world!" King Gambrinus has been honored throughout the world and through the centuries as the man who invented the "toast" as a social custom.
- One of the main emblems of Corona's uniqueness in the United States is its consumers' tradition of drinking Corona with a wedge of lime. However, this tradition is not widely practiced in Mexico.
- Corona Extra's U.S. market success story has been the subject of a *Harvard Business Review* Case Study.