

Master of International Business Management and NCT Projects

Double Degree Program

STRATEGIES BEHIND THE MOËT HENNESSY DIAGEO PORTFOLIO WORLDWIDE

How are MHD France and MHD China responding to the local consumers with tailored portfolio strategies?

MHD
MOËT HENNESSY DIAGEO

Cécilia Buffenoir

Supervisors:

Luiss University: Maria Jell-Ojobor

Université Paris Dauphine: Hèla Yousfi

Moët Hennessy Diageo: Guillaume Buissez

Year 2019-2020 - JULY SESSION

Abstract

Each country carries its own culture and traditions that are transcribed into the way of consuming. In the wine and spirits market, each nation has its own preferences in tastes and culturally influenced rituals. Globalization allowed markets to open and exchanges their goods and savoir faire. It developed curiosity around new products and flavours that were adopted globally. Domestic companies have developed their presence in new markets to grasp this opportunity. Having one portfolio of products, they needed to be competitive in both local and foreign markets. We have observed that the joint venture structure allows to adapt to the country demand thanks to a diverse portfolio. It also brings a stronger market share to fight against harsh competition. This study analyses how a joint venture can adapt to its local and foreign consumer needs in terms of portfolio strategy.

The research was done first with a deep analysis through literature review of joint venture strategies. We focused on two different portfolio strategies in terms of brand launch which are value appropriation and value creation. We wanted to see if a same joint venture present in a mature market and in a developing country, launches an innovation with the same strategy. We came up with 4 hypotheses from theoretical readings. The theory has been then tested with information collected through interviews with professionals working inside wine and spirits joint ventures in France and in China. We also gathered sufficient marketing and communication medias to compare with our theoretical hypothesis among with data on wine and spirits competitiveness. We were able to conclude on the supported and rejected theoretical hypothesis according to empirical evidence.

Comparing our theoretical hypothesis with the empirical information, we were able to draft some interesting international portfolio strategy. Our research showed that in some very competitive market, some innovation can be launched with standardization if the local market is adapted. We also witnessed that in less competitive markets, where new western products are slowly being adopted, wine and spirits companies adapted very closely to the local consumers. Our research taught us how important it was to analyse closely the local consumer need. Joint ventures have the power to gather diversified brands in their portfolio to make sure to adapt perfectly to the market. This structure enables them to be innovate and be pioneer on their markets, taking on growth opportunities.

Keywords: *Globalization; Value Appropriation, Value Creation, Joint-Ventures Strategy; International Strategy; Market Opportunity; Innovation launch; Consumer's need*

Acknowledgments

This memoir concludes my life as a student but also as an apprentice. I have been lucky to study in Université Paris Dauphine for all my superior education with different international experiences. After 6 years of learning in three different universities around the globe, 5 internships in 3 different countries, I am very glad to end my education with a Double Degree in International Business with LUISS Guido Carli University. This final work gathers all that I have learnt in the field of expertise I wish to pursue my career in. Being an apprentice in my second year of Master inside Moët Hennessy Diageo France was also the best way I could hope to enter my new life as a professional. This memoir would have not been accomplished without the help of engaging people.

First, I would like to thank both LUISS Guido Carli University and Université Paris Dauphine to allow me to participate in this Double Degree Program. My deep gratitude goes first to Professor Maria Jell-Ojobor and Professor Hèla Yousfi, who, as supervisors of the thesis, guided me with patience and great advice, with continuous support. I would also like to thank Mr. Guillaume Buissez, my apprentice tutor at Moët Hennessy Diageo, who took the time to help me both in the process of defining the topic and in connecting with professional inside the company but also internationally.

Besides my advisors, I would like to thank Mrs. Marion Lacroix et Mrs. Claire Meyer, Mr. Stephane Lepercq, Mr. Guillaume Hameeuw, Mr. Mathieu Duchemin, Mr. Laurent Morel, Mr. Benny Ng for their time. I am very grateful for their commitment especially during the difficult period of the Covid-19 crisis. Our exchange and discussion brought essential insights and a great form of inspiration for my memoir and future professional life.

A warm and special thanks to my friends and family who contributed to make this journey fun and memorable.

Cécilia Buffenoir

Table of content

I. Introduction	6
1. Pitch	6
2. Company's description	6
3. Raised questions	7
4. Literature Gaps	8
5. Structure.....	9
II. Literature review	10
1. Creating a joint venture	10
i. What is a joint venture?	10
ii. Type of governance	11
iii. Different key success factors.....	11
iv. Emerging countries strategies: example of China	12
2. Theory and hypothesis	14
i. Value appropriation	15
ii. Value creation.....	17
3. Qualitative.....	20
4. Quantitative.....	23
5. Methods	23
IV. Implementation strategy of an innovation in France and in China	24
1. External environment factors: market study	24
i. Industry.....	25
ii. Customer targeted.....	28
iii. Competition	31
2. Internal characteristics of MHD France and China	34
i. Organisational factors: culture, portfolio coherence and ownership	35
ii. Know how, internal assets, experience.....	38
iii. Product: local adaptation to consumers.....	40
V. Discussion.....	58
VI. Contributions	59
VII. Limitations and future research.....	60
VIII. Conclusion	61
Appendix.....	62
Bibliography	74
References.....	76
Master Thesis Summary	77

List of Tables

Table I: Research hypotheses on the Portfolio Strategies in Different Markets. Complied by the author...	19
Table II: Confrontation of Theoretical Hypothesis with Empirical Patterns. Complied by the author.....	57
Table III: SWOT of MHD Market. Complied by the author.....	58

List of Figures

Figure I: Porter's 5 Forces of the Wine and Spirits Industry. Complied by the author.....	34
---	----

List of Abbreviations

CEO: Chief Executive Officer
CSA: Champagne et Spiritueux Associés
CSR: Corporate Social Responsibility
DJ: Disc-jockey
DMH: Diageo Moët Hennessy
IDV: International Distillers and Vintners
IWSR: International Wines and Spirits Record
LVMH: Louis Vuitton Moët Hennessy
MH: Moët Hennessy
MHD: Moët Hennessy Diageo
MIB: Master of International Business
NCPT: New Communications and Project Technologies
RMB: Renminbi
UDV: United Distillers and Vintners

I. Introduction

1. Pitch

As a student in the Master of International Business and NCPT projects (MIB), in a Double Degree program between LUISS Guido Carli and Université Paris Dauphine, I am completing a Master thesis. I have the chance to have been an apprentice in the French company Moët Hennessy Diageo France for a year and work for the Sales Department. Therefore, I chose to conduct my thesis research around the strategy of this joint venture also present in Asia. The background I have gathered since the start on my superior education, will help me fulfil the thesis from both academic and professional experience. After completing a bachelor's Degree in Applied Economics within Université Paris Dauphine, I completed my first year of Master in LUISS Guido Carli in 2017-2018 in a continuous learning in the city of Rome. As part of the program, I decided to take a gap year between my first year and second year of Master. During that gap year, I joined for 6-month Moët Hennessy Diageo France as a Sales representative Assistant for On-Trade Key Accounts in Paris. My second internship was within William Grant & Sons as a Trade-Marketing Assistant. The choice of companies is not random, I am passionate about wine and spirits and its industry. Currently finishing my second year of Master in Université Paris Dauphine, I chose to focus my thesis subject on what I have both learnt in school, with theoretical studies, and with professional experiences, with empirical insights.

Today, I am an Off-Trade Key Account Assistant in Moët Hennessy Diageo France. Having an experience on the On-Trade market, which is restaurants, bars and hotels, and Off-Trade market, retail, I got to see different strategies and dynamics in the French markets. During my second part of my bachelor's degree, I got to study and intern in Shanghai, China for 8 months. I chose to work for a Spanish wine company called Freixenet which had a Chine affiliate in Shanghai. Having this other vision of a wine and spirits player got me interested in local strategies of international brands. Indeed, Freixenet Shanghai distributes a Spanish cava, but also a portfolio of Bordeaux wines under the group Yvon Mau. Working with those different brands and understanding the On-Trade market as a Brand Ambassador, I got to get a first insight of why and how big international groups decide to join forces to distribute their products according to the local market, especially in emerging countries like China.

2. Company's description

Moët Hennessy Diageo is a joint venture of Moët Hennessy (MH), the wine and spirits branch of the luxurious group LVMH and Diageo, a British multinational alcoholic beverages company, world's leader in spirits. Both companies are leaders in their sector, MH carries some very powerful brands such as Moët & Chandon (world's best-selling champagne). Diageo is the world leader in spirits with internationally known brands like Bailey's (world's best-selling liqueur) or Smirnoff (world's best-selling vodka). MHD is also trying to both represent old historical brands that have a powerful heritage with young innovative brands that are

following new trendy categories. It can therefore please multiple consumers and always try to adapt better to the market needs. For example, MHD is now distributing Captain Morgan, a Diageo owned brand since the 2013.

In France, those two companies decided to join forces with a joint venture contract and created Moët Hennessy Diageo (MHD) in 2000. As the wine and spirits market is competitive, they are seeking to generate synergy in both portfolios and distribution of their brands. This fusion also exists in other countries, all being present in Asia. There are 8 MHD in the world: MHD France, MHD China, MHD Singapore, MHD Hong-Kong, MHD Macao, MHD Japan, MHD Malaysia and a structure owned by Diageo, DMH Thailand. In the rest of the world, those two companies are competitors and distribute their brands either on their own or with other distributors or companies according to the local market.

I wanted to understand throughout the research writing process of my thesis, how MHD is adapting worldwide and what are the primarily portfolio strategies in each market. Knowing the disparities between the French and Chinese wine and spirits market, it would be interesting to compare the MHD France strategies with the MHD China ones, through the study of their market and portfolio. More specifically, analysing a launch of an opportunistic category in each market would help answer our questions.

3. Raised questions

LVMH, the French luxury group, is today very successful and seems to still grow and take on opportunities after another. In its wine and spirits branch, we can observe strategic alliances in different markets, and even on its home market: France.

When we look at the French wine and spirits market, we can see that it is very competitive, gathering very powerful players. The biggest players seem to diversify their portfolio through the acquisition of new local and international brands. For instance, we can find historical French group competing directly against MHD France like Pernod Ricard, La Martiniquaise or Marie Brizard. Nevertheless, they do not compete on the exact same sector, neither the same distribution channel. Some focus their forces on Off-Trade products, some produce mostly for export, some are national companies, other international ones.

As we have seen earlier, it is very interesting to study the joint venture in a very different market, more specifically in an emerging country where the wine and spirits market has different dynamics. In China, none of the players were originally based and competitors only recently entered the market. MH and Diageo's products were distributed through importers, but they were not present to operate the business directly on the market.

We can first look at the French MHD joint venture and question ourselves about the strategy of its portfolio. The market is very specific in France with demanding consumers. The structure of his portfolio is therefore adapted to the local market. We can witness that the same joint venture in China, has the same exact structure, yet a different portfolio. Indeed, the market is different, therefore business opportunities are different. How can we explain that a same structure is present in such different markets? What are the differences in portfolio? Do both joint venture approach their target consumers with similar marketing strategies? Why do both Diageo and MH decided to tackle those markets with a joint venture structure?

4. Literature Gaps

If we look at current literature on our questions, we can see that studies have focused on different types of alliances. Literature reviews focus on the main goals of a joint venture, especially in emerging countries such as China. We learnt through our reading that different success factors can help a joint venture meets its targets.

Launching innovation brands on a specific market with a joint venture also seems like an interesting strategic move, making the alliance stronger and more profitable. The sectors analysed were mostly the automobile sector, the IT sector and the consumer goods industry, through quantitative and qualitative methods.

Our research work will look at the different portfolio strategies of the same structure in very singular markets. It seems that not a lot, or even no, management journals have looked at such a study case. Furthermore, it is very rare to find any literature review focusing on alliances in the wine and spirits industry. Very few recent study has been done in this market and a lack of evidence surrounding synergy strategies is omnipresent. None of the literature review analysed a launch of an innovation product in two opposite markets, such as Captain Morgan in France or Hennessy in China. Therefore, we will try to answer to the following question:

How are MHD France and MHD China responding to the local consumers with tailored portfolio strategies?

5. Structure

We will study this question looking first at the literature review surrounding joint ventures and their strategies. More specifically, we will look at value creation strategies versus value appropriation strategies in different markets. We will therefore enounce some hypothesis on the different strategies followed, according to the market each alliance is operating in. This first section will help us build some theoretical evidence inside the international management literature, from different studies conducted recently, worldwide.

Secondly, we will carry out a cross case analysis of MHD in France versus in China. Numerous interviews from both companies' employee will be conducted, making sure to gather different point of views from different departments. We will also gather internal and external documents and data to have various details on brand image and market shares on each market. We will confront the empirical results with our theoretical hypothesis. This is help us confirm and reject hypothesis.

In the third part, we will discuss the main findings and results. We will see how the different insights we got influenced the writing of our thesis. We will also study what they brought for our chosen topic but also adjacent related fields. We will come up with some limitations of our research and potential other questions to look into for better understanding of our subject. We will then end with a general conclusion on our research and responding to our main thesis question.

We hope to be able to answer to our research question and find some new and insightful analysis of the Moët Hennessy Diageo global joint venture strategy. Furthermore, our study will help understand the strategies behind the two joint ventures and maybe create some interesting insight on global alliances strategies.

II. Literature review

Considering the already existing articles, we can see that a lot of studies have been done on strategies around joint ventures. The focus is mostly about how to create a long lasting joint venture and what are the strategies' approach. Theory models show two different approaches, the value appropriation approach and the value creation approach.

We will first look at how a joint venture is set and why. We will be considering studies on managing a strategic innovation launch in joint ventures in different markets, especially around emerging countries. This will help us set good basis on different level of control and success according to the governance structure.

In a second part, we will study what are the theoretical differences regarding alliances and joint ventures. We will hypothesize the potential of international strategies of joint venturing through the two models. Our aim is to discuss the potential different strategies of portfolio of a joint venture present in a developed country versus a developing economy. We will develop different hypothesis that will set the basis of our research.

1. Creating a joint venture

i. What is a joint venture?

Let us first analyse what is a joint venture. From our literature reading, we can assess a joint venture by legal arrangement from two separate legal entities that wish to complete diverse strategic objectives owning both interest in that new entity. That contract helps both companies to seek various objectives, it could be to access resources they lack, enter a new market or strengthen their current market position. All in all, it is created in order for both companies to achieve a common project, that they both agreed on.

Today, we can see numerous example of joint ventures in very different industries. Indeed, market globalization, technology breakthrough and competitive challenges, incentive companies to create new types of alliances, one of them being the joint venture. Different type of alliances contract exists, but joint ventures have the advantage of having a written contract, creating a new entity acting under the responsibility of both firms and having the parent companies remaining separate legally. As well-known examples, we can quote Uber and Volvo, General Electric and Alstom, Sony and Ericsson. We have found in our literature review, that a lot of joint ventures are also seeking international radiance. They tend to appear in emerging countries between far away partners.

Nevertheless, joint ventures are a risky operation since both parent companies share their assets, know-how, resources and competitive advantages. Oppositely, in contractual alliances, both companies only partially share their resources. The contract can be created to fill in the missing assets from a partner regarding the other. The relationship needs to be reciprocal and both companies need to be better off working jointly then

alone. All in all, joint ventures need to provide mutual safeguards to make sure none of the partners are seeking a personal advantage in the joint venture creation. Motivation for the creation of a joint venture should be a mix of better performances of individual companies and collective gains.

ii. Type of governance

When we look at the type of governance structure, we can analyse that is it a crucial dimension to analyse. Indeed, the type of governance would tell how adaptive and flexible the new company can be.

As we have seen earlier, joint ventures are different from contractual alliances in term of governance. Indeed, in the latter, the original management of both parents' companies stays the same. On the other hand, a joint venture creates a separate management and executive team coming from parents' companies, which have an independence of governance. Most often, a joint venture will pursue a very different goal from the parent company. It is probably why it has been created and is successful. Nevertheless, the joint venture needs to feel responsible for its every day operations. Being independent in terms of managerial decisions is very important for the everyday work.

For the joint venture, a very important way of making sure none of the partners are cheating or pursuing their own competitive objective, is to create a very balanced and equitable distributions of income (Porter and Fuller 1985). This threat is particularly present in a joint venture where the two companies are direct competitors, exactly like our example of Diageo and Moët Hennessy. If both companies acknowledge the risk and see the strategic benefits of working complementarily, they can create a very positive wealth gain as they gather great competitive gain and interesting synergistic effects. We can make sure that both companies are ready to cooperate by making them equally committed and responsible. This would mean having both partners sharing ownership position. That way, both companies are committed and feel responsible for each other's success, since they share control and management.

iii. Different key success factors

To make sure the new entity is successful and that both companies stick to their wish to work jointly, we need to look at the transaction cost. Transaction cost are all the relative costs coming from the creation of a business and its every day operations. Two assumptions need to be considered. First, individuals in the company are assumed to be boundedly rationale (March and Cyert, 1963). Even if individuals try their best to predict and plan outcomes of the business and environment, they are still limited, they cannot plan for everything. The second assumption is about opportunism, some individuals could be motivated by self-interest and would act with guile (Williamson, 1996). Fortunately, not all individuals are acting under such behaviour, nevertheless, it creates cost to look for untrusting individuals. It is easy to understand that creating another

company and running it could cost some additional expenses but, in the end, working together should create more value than the two companies would do alone.

We see in the joint venture contracts some necessary minimum obligations to make sure no partner will defect and that no opportunistic behaviours will occur. The viability of the joint venture relies on how well the partners are respecting informal, relational obligations, which are trust and mutual commitment. According to Gulati (1995), the biggest concern of a company in a joint venture is the predictability of the partners' behaviour. Studies show that trust and cooperative relationship tend to increase when the two partners have had prior successful relationships. Transaction cost theorists have shown that companies working repeatedly together increase the mutual trust, obliging the two company to behave loyally. Before the creation of the joint venture, if one of the partner defected or was non-cooperative, it will forever penalize the trust of the two companies. They will never work again together in the future. Learning about a company's behaviour from past collaborations will help to find the perfect joint venture partner. It will align the trust relationship in a very effective way and would promote longevity of the joint venture (Hladik 1985).

Considering the trust in a joint venture, we have seen in the different articles that it is the base of every lasting relationship. In a joint venture, the parties are vulnerable to each other since they create mutual interdependence. Joint ventures are usually seen as unstable and difficult to manage. With trust, studies have shown that interorganizational ties are strengthened, contract negotiations are quicker and transactions cost are reduced. In order to actually create joint venture trust, two factors must be present: there should be reliance on each other's and existing risk. In reliance, we mean that the outcome of one party influences the wealth of the other one. Risk can be defined as potential negative outcomes from the untrustworthiness of the other party. If there is no risk, there cannot be any trust to operate since none of the party are vulnerable. Since both companies have their assets and knowhow to lose (here sharing it) there is a specific risk. We can also find risk in the market specificities and the rising competition. In the case of a joint venture going to an emerging country, a long list of risks can be drawn. If we consider that risk is present, therefore trust can be built between the two parties. The joint venture partners will be more willing to be tolerant and to work on perseverance if necessary when difficult times arise. We can say that here, trust is first a structural property for the joint venture.

iv. Emerging countries strategies: example of China

Some joint ventures are created to enter a new market. If we look at a joint venture created in an emerging and uncertain environment, we can observe that companies need to make sure the joint venture can adapt to the changing environment. If the risk is high, for example change of policy and government regulations or inflation and recession, the joint venture has a lot more probability of loss of money or even of

closing. Usually, those unstable environments make the joint venture duration shorter. In such countries, local partners are required, or companies are advised to be connected to the government to have access to resources. Some companies would therefore rather partner with a local company for their joint venture as there are important actor in their country and benefits from support and favourable policies from the national government. In a changing market, literature has shown that the joint venture could increase its performance with internal radical innovation adapted to the local market. It could create competitive advantage toward the competition and focus on the creativity and flexibility of the joint venture (Nguyen, 2019).

An important economic resource that can be created by the parent company is legitimacy. It would create important competitive benefits and advantages for its far away operating branch, since it has no knowledge and familiarity with the local market. There is a high uncertainty about the creation of the joint venture in such emerging countries (Claasen and Roloff 2012). To build legitimacy, the joint venture has to be created between a local and an international player, sharing equity jointly. The local player would already have social reputation and access to resource and knowhow through inter-organizational linkage (Alcantara et al. 2006). When the local firm is not very connected with local affiliate or the government, or if both companies are not players on the local market (such as MHD China), then the new joint venture must develop legitimacy on its own. The latter will allow the joint venture to achieve a good market penetration and great performance to be competitive relatively to the existing companies.

Looking at the literature, we can find two types of legitimacy that an international joint venture can build. The first one is the government acceptance, which is a non-market strategy. This is especially true in countries where there is a lack of formal institutions and trust on business networks like in China. The joint venture needs to be accepted by the local government if it wants to operate. The joint venture needs to act in ways that are accepted in the host country to gain legitimacy. They must conform under business and institutional rules and norms at the start of their settlement. Those different factors can be of various forms: either formal with rules, laws and regulations, or informal like norms, cultural practices or beliefs (Chan and Ma 2016). In order to survive, the joint venture needs to create strong political ties in the host country. Those connexions would help find scarce resources, better connexions with local businesses but also good communication between the joint venture and the government.

The second important factor is market legitimacy which is the legitimacy regarding the customers and the business partners. This second vision focus on the rights and qualifications of the joint venture to operate in a market by the other players and the customers (Dacin et al. 2007). It can be translated to how effectively the joint venture is playing under the “rule of the game” in a specific market. This factor is more stable since it is not relying on a changing government but rather on the community and the business environment. We can assess this legitimacy with the Corporate Social Responsibility (CSR). It is defined as the company’s voluntary

consideration of stakeholder concerns from both inside and outside business operations (Homburg et al.). In China, such CSR has been a very powerful tool for joint ventures. For examples, some international companies working in China, decided to donate some significant amount of money for the local reconstruction after the Sichuan Earthquakes in 2013. It granted them with very good social welfare and acceptance by the Chinese customers but also others local business partners. Joint venture settling in emerging countries need to create a good image since they are first seen as opportunity players that could want to exploit the host country resources without taking social responsibilities for their actions. This stereotype can be fought thanks to CSR.

Forming a contract with a local player can be a great strategy but it would not promise the joint venture's success. For sustainable development, the new joint venture, either partnering with a local actor or not, must work on both political ties and CSR to insure both market and political legitimacy. They would help to get better performances and increase their competitive advantage.

2. Theory and hypothesis

When we think of the creation of a joint venture, we can think about different international strategies done by both the parent companies. We wish to study the launch of strategic products according to the local market in two different markets yet under the same joint venture. Our aim in this section is to analyse the different literature theories around international business marketing strategies, especially in developed countries versus developing countries.

As we have seen in our different readings, there could be three different dimensions in implementing a creation of a joint venture and launching its products. First, there is the product or service with its specifications and how it can match with local market needs and desire to purchase. Second, we have the distribution strategy which the type of channels chosen to get to the final customer. Finally, we have the promotion and communication strategy that gather ads campaign, promotions, on and offline communication, events, sponsorships etc. We will take the example of the one brand of Diageo, Captain Morgan for the French market and a Moët Hennessy brand, Hennessy for the Chinese market.

Settling in a new market, the new joint venture has different options of local strategy. They can first choose to set a standardization strategy. This strategy implements “the same range of products, the same pricing, promotional and communication strategies” (Gupta and Randhawa, 2008, p.77) to minimize cost. We call this strategy value appropriation. On the other hand, they could also implement a totally different strategy that is adaptation. The latter implies to adapt the branding, the pricing and the communication according to the specifics of the market and need of consumers (Chung, 2009). This is also called value creation strategy. Choosing one or the other strategy would have direct impact on the sales, profit, market share, performance and likeliness of products. Therefore, it would affect the success of the company launching the product. We

will look at different literature research papers on the topics from which will emerge different hypothesis of theoretical results.

i. Value appropriation

Considering the adaptation strategy, we can see that it has the advantage of adapting exactly to the local specificities. While creating the joint venture, the two parent companies can study the dimension of the market and decide to fit exactly where the demand and the need of the consumer are. Therefore, customer needs can be targeted better, having as a result a high performance of the brand. Looking at the psychological level, the customer will be even more satisfied if they witness the product adapting to their specific needs and customs. Many aspects and factors of the country need to be understood: the language, the climate, different races, occupations, education, taste, different laws, cultures and societies (Czinkota and Ronkainen, 1998). Such a strategy takes time and concentration to learn in depth all the characters of the country. We can therefore imagine that it is a costly strategy, especially prior to the launch of a product. On the other hand, the customer response is almost certain to be positive. Here we see that it can create strategic value for the company following this strategy.

Adaptation seems to be more effective for a type of product, especially for the mass consumption products where the choice of brand can be very sensible. For example, the Australian energy drink company Red Bull has adapted its main product according to the market. In North America, the products are displaying silver, blue and red colours since those colours represent courage and dynamism (well suited for the product). Whereas in China, Red Bull preferred to put gold and red colours since locals see those patterns as wealth and good luck. Standardization can also be a global strategy.

Competitive markets (France)

Sensitivity towards the adaptation of the brand can very much depend on the market and the consumer's attitudes. Looking at the French market, we see that it is very competitive for mass consumption products. Many brands are competing for brand adoption and brand loyalty. Having a quite open market for national and international products, the range of brands and products is very large, making the market even more competitive. The legislation about products in France does not seem to be very harsh compared to other markets. Although, this situation might change with the current worldwide situation of the COVID-19, and the potential wish to push French products versus international ones.

For most of joint ventures, we witness that they usually look for a partner that has different know-hows or a different portfolio. Therefore, both companies can have the logistics know how, the pricing targets, communication fit, of each other and be more competitive working together. In the end, it creates value for

the joint venture. Indeed, having a partner that have experience in one distribution channel or under one specific category, will help the joint venture to settle correctly and respond strategically to the market. To fight the very harsh competition, the joint venture would prefer to create a brand-new product, fitting exactly the need of the market. We have witnessed through our readings that the adaptation was more profitable, as it was responding exactly to very demanding local consumers. Having an adapted product, can also allow the company or joint venture to stand in the crowd of standardized offers. Since the market is mature, the consumers are waiting for innovations and new trends to follow. They could always find a practical and standardized product if nothing exists to meet their wish, but it is strategic to response exactly to the demand and catch picky consumers.

Aside from value creation, adapting to the local market can offer many advantages, especially less parent control and equity control, to let the joint venture work on its own according to the local needs.

Hypothesis 1: In a competitive market, adaptation strategy is likely to be implemented for best success for the joint venture.

Emerging countries (China)

On the other side, emerging countries for mass consumption products, need to be studied differently. The culture might be largely different versus the one in developed country. When the joint venture has both parent companies operating in developed countries, it therefore is completely new to the local market with unknown culture, way of consuming, language and education. Furthermore, if we take China, we can witness a strong legislation on imported goods and existence of counterfeit. Indeed, between 15% and 20% of all products made in China are copies. China is the factory of the world and can have very competitive locally made products. We can also see government restrictions towards occidental goods and corruption. As a first look, when an international joint venture wants to settle down in China, it needs some local partners, either business ones or inside the government.

If we look at literature research on the market of mass consumption products, we see that, for premium western goods, it is not very competitive. Chinese see the occident as dignified and sophisticated, therefore consuming western products shows great prosperity and wealth. We have seen a great increase of occidental companies doing business in China. More recently settling down in major Chinese cities to get closer to the market and take on these great growth opportunities. Consuming occidental products help Chinese to distinguished themselves from the mass and it is an important virtue in China. The culture of wine for instance, has been rapidly adapted with the Chinese population, largely thanks to a large interest amongst the country's

younger generation. It gives them power, legitimacy, nobleness and a greater “face”, which means having more importance in the society.

Even if the legislation is harsh on imported good, as for western products, especially those that China does not have the knowledge of producing, they appear to be favoured and encouraged of importation and local distribution. If we consider this non-competitive market, for a joint venture to settle from occident, research seems to show that they do not need to find a local partner in terms of business. It is preferable but not vital. If the joint venture wants to keep the entire control over its operations and governance, it needs to settle down on its own. Especially when the company has secret know-how it does not want to share. As for the legal part, it seems that they need to have or create connexions inside the government and related department in power to gain legitimacy. It would help them access to the resources they lack, or even get lower taxes or tariffs on imported goods.

We concentrated our literature search on standardized goods being implemented in emerging countries. Not only the joint venture does not need a local partner for its distribution, but it is implemented easily if it is highly standardized.

Hypothesis 2: In a less competitive market, adaptation strategy is not likely to be implemented in a joint venture.

ii. Value creation

The other strategy the joint venture can implement is standardization. This strategy supports the implementation of standardized marketing, branding, pricing... With the increasing recent globalization, some researchers suggest that all markets are becoming more and more similar. We are witnessing a homogenisation of the consumer needs and taste, thanks to the intensifying forces of globalization (Winer, 2009). Some researchers are talking about the concept of a “world consumer” (Hallgren, 2012). It relates the creation of a globalized taste and lifestyle thanks to the acceleration of people traveling and the access to all types of media. This strategy has many advantages. First, it creates a large economy of scale and minimize all the cost related to the study of the market and the adaptation of the product. Total cost is therefore minimized, and budget can be used for a different purpose, especially for improvement of research and development, marketing operational costs and improvement of the product or the service.

A second advantage is to keep the global corporate image of the company or the joint venture (if it exists in different markets). It creates a synergetic positive affect of uniformity of the brand positioning. When a joint venture is settling down in a new market, it can therefore create what is called value appropriation, it is the strategy of using the global company’s strategy in that specific market creating saving on costs. This strategy is used by many big corporations that operate in various industries. For instance, Nike used the same

slogan globally “Just Do It”. This marketing communication was broadcasting internationally the same lifestyle. It helped the sportwear company in terms of profit maximization. This unified strategy creates a core competitive advantage of having a consistent and strong brand across all markets (Donnelly, 2009).

Looking at the product that are best adapted to this strategy, we witness the success of two different products. First and most importantly, it is well suited for industrial, mass produced products, since there are purchased worldwide for the exact same reason and need. On a cost and technical perspective, this strategy is also very efficient for sophisticated and complex products (Vrontis, 2009). We will see if this is true for Captain Morgan and Hennessy.

Competitive markets (France)

Standardization strategy is not necessary always a success. Many international company have failed, either going on their own on the market or forming a joint venture. The type of market needs to be taken into consideration. On a mature market consumer are expecting product specificities and differentiations. They (consumers) have access to a large range of products, coming from companies that, for some, have been operating for a while on the market. It depends on the category, but as we wish to focus on the wine and spirits sector, we decided to look onto premium consumer goods. As the consumers have been surrounding with different products over the years, on a mature market, they would be more willing to consume something new and different, having some local specificities. Even for a standardized product, if it is not adapted neither targeting the right need of the local market, it might not sell. Even if it does, it might not be for very long, as innovation are the most wanted trends, even in massively produced goods. For a long-term vision, researches have showed poor results (Wang, 2019). Consumers are pickier about their choice and would want to have a local specificity on a market that they find mature, this could mean exclusivity or locally adapted products.

Hypothesis 3: In a competitive market, standardization is not likely to be chosen.

Emerging countries (China)

On the case of an emerging country, we focused our research on joint venture entering the market with no local business partner and implementing standardization. It seems to be successful. As the market is not so competitive, especially for western products, they are encouraged to import. This is proved by joint ventures increasingly settling down. Furthermore, they are implementing their global strategy, launching their products the same way they have done in their home countries or anywhere in the globe. As Chinese consumer are seeing the western products as sophisticated, they wish to be able to consume exactly the same way as the consumers are doing in the home country.

Looking at the particularities of the market, in China, the cultural differences are high. There are also, as we mentioned before, high risk from local business actors that might see the implementation of an “outsider” as competition and try to copy their product for cheaper. As we know, being local in an emerging country can be an advantage in terms of connections with the government. Therefore, those local companies will have the help of their legal and governmental institutions. Competition can arise, but the origin and the specific know-how of the company will be the competitive advantage of the settling joint venture. Implementing in a new country can also carry a lot of cost in terms of legal and operating issues. Implementing standardization would be adapted for those last reasons. With a very standardized product, risks are better managed and controlled. The joint venture can implement higher internal control to move more quickly into the new country with less risk. They could save on the cost of settling down through the standardization of their product launch.

Hypothesis 4: In a less competitive market, standardization strategy will tend to be adopted for best success of the joint venture.

Table I summarizes the hypotheses.

Hypothesis 1	In a competitive market, adaptation strategy is likely to be implemented for best success for the joint venture.
Hypothesis 2	In a less competitive market, adaptation strategy is not likely to be implemented in a joint venture.
Hypothesis 3	In a competitive market, standardization is not likely to be chosen.
Hypothesis 4	In a less competitive market, standardization strategy will tend to be adopted for best success of the joint venture.

Table I. Research hypotheses on the portfolio strategies in different markets

III. Research design and methods

Our case study analysis of the launch of an innovation applies an explanatory, theory-testing, and theory-refining research design (Yin, 1994). Conclusion drawn from our research will help us to demonstrate whether our theoretical hypothesis from our literature review are compatible with the empirical patterns inside MHD China and MHD France. The theory-testing case study will bring insights to the yet not studied related strategies between the French and Chinese joint venture Moët Hennessy Diageo. It would be interesting to see why this joint venture only settled in Asia, MHD France being the only exception.

3. Qualitative

To answer our thesis question, we decided to first, have a qualitative approach. We decided to conduct interviews from employees of MHD France, MHD China and Moët Hennessy Asia. We wanted a global vision of the joint venture, therefore, we interrogated different departments of each joint venture. We mostly focused on the executive team, the marketing team, especially the one responsible for the launch of a new brand. We also decided to conduct interviews in the sales team on both channel: On-Trade and Off-Trade.

We created a list of questions we wanted to tackle. Questions were mostly created after the draft of the literature review from which a lot of insights arose. The literature review helped us to organize our thoughts but also to rise some important strategic issues that needed to be clarified inside our case study. For instance, we compare the point of view of the executive team to the operating marketing. We gathered 14 questions, that we divided in sections according to the relevance of department each question could be answered. For the very strategic questions, we chose to ask different actors in the same joint venture to see different point of view. We followed a semi-structure interview guide. Before each interview, we would look at the interviewee's department, skills and knowledge et pick 2 or 3 questions to ask and discuss. We would wait between interviews, to make sure not to ask twice the same interrogation and be more efficient on every interview. This strategy helped us to be more efficient and make the most out of all the time we had with each professional.

Our interviews were conducted from April to May 2020, by conference call considering the world crisis of the Covid-19. For the Chinese team, we arranged conference calls, after first point of contact threw email and introduction through connexions between employees of the joint venture. We started to conduct the interviews inside the French joint venture as we were employee in the company and colleague of most of the interviewees. We also intended to get contacts of the Chinese joint venture from the French interviewee. Interviews were conducted in French with MHD France and MHD China. According to the department and the importance of the questions we wanted to ask, we decided to create short interviews. Meetings lasted from

20 minutes up to an hour. We wanted to keep it short and focus on the primary questions for each departments and service of each joint venture. We decided to record all our interviews for better relevance and to help us study better all the conversations and exchanges. It provided a better rendition of the information but also reduced the potential observer bias. We could therefore increase the reliability of the results (Voss, 2002). We decided to conduct additional interviews during the writing process of our thesis for clarification and deeper understanding of some interrogations.

We conducted 7 interviews total. We had 5 interviews with the MHD France, 1 interview with a Moët Hennessy representative of the Asian region and one interview with MHD China. It helped us to have different points of view but also have a global picture. Out of the 7 interviews, 2 interviewees were in the commercial department, 2 were in the marketing department and 3 were top executives.

We start an interview with Mr. Stephane Leperqc, Category Manager inside MHD France. He has been in the company for a while and knew very well the history of the creation of the international joint venture. It was the best way for us to first understand the overall context. We proceeded the exact same way, with an introduction email (Appendix 1), then a Zoom link invitation. After this first introduction on the overall context, we had an interview with Mr. Guillaume Hameeuw, Off-Trade Merchandising Manager in MHD France. We talked a lot of the strategy of having a joint venture in the French wine and spirits market and how MHD France was positioning itself versus the competition. Mr. Hameeuw also introduced us to Mrs. Marion Lacroix that oversaw the launch of Captain Morgan in France. After those two interviews, we were able to understand the overall strategy and context of MHD France and its market. It helped us continue the work on our research but also to prepare more interviews. Thanks to my manager Mr Guillaume Buissez and Mr. Louis Bonte, Off-Trade Director at MHD France, we were able to connect with Mr. Mathieu Duchemin, On-Trade Director in MHD France. We were very happy that the internal connections and engagement was high. It really helped us to continue our research and be in contact quickly with the person we needed to interview. Considering the world pandemic and all the adaptation that the company needed to face, it was generous of all the professional I interviewed, to take some time to answer my questions.

Mr. Duchemin worked for a long time with MHD and MH in the Asian market. It was therefore interesting to ask him questions about the creation of the different MHD in Asia but also the difference between those structure and the French one. Exchanging with Mr. Duchemin, we realized that the thesis question was probably not the most fitted in term of research in China. Indeed, we intended to analyse the launch of Captain Morgan in both French and Chinese market, but after exchanging with Mr. Duchemin, we realized that Captain Morgan was not a strategic brand and that Hennessy would be a better brand to analyse. With the help and expertise of Mr. Duchemin, we reshaped the scope and subject of our thesis with an adapted launch study in the two different markets.

Mr. Duchemin introduced us to Mr. Laurent Morel and Mr. Benny Ng, two top executives in Asia. Therefore, we had the chance and we were privileged to exchange with first Mr. Morel, President & Regional Director Southeast Asia, Pacific and Japan. We exchanged on the creation of MHD China and all the other Asian MHD. We also talked about the portfolio adaptation in China and how MHD was adapting. To understand better the Chinese market and MHD China portfolio adaptation, we exchanged with Mr. Ng, Managing Director at MHD China. This interview helped us to understand better the Chinese consumers but also the current strategy of Hennessy in this market.

We needed a marketing point of view, therefore, we had two interviews with this department. The first one was with Marion Lacroix, Controlling Manager at MHD France. Mrs. Lacroix was Captain Morgan Product Manager at the time of the launch. Talking with Mrs. Lacroix brought us very interesting insight on the marketing strategy surrounding the launch of Captain Morgan in France versus the rest of the world. We then interview Claire Meyer, Diageo Marketing Director in MHD France. Her vision of Diageo helped us to see the strategy of an innovation such as Captain Morgan in such a competitive market in France. We were able to understand the portfolio strategy from the point of view of Diageo versus Moët Hennessy and see why MHD is still operating today as a structure of two successful giants.

Name	Position	Email Address
Stéphane Lepercq	Category Manager MHD France	slepercq@mhdfrance.fr
Guillaume Hameeuw	Off- Trade Merchandising Manager MHD France	ghameeuw@mhdfrance.fr
Mathieu Duchemin	Commercial Director On-Trade MHD France	mduchemin@mhdfrance.fr
Laurent Morel	Moët Hennessy President & Regional Director Southeast Asia, Pacific and Japan	laurent.morel@moethennessy.com
Benny Ng	Managing Director MHD China	benny.ng@mhdchina.cn
Marion Lacroix	Controlling Manager MHD France	mlacroix@mhdfrance.fr
Claire Meyer	Diageo Marketing Director MHD France	cmeyer@mhdfrance.fr

Table I: List of Interviewees, job titles contactsPR

As additional qualitative resources, we also gathered internal and external visual documents about the two companies. We wanted to look at the product differences but also about the study of consumers and launch. We also gathered pictures and pack shots of the communications made on both markets. Those marketing campaigns helped us to see how the companies were communicating but also how the products were launched.

4. Quantitative

We also decided to collect data to bring some numbers and material of comparison and deeper analysis. Therefore, we first investigated firm-internal documents such as annual reports, sales reports, marketing studies, performance studies and targeted objectives from different departments. Working inside the Retail Commercial department helped us to analyse the data. For instance, we looked for the market share of Captain Morgan in the On-Trade compared to the Off-Trade in terms of sales in France during the launch but also after the launch. We were not able, unfortunately, to show any internal documents in terms of data, as they are still today confidential.

To have another external and international point of view, we also decided to look at numbers from IWSR, the leading supplier of data and market intelligence on the global alcoholic drinks markets. This software creates a global benchmark for beverage alcohol data and intelligence for all the different markets but also all the different actors. It is the only tool that can measure country, category and brand performance through local market insight and analysis. This tool was very helpful to have a first overview of the market shares of Moët Hennessy but also Diageo before and after the joint venture. We also looked at the volumes of Captain Morgan in France and volume of Hennessy in China to see the impact of the joint venture on these brands but also to analyse the wine and spirits market. We were able to compare market shares in different years but also comparing with direct competitors on both French and Chinese markets. According to the joint venture strategy, we focused on the value market shares, but we also looked at the volume in different time. For instance, we extracted the value made and the volume sold from France and China from 4 major competitors in 2018 to analyse the current competition in both markets.

5. Methods

We decided to use some management tools to help us analyse some information we got through our interviews but also through the data we collected. First, to conclude on our analysis of the external factors of the wine and spirits market, we decided to conduct of Porter's 5 forces on both the French and the Chinese market. This tool helped us assessing if the industry was competitive or not and from which factors. It also helped to see the difference between the French and the Chinese market. We used the information we collected through our interviews but also from e-journals, online articles and our data extractions. It was more difficult to find data and information on the Chinese market as they are a far away market but also since they are not

using the same tools as the French are. There is a high censorship in China, making it difficult for our study to access all information and data. Especially during the world crisis of the Covid-19, most of the international journals were banned in China, making them impossible to access and communicate easily with the rest of the world. Nevertheless, we were able to find sufficient data. As for the French information, as it is very mature and historical alcohol country, we had access to a lot of information and data. Living in France and working inside a major actor of the wine and spirits market also helped us.

To conclude on the external and internal forces, we decided to conduct a SWOT of MHD. Indeed, after knowing all the results from our interviews and data study, we wanted to compare them to our SWOT. We either rejected or supported our hypothesis in the results section. It was interesting for us to have in a glance of an eye all the different forces influencing MHD both in France and in China. It helped us to synthesize all the results we gathered but also include some other forces we identified. As the launch of a new product is very strategic, a SWOT was a good tool to use to weight the different market opportunities and threats. We were able to study why MHD is a strong actor, with nevertheless internal weaknesses. It also allowed us to compare each internal force with the external forces to have an overall position of MHD. The SWOT also allowed us to have some potential comments on the results that we were going to discuss in the next part. It helped us discover some potential strategic actions that could be done and compare them with our results.

IV. Implementation strategy of an innovation in France and in China

In this section, we will present the results of our different interviews conducted inside MHD France and MHD China. To narrow our research, we will take the example of one brand which was strategic on each market, according to the consumers need. We found that Captain Morgan was the success story of MHD France and that Hennessy was key in China. We will compare in each section the two joint ventures according to different factors, either external or internal. Finally, we will compare those finding to the hypothesis made in part II. We will make a conclusion on which hypothesis is supported and which one is rejected and study why it is so. In this section, we will draw the results on our thesis question which is:

How are MHD France and MHD China responding to the local consumers with tailored portfolio strategies?

1. External environment factors: market study

In this first sub section, we will be looking at the external factors influencing the creation and operation of our two joint ventures. Indeed, France and China are two very opposite markets in term of wine and spirits. The competition is largely opposite since China is an emerging country and still very new to wine and occidental spirits. In France, it has been in the culture for a very long time, therefore, big actors have created

important brands and increased their forces by purchasing and distributing new brands. We will be looking at those factors through the case of the launch of a strategic brand in terms of consumer opportunity.

i. Industry

The wine and spirits market is very competitive in France. There are different players, all competing differently on the diverse distribution channels. France being the native country for specific international products such as champagne and cognac, it makes the competition high. Creating joint ventures has been a great tool to get better market share on such a specific market. We see that the most powerful players are gathering very powerful brands, after different fusion and acquisitions of different categories. Nevertheless, as we will see later, the market has only small and numerous actors, both local and international. The difference between France and China might be that in France, the groups are made of both local products and international ones. In China it looks like it is rather western groups versus local Chinese groups. We see that in both markets, there are no major actors that can drive the market, compared to the beer market for example. Each actor has a category he is the strongest in and some other that are less powerful. It creates a good balance in each actors' portfolio but also a great parity in power.

In China, the wine and spirits market is today a relatively competitive but it is a more recent position compared to the French market. Even if international brands made their positioning targeting the business elite and polite society, we see that there are local brands resisting to this international competition. Some big companies, both local and international, are joining forces in joint ventures. The most recent example is the merger of Beijing Dragon Seal Wine and Beijing Red Star, they created together Capital Wine Group. This kind of mergers can help local and international groups have more information, gather higher technology but also have more capital to invest. This helps all actors to have a greater market power increasing the competition. Locals responded to the increasing settling of international groups, making only strongest liquor actors survive.

Looking at the imported groups, we see that they were present since the opening of the country in the later 19th century. We witness that international wine and spirits leaders settled in China as their GDP grew. For instance, Pernod Ricard but also MHD settled their notoriety very early on. Imported alcohols have a strong position, the first western category to have been implemented is the cognac with Hennessy and Remy Martin. Imported goods survived the inflation of 4,2% but also the increased taxes on imported products.

Let us now focus on the creation of MHD internationally, it is an international opportunity. Two British giants, Grand Metropolitan and United Distillers (Guinness) decided to join forces in 1999 and merge. In Grand Metropolitan portfolio, we could have found International Distillers and Vintners (IDV), who was the

world leader in wine and spirits thanks to its diverse portfolio. At the time, Grand Metropolitan was not a specialist in wine and spirits, they had in their portfolio very different assets such as Burger King, Haagen Dazs and Pillsbury. In 1900, they decided to invest more on their wine and spirits activity. Joining forces with United Distillers was very strategic to become N°1 on the world spirits market with a perfect complementarity in terms of portfolio coherence. This merger created Diageo. After this merger, Diageo decided to sell all companies of its portfolio that were not wine and spirits and focus only in their strongest branch that was alcohol.

Internationally, United Distillers had historically some distribution agreement with Moët Hennessy Distribution. Once those two giants merged, in some local markets, some subsidiaries decided to follow the big merger, like in France. On some other markets, they decided to stay as they were, apart and competitors, since it would have been too pricy and non-competitive to change all historical existing distribution agreements.

In parallel, in 2000, another very large liquor company owned by Bronfman family, called Seagram, decided to sell all its brands. In that portfolio, we could have found Captain Morgan, Mumm champagne, Chivas but also non-alcoholic mixers. Diageo was obviously interested, so did Pernod Ricard and Coca-Cola. It is where we can tract the origin of our today studied brand Captain Morgan. Diageo decided to purchase many brands, one of them being Captain Morgan.

Considering this international merger, we will first analyse how the French market adapted. Before the merger of the two giants, the French market had 3 important players:

- Moët Hennessy Distribution: the distribution affiliate of Moët Hennessy and United Distillers
- Champagne et Spiritueux Associés (CSA) : distributing Veuve Clicquot, Zubrowka and Canard Duchêne
- Sovedis France: the French distributor of Grand Metropolitan's spirits through IDV.

Before 1999, Moët Hennessy had 2 distribution agreements on the French market, one for the with CSA and one with United Distillers. On the other hand, Grand Metropolitan was distributing his own brands independently. After 1999, the merger made those 3 subsidiary companies merge since each one of them was either part of Grand Metropolitan or United Distillers. It became first, Moët Hennessy United Distillers and Vintners (Moët Hennessy UDV) and then later it was changed to Moët Hennessy Diageo France.

Looking at the Chinese creation of the joint venture, we first wanted to get a closer look at the Asian market. The Moët Hennessy Diageo joint venture exists in 8 different markets, 7 of them being in Asia, the last one in France. There are MHD Japan, China, Honk-Kong, Macao, Singapore, Malaysia and DMH

Thailand. Those markets are powerful in both volume but also value. Nevertheless, in Asia, the route to market strategy is complicated, explained by a difficult local compliance. The strategy of the structure was done under the same objective of economies of scale for the MHD Asian joint ventures. For both parent companies, it was a very good way to save on costs either in Asia and in France.

Considering the Chinese joint venture settlement, we see that it is rooted in very historical and a very old story. Moët Hennessy was present in Asia since 1970. They were present all over Asia with Richemont, a British company that had distribution deals with local actors. It helped MH to have great distribution channels in all Asian countries, since Richemont had a lot of Asian connexions. They got interesting commercial deals for MH products' distribution. As we have seen earlier, it was easier for a western company to have local actors as partners to settle in Asia. Richemont was bringing the local distribution Asian networks to MH. More precisely, each local partner was distinct for each country. For instance, in Japan, Moët Hennessy was partnering with Jardine Matheson since 1988. They had a very diversified brand portfolio. They had various connexions with Japanese wholesalers, for some that dated of the year 1859. They were not specialized in spirits but had extensive experience in various sectors, including consumer goods. It was also a company that was managing the distribution of a lot of western products. It therefore, developed the route to market to the entire portfolio of Moët Hennessy in Japan and similarly in other Asian countries. Each country developed its own partnership with the best suited local actor.

Then arrived the creation of LVMH by Bernart Arnaud. This CEO had very good connexion with the future called Diageo and therefore really wanted to create a good partnership with this company. We have seen earlier the creation of the joint venture was international. In China, the creation of such a structure was also followed, like in France. In Asia, the creation of the joint venture helped to bring the distribution of the Moët Hennessy products under their management and not a local partner. Richemont changed its name in Asia and became Moët Hennessy Diageo to reflect the joint venture in Asia. It gathered all the Moët Hennessy products. On the other side, Diageo brought part of its spirits portfolio into the joint venture. He had the other part of its spirits being distributed by another actor in Asia. Seven joint ventures were created according to the local strategy in Asia. Thailand was very strategic for whisky; therefore, Diageo created a structure where he was the managing partner: it is why it is called Diageo Moët Hennessy (DMH). Diageo has, indeed, a very powerful whisky portfolio and was, for this reason, very present in Thailand. All the other joint ventures, also the French joint venture, has Moët Hennessy for managing director. Thailand is the only exception.

Each MHD portfolio was tailored according to the local market and demand. Each category was studied to see where the best opportunities were. Studying with a lot of precision the consumers was therefore necessary. We could understand that each population is very different in Asia, and even more between France and all the Asian markets. To make sure to hit the right target with the right products, some Asian markets

decided to ask specialized consulting groups to conduct a market study. The goal was to understand the consumers through interviews to see what their preferences were. In the study, they also asked the local distributors, the different consumers, both from the On-Trade and the Off-Trade channel. They all went through a real investigation and study all their respective wine and spirits market.

All joint ventures, France or Asia, were created exactly at the same time. Both partners looked where it was strategic to settle this structure but also legal as a distribution company. They collectively chose France and the 7 Asian markets. We see here that both Asian and French joint venture were created with the same structure (except Thailand) and under the same international circumstances.

ii. Customer targeted

If we look at the spirits' consumers in France, the population is a traditional country of enthusiasts about wine and spirits. Thanks to the barometer created by the French communication and marketing consulting company So Wine, we have interesting data for 2019 (Appendix 2). First, if we look at the trend around consumption, we see that 67% of the French population consumes spirits with 33% of them consuming them in cocktails, the other part being the consumption neat.

As we are focusing on Captain Morgan, the data on cocktails is the most interesting having Captain Morgan usually better enjoyed with cola. We see here that the age of the consumer drinking mixed drinks or cocktails are the youngest (18-25 years old). The striking data we collected from that study, is that rum is the most popular liquor. We can guess that choosing that category for an innovation launch was not chosen at random, as it was at the time (2013), a strategic growth opportunity. We can also already conclude that the launch was a success as Captain Morgan is enjoying this current trend today being leader in the category. We see that the consumption of liquor is today mostly done at home with 79% of respondents of the survey choosing to consume at home.

The trend of drinking alcohol is making a comeback since 2012 in China. Stricter laws around drunk driving were made and the local taxi company Didi Chuxing made it possible for locals to conveniently enjoy their night and consume more outside. Chinese consumers are recent aficionados of western spirits and wine. Alcohol consumption was before only reserved for business dinners, carrying a lot of meaning with strict table and drinking manners if we look at premium products. Alcohol was also consumed at home after work usually by the blue-collar workers for local alcohol like baijiu. It is still true today, nevertheless we can witness that the "at home" consumption is more of a pleasure, enjoyed with friends over dinner, by any social category. Drinking in restaurants is not only reserved to business meetings anymore. More and more Chinese are enjoying drinking with their dinners when they casually go out with family or friends.

We can also witness that the younger population in China is more and more interested in new flavors, especially the ones from the West. The drinking lifestyle on youngster is today similar to the one from the West. Demand of the young population is changing rapidly, and China is adapting very rapidly to respond to this increasing trend. Furthermore, consuming imported goods in public is very sophisticated. The drinking culture is changing in China. When we look at drinking figures, we see that men are used to drink on average 11 liters of alcohol per year, mostly spirits and beer, while women drink 3 liters. On average, we witness that Chinese adults are drinking around 7 liters of alcohol, which compared to 1990, is up nearly 70%. Chinese consumers are becoming more and more experts and picky about their alcohol consumption. They are also ready to try new alcohol and especially international ones. They tend to be open, to come out of their comfort zone and try new things compared to the western drinkers.

Looking at the most popular alcohol in China, we see that the first consumed liquor is a local spirit the baijiu (Appendix 3) and with a large majority of market share: in volume it has 76%; then comes whisky with 10% volume market share; vodka with 5% volume market share and brandy and rum that both have 3% market share. These data come from the e-commerce platform TD and Tmall, companies owned by the giant Alibaba Group. Considering the large presence of TD and Tmall, Chinese baijiu still is the beverage of choice in the spirits market in China today. We also notice that whisky is the most performing western spirit in China, about twice more than vodka and 3 times more than rum. MHD is responding to this trend with Johnnie Walker Black being very present on the Chinese market. We see here that we could expect that Hennessy would be a great fit, it is in the brandy category, and has the particularity of being only made in France, it can differentiate. As we know, China is a very large country, so if we focus on the major international cities like Shanghai, we observe that the data is a little different. Indeed, the cognac category seems to be an increasing trend with whisky, especially in the South of China, in two provinces, Guangdong and Fujian. Consumers from those two provinces adore cognac. We can explain this trend with the influence of Hong Kong and Taiwan, that are more open to imports and western products and historical cognac markets. The competition is very tense in Asia with western whisky brands and it has been the case for a long time. But today in some region in China, we see that cognac is still the most appreciated western liquor. According to a 2017 Mintel Import Spirit China Report, cognac received the most penetration rate among all imported spirits. China is today considered the one of the most important export markets for cognac in terms of volume and value. They are looking for the best quality cognac and would not look too much at the price if the product is responding to their need.

We have found in our study, that cognac was present for a very long time in the Chinese culture. It is a liquor that is present in most of wealthy Chinese household for at least 3 generations. The volumes are not very high compared to other products, but today most of the cognac bottles are exported to China. It is more than 90% of the volumes for Hennessy for example. Having such an historical footprint explains the vivid likeliness of the cognac category. Hennessy was present for over 150 years, being one of the oldest western

liquor in the Asian market. Targeting the Chinese population with the cognac category is therefore very strategic. When we look at the distribution of profit from MHD China, we see that 95% of it comes from the Hennessy brands, its sales and its activation. It shows how strong this brand is in China and how powerful MHD is on the market with such a brand in its portfolio.

Cognac drinkers in Asia are of two different populations. There are the 35 to 40 years old segment with at home consumption and a very large budget to spend on their cognac product. They usually are successful and want to enjoy and show it to their relatives. Then we have 18 to 30 years old for nightclub consumption with a lower budget for the younger ones and a very high budget for the oldest. They usually only drinks in bars and clubs. We see here that having a joint venture in Asia helped keep this historical category position and fight whisky competition. The joint venture is important in such a market since the trends are rapidly changing and MHD carries important categories with world leaders in different category like whisky, liquor of vodka. This structure can adapt rapidly and keep the same structure which can help on the economies of scales.

Looking at the buying power (Appendix 4), we see that 2/3rd of the French population buys liquors. Considering the age of the population purchasing, we see that the youngsters are frequent buyers with 20% of the 18 to 35 being regular purchaser of spirits. They mostly buy from the supermarkets with 88% of their purchase. Most of their budget is between 11€ and 20€. Comparing this data to Captain Morgan targeted customer, we see that there is a perfect fit. The marketing team in France is focusing on the young population, between 18 and 30 years old, with their Spiced Gold product. They mostly activate the brand in young accounts like student bars but also night clubs. They also promote the mix drink Captain Cola, that they made strategic drink by advertising on it (Appendix 5). They also promote this kind of consumption by offering a Captain Morgan mug for each bottle bought during some key purchasing periods such as the summer (Appendix 6).

As for the selling price, in France, the average is 13€ today (April 2020) for a bottle of Captain Morgan. We see that it is right inside the price bracket for the young population.

In terms of purchasing power, the Chinese middle class and upper class are the one consuming the most alcohol, especially premium and international brands. By and large, Chinese are free-spenders on luxury liquors. They are ready to spend extra money for a premium alcohol, either local or imported. Even if the import products are taxed, the new upper Chinese class is ready to show it wealth and pay extra in bars, restaurants and night clubs but also to show it to their guests at home. The heavy use of smartphone and online purchase also made it possible for Chinese to buy their alcohol and enjoy them at home after work or with friends around dinner. We see that the development of e-commerce platforms (Taobao or JD) helped Chinese to access different categories of products especially alcohol. We therefore witness that drinking lifestyle is more and more similar to the one is the West. We can see here that the cognac category is very fitted with the

consumers' expectation. They are queen to show that they consume premium, imported products at a certain price.

In China, Hennessy prices are higher than the competition. The quality is considered higher and it is one of the Moët Hennessy strategy to have high margin. Nevertheless, the prices are similar to France, considering the importation, the cost for transportation and local taxes. It is adapted to the local Chinese consumer.

iii. Competition

If we look at the wine and spirits market in terms of competition, we see that it is very atomic both in France and in China. There are a lot of players but of small size. We could explain this specificity of market with the heritage of French family owned companies staying small. In China, all the companies settling are settling with the same home structure, so the market is similar. Not all the actors are present, only the biggest companies. The joint venture alliance of MHD creates a structure that is a strong player but at the same time a small company in terms of volume sold. In terms of volume, MHD France has very little market share. It is the same for MHD China. Its DNA and strategy are to focus more on the value creation, selling the product at its higher price possible rather than focusing on the volume made. For example, out of 100 bottles of champagne sold, MHD wants to make the most profit out of the sales. They would not try to sell 105 bottles. They can still be very profitable only focusing on the value and not the volume, since each product has a very high margin. Their strategy is the same worldwide, focusing on the value creation rather than volume creation, supported by the high margin of each product.

We will focus here only on the spirit market and on the sparkling market. As a tool of comparison, we will only focus on the value market share, strategic for MHD's point of view. We also focused only on 4 majors actors to narrow our research to the most representative competitors (Appendix 7).

The largest company is Pernod Ricard: it is for MHD the first and direct competitor for spirits but also champagne. They have a strong local but also international presence with very powerful brands such as Chivas, Malibu or Martell for spirits and Mumm's and Perrier-Jouët for champagne brands. In France, they are also very powerful, representing 58% of the value market share in spirits and 4% of value market share for the champagne in France. Their global position represents 55% of the market share. Where in China, they have 56% of value market share for spirits and 2% for the sparkling market. They have a global value market share of 56%. They are as strong in terms of market share in France as in China. Compared with MHD, they have a similar international structure but also similar strategy. They focus mostly on the high margin of their premium brands rather than on volume making. Looking at the direct competitors of Captain Morgan, we have Havana Club, even if it is not competing in the same category (here Cuban rum). As for the cognac category, they own

Martell, direct and most vivid competitor of Hennessy. In China, Martell and Hennessy share most of market shares between 38% and 40% depending on the local market.

As a second player we have MHD, as we have seen they are both competitive on the spirit business but also on the sparkling wine business, being leaders in cognac but also champagne. Considering the market share, we see that it has 16% of value market share in spirit and 7% of the sparkling wine value market share. Globally, we can position MHD in France with 20% of value market share. In China, they have a stronger position with 40% of value market share for spirit and 2% of value market share for sparkling. They have a 41% of global value market share. Making them more powerful in the Chinese market.

As a third player, we have Bacardi Martini. It is a family owned company today. It is also an international player with powerful brands such as Martini, Grey Goose or Bombay Sapphire. They have the same strategy of MHD of purchasing new brands and launching trendy innovations which makes them a powerful competition. Looking at their value market share, in spirits they have 14% and in sparkling wine they have 1% (which are not champagne, therefore not direct competitors of MHD in that category). In France globally, they represent 13% of value market share. In China, they have a less powerful position, with 2% of value market share and no presence in the sparkling business.

Last, we can present William Grant & Sons. They only carry little brands that they either own or distribute. There are a lot of movement in terms of brand governance making their strategy very blurry in the long term. Brand owners could choose to change their choice of distribution company as the market evolves. As a direct competitor, they have Sailor Jerry, also a spiced rum but with very few volumes compared to Captain Morgan (being the leader in the world). On the cognac category, they do not own any brand. They do not carry any sparkling wines either. Their position in France is very small, in terms of value, they have 13% in France and 1% in China.

To conclude on this first part, we wanted to use a management tool to measure the industry level of competition in both France and China in the wine and spirits market.

In France first, we see that **the threat of new entrants is low**, mostly because of the high brand loyalty and high capital requirements; indeed, wine and spirits production require long production time, high initial costs of stills, casks etc., and a good knowledge and experience with the importance of tradition and history. Regulations are also very strict in the alcohol industry in general, as well as taxes. The market already has very powerful players that could purchase smaller entrants or competitors. We can say that it is the same both in France and in China. We can then assess that for MHD it would be a great asset not seeing a threat able to overcome its current position on both markets. It would take too much time and too much cost for a new

entrant to be a threat for MHD or any other leader on the market. In France, the competition is so high, we have not seen a new entrant being significant on the market. As for China, the barrier of entry makes it difficult for international groups to settle easily and quickly.

For the **supplier's power**, we see that it is low too, since all companies are producing their own beverage and owning part of their grapes and malts. The supply of grapes, malts and other raw materials are essentials to the creation of wine and spirits and have been settled for a long time. Most of the connexions of big groups with the raw material producers are very good. They represent a large gathering of numerous very small producers; therefore, they have little individual power over the large joint ventures like MHD. Each big spirit group have year contracts that usually comes from historical connections, that are renewed each year. It would be too costly and too risky to change of supplier. If we consider only one supplier change, it represents such a small part of the global raw material production, that it is non-significant.

The **threat of substitute is very high in China**, as cognac is not the most popular alcohol consumed but also since Chinese consumers seem to enjoy new things as they arrive to them. It is not very costly for them to change their habits of spirits consumption. There are a lot of other traditional western category Chinese consumers could enjoy while keeping their pride. They also follow trends from the west and could either be studently interested in rum or gin. As the wine and spirits market is competitive today in China, consumers can easily switch to another category. **In France, the threat of substitute is medium** as the rum category is currently very impregnated in the French habits. Trends could also quickly change, but we believe that the category will stay leader for a while.

Buyer's power is strong on both markets. In France, the population is always looking for new trends and can have access to a lot of different categories. We believe that today rum is very popular and that it will stay the same for some time in France. In China, consumers of western products are highly powerful as they could influence the trend of the market. They are more and more willing to buy premium drinks and follow trends. We believe that on each market, that consumers are price sensitive, buying a bottle of spirits is a little investment, compared to a box of biscuits. It is also a risky purchase of not liking the taste while having spent a lot of money. We also observe that today, the consumers would rather consume better alcohol but at lower volumes.

Finally, **rivalry among existing competitors is high**, both in China and in France, as there are many players in the market, and a low diversity of them. Brand loyalty is high with high spending on marketing for each present group, but switching costs are low, as distilling or making other spirits or liquids could be possible (beer e.g.). We have seen that there is a very tense competition between whisky and cognac for western market share in Asia. In France, the competition is mostly in champagne and white spirits.

To conclude, on the Porter's 5 forces, by and large, the attractiveness of the overall wine and spirits market is relatively high, but the competition is big. The 5 forces that we analysed are thus deemed to hold for several years and the market is not considered to change a lot. The wine and spirits market is dictated by the buyer's power, that is regulated under changing trends. Companies are not much threatened by the new competitive entrants but rather by the consumers themselves that could decide to change their drinking habits and suddenly, only drink lower percentage of alcohol drinks like beers for health reason or under some trends.

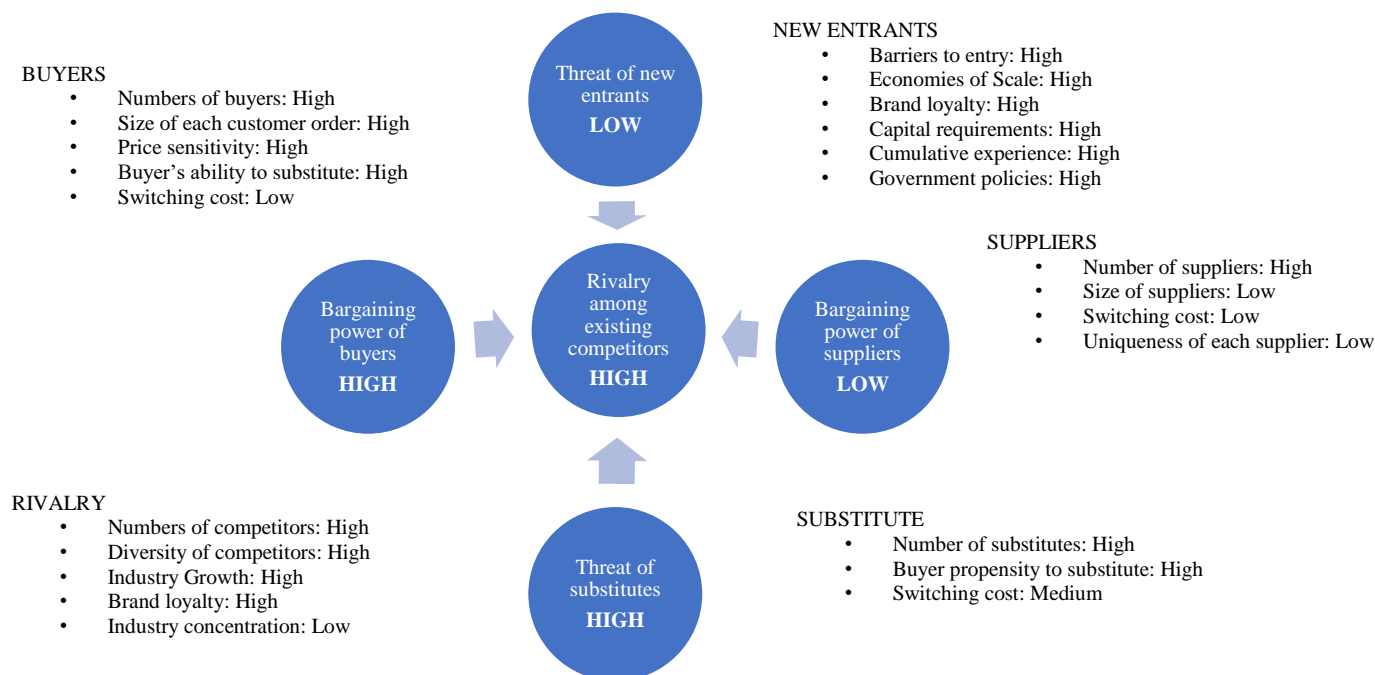


Figure I. Porter's 5 Forces – Wine and Spirits Industry

We can conclude here that, our hypothesis that stating the wine and spirits Chinese market not competitive, was partially true. The market is small for western alcohols, nevertheless, the competition is high as the consumption of alcohol is increasing. On the other side, as we stated, the French market is here competitive.

As a wish to study a successful launch of an innovation category in both China and in France, we see here that Captain Morgan will be a perfect market study for the French market, and Hennessy a perfect one for the Chinese one. Those two categories, rum and cognac, seemed like opportunities for each market, looking at the consumer's need.

2. Internal characteristics of MHD France and China

In this second section, we will be look at the company's internal factors that could influence portfolio strategies. A company looking for another partner to join forces, needs to look at different indicators if it wants

to find the best fitted one. Here we have two companies working on the same sector with, nevertheless very different portfolios. Studies have shown that, to create a good environment and a good working joint venture, similarities between the two organisations need to exist. We could quote the companies cultures, the Human Resources policies but also the portfolio coherence. If there is a strong connexion between the two, it is more likely that they will work well jointly and successfully integrate all the different departments. We will be looking at those characteristics with the study case of the launch of a brand in each country, France and China. We have seen in the first section of the results that cognac seemed a good category opportunity for the Chinese market, and that Captain Morgan was the French equivalent. We will see how the different internal factors can explain the alliance of the two companies and the success of those disruptive brand launches.

i. Organisational factors: culture, portfolio coherence and ownership

As we have seen in the first part, MHD is the response to an international strategic merger. It is the result of 3 subsidiaries regrouping under one structure in France. It was not created to fight local French forces and respond to a local strategic position. It came from international mergers from two international corporate giants to get more powerful, the N°1 worldly Grand Metropolitain with N°3 worldly United Distillers.

In France, in the years 2000, the 3 French subsidiaries came from very different cultures and governance structures. Moët Hennessy Distribution was very French with a vision more focused on the On-Trade business and a strong power of trade unions. On the other side, Sovedis was very British, being more a retail company with massive processes and strict objectives from the shareholders. Visions and strategies were very different, and we still see today the differences in the everyday operations inside MHD France. But since the beginning, one thing is bounding them together, it is the power to create premium products, with very strong value added, worldly known, often the most expensive of their respective categories with irreproachable quality. They have the same product positioning, creating a common DNA. At the beginning of the alliance a very big slit was felt from the two companies in terms of operations. Years after years, it was not so obvious. This new culture was also possible with the historical mixed distribution of the different brands that were present way before the joint venture and were mixing Diageo with MH. Nevertheless, there are still some noticeable influence of Moët Hennessy. This might change over the years, when the employees that were there are the creation of the joint venture will be slowly retiring. The new generation that never knew the dynamics of older distribution structure, might be more willing to create a MHD culture. The managing partner is still Moët Hennessy in France, inevitably the culture will be influence by it.

In China, the settlement was made with Moët Hennessy as managing partner. Therefore, the management influences the culture of the company. Let us remind that Moët Hennessy was also very present in Asia, and in China for a very long time. Those two details made the company very much influenced with the MH strategy and way of working. Having such a culture does not create much conflict since both companies are working

jointly. The two groups are very different but they both accept each other disparities, making the best out of the jointed strength. They are two very compatible in terms of portfolio and we see also today, as a structure. We cannot say there is such a new MHD culture that has been created with the joint venture. What is partially true in France, is not so much for the Asian joint ventures. The culture of a joint venture is always the one of the managing partner. This is especially true also, far away from the home parents company.

For both structure, the MHD joint venture are reporting to their superior holding, which is both Moët Hennessy. For France, MHD is reporting to MH Europe, and in China, MHD is reporting to MH Asia. Here is another great example of how the MHD culture is influenced by mostly MH.

For both MHD France and MHD China, this new entity created a perfect combination of On-Trade and Off-Trade strategies. There were able to be in contact with all the different players. Diageo was very present on the retail business with powerful brands like J&B and Moët Hennessy was developing its core champagne brands on the On-Trade channel like Moët & Chandon or Dom Perignon. Both companies are compatible for the creation of this joint venture, especially at the start, there were no competition at all between any category of the two parents' companies. Diageo was enjoying the cognac brand Hennessy, missing category from its portfolio but also the world leading champagne brands Moët & Chandon and Veuve Clicquot Ponsardin. On the other side, Moët Hennessy benefited from the very extensive malt category of Diageo. Some small internal competition arrived later, when Moët Hennessy launched Belvedere and bought Glenmorangie and Ardbeg.

As we have seen in the first part, each portfolio must adapt to the local market. Indeed, consumers preferences are largely different from a country to another. When we look at the portfolio of MHD China, it is very different from the one in France as it adapted to the local consumers. In France, we can find a very extensive portfolio with large range of product in the champagne category, the white spirit category but also the malts sector. Those categories are the most popular and more performing categories. We also see that the rum category is increasing and recently performing very well. MHD France reacted in 2013 with the launch of Captain Morgan, that is today first in its category. We have seen that those trends were studied through the close look at the consumers preferences. Those preferences are influenced by education, social trends, culture and heritage. They are likely to change quickly as each consumer evolves and could change of taste. We see that MHD France has adapted to this and responded with new products as we will see later. MHD China followed the historical trend in Asia. There is a still on going very strong competition between the whisky category and the cognac category. It was at the beginning the cognac that was the strongest category. At the end of the year 1980, the whisky category was catching up and eventually got most of the market shares in volume. This competition can be found in Thailand where we see that Diageo is the owner of our studied joint

venture. Diageo holds very powerful whisky brands and therefore was very powerful in Thailand. Explaining the DMH organisation, the managing partner was Diageo for this structure.

The portfolio today in China is similar to the French portfolio in terms of brands. There are still Diageo and MH represented. Nevertheless, Johnnie Walker is the major brand from the Diageo portfolio with Johnnie Walker Black and Johnnie Walker Red. In the Moët Hennessy portfolio, we see that Hennessy is the most represented brand. They also carry champagne and gin with Moët & Chandon and Veuve Clicquot and Gordon's since the consumption is present on the On-Trade but with very low volumes. We also notice that MHD China has adapted to the local market with the introduction to local liquor like baijiu. This liquor is the most sold liquor in China, it was therefore very strategic for the joint venture to add this category inside their local portfolio to make sure to be competitive also on this spirit. It also is both a strength and a weakness to have Hennessy support 90% of the net income. MHD China tried to diversify to mix the risk. We can ask ourselves what will happen if cognac is not popular anymore in China, it is not certain that the joint venture can survive. We believe that if cognac dies it would be dying because another category would take over, and having access to other category, MHD China could still be powerful and answer the need of the market. Having access to such a diverse portfolio is very important for the Chinese market. Even if today, only few brands are being developed, the Chinese market is very changing, and trends can radically change from one day to another. MHD China can adapt with its very large portfolio and answer quickly to the local trends and needs. For instance, recently, MHD China developed the sparkling category with Chandon but also in red wine with Ao Yun, a Chinese made high end wine. This was an expensive and risky move and it might be long before the Chinese consumer is interested in wine, but it nevertheless shows that MHD China can diversify. They would be the first western player to invest and be present on the market.

We have seen that the consumers are very different from the French ones. Therefore, the MHD joint venture had to adapt according to the local preferences. The western wine and spirits market being small, they had to target the most important opportunities. As we have seen, out of the most popular alcohol in China, western drinks gather a very small market share and have a lower drinking frequency compared to local Chinese liquor baijiu. The portfolio making process was made similarly to the portfolio in France: after the deep understanding of the local consumers. MHD China had to really understand the local market and its specificities through the study of consumers preferences with interviews. The company also asked a consulting firm to gather enough information to get to know the market from the consumer needs, to the way business is done and how the products are being distributed. They looked at each performance of categories but also potential of growth. They also looked at the On and Off-Trade business and potential partners for better distribution. The MHD China's portfolio was therefore made strategically of whisky, the second category in China, it also gathers cognac, with Hennessy. Not much of champagne neither white spirits were introduced as the market was not queen of such products. Nevertheless, having the possibility to adapt to the market with

a very large portfolio is very interesting. We could see in the later years, the launch of a new category through the joint venture of MHD China, that has not been present on the Chinese market but that is one of the owned brands of the company internationally. Chinese consumers first adapted to western spirits, as they were historically aficionados of hard liquors. It will take more time to introduce wine and especially champagne to the Chinese consumer. They are slowly introducing red wine into their drinking habits, but this trend is very new and minor in terms of sales.

In China, there are two major categories of western products, whisky and cognac. The imported western market is therefore representative of that trend. There are two major whisky brands present, Johnnie Walker, a Diageo owned company and Chivas, owned by Pernod Ricard. As for the cognac, there is Hennessy owned by Moët Hennessy, Martell owned by Pernod Ricard and Remy Martin, owned by Remy Cointreau. Those 5 brands carry 90% of volume market share of prestige imported brown alcohol. The market is very competitive with very few brands. MHD China gathers two of the 5 brands thanks to the joint venture, since each brand, Hennessy and Johnnie Walker, are owned by each parent company. Having those two giants in China, helps MHD to fight against very powerful groups, such as Pernod Ricard. It is gathering both whisky and cognac major imported western brands inside its portfolio and can therefore be one of the leader in the market. It is nevertheless powerful today thanks to the very long time adapting process of the Chinese drinking preferences but also the historical presence of Hennessy.

All things considered, the MHD structure helped to fight against competition in very competitive markets. Thanks to the joint venture, it gathered different strategic categories that make the company more powerful as a whole. Pernod Ricard is the biggest rival for MHD. It has a strategy of having a very diversified portfolio, to make sure to be present competitively in each category. MHD, internationally is responding to this competition thanks to the joint venture by being present and competitive on each category.

ii. Know how, internal assets, experience

Strategically, the joint venture was the best option for the new company MHD, but this is only true in some markets.

In term of cost saving, having such a structure created economies of scales in different strategic departments. The logistics aspect is one of the first key point. Joining the two companies helped to save on warehouses spaces and costs. MHD France today only have one, in Reims that centralize all imports and products. As for the Chinese joint venture, they import everything at once, creating a cost saving on logistics too. It also allows to have a homogeneity and harmonized logistics of all products creating a leaner management of flows.

In China, having a joint venture, helped to settle as a direct actor and not through a local intermediary. The legitimacy of such a structure helped MHD to be registered in China. Having the direct face of the company in such a developing country is very important. As we have seen, the government is strict with western companies and imported goods. Moët Hennessy was already being present for more than 50 years in China and had the opportunity to develop its connexions and legitimacy, same being accurate for Diageo. Having one structure, with two western actors was here possible, since both actors had extensive experiences and connexions locally. They were here able to manage their imports more directly and with better coherence as the joint venture brought a very diversified portfolio. Some competition between categories were better apprehended, especially the one of whisky and cognac, the strongest competition locally for western products.

The commercial team can offer a very large portfolio to their clients on both retail and On-Trade in France and China. It is important to know that usually for an innovation to be launched in a new market, a brand is first launched on the On-Trade market. It creates a very important visibility but also, and most importantly, the desirability of the brand. Therefore, MHD needed to have a powerful portfolio of spirits but also of champagne, that helped and allowed the Sales Representatives to negotiate the close of businesses in each strategic On-Trade prospect in France for instance. To attack the On-Trade channel, is it necessary to have a complete and strong portfolio, with the joint venture, the company had sufficient sales power to close deals. In terms of cost, we can see here that having all those products in one portfolio, allows to reduce the number of Sales Representatives from both companies. In terms of benefit, there are numerous for the commercial team: car, gas, expenses bill etc. Having a reduced and optimized sales team allow to save on costs on the structure but also to have a greater power of negotiation. In MHD China, it was the same case of MHD France, it was a market where the On-Trade was very present, but the Off-Trade was also playing a very powerful position with some international players like Carrefour but also online partner like Alibaba Group. The online is also an increase sale channel. Having such a joint venture is also very strategic for a large country like China. Having Hennessy as the most powerful brand helped the sales team to introduce new category like the sparkling wine or the red wine. Other brands can enjoy the great notoriety of Hennessy to have enough budget to be launched and distributed. Logistically, it cost less, and it is more efficient to have only one actor to import and distribute those brands. Even if MHD is a small actor in both markets, having such a diverse portfolio, helps to get a greater power of negotiations, especially with the local government in China. Carrying very important brands in terms of notoriety helped settling in the developed country, where the international companies could have a more difficult time negotiating with the local legislation.

In terms of savoir-faire, Moët Hennessy is learning from the Diageo know-how, especially its in depths experience in the Off-Trade market. On the other side, Diageo is learning from the experience of Moët Hennessy, actors being mostly and strategically present on the On-Trade channel. We can also deduce that

both parent companies saw their products being distributed in their less known market. Diageo had a great visibility from being introduced in the On-Trade market and Moët Hennessy was earning volumes with the Off-Trade channel.

It is very interesting to notice that the joint venture is still operating today. As we know and as we have seen in the literature review, normally a joint venture lasts around 7 or 8 years. It has a mission that it needs to complete and usually it naturally dies after. MHD is still very present and operating with a lot of success for more than 20 years in France and in China. It is very rare to have such a successful alliance with two shareholders from opposite culture and strategies. Today, we can say that the company is very successful and profitable which makes a motive to continue in such a setting. We could ask ourselves: how long will this joint venture last? Today, both shareholders found their strategic position and are satisfied with the alliance. We could imagine that if the retail sector is not as successful as today, maybe Moët Hennessy would want to distribute its brand independently and therefore break the joint venture contracts with Diageo.

In terms of innovation, it was also very strategic to have such a large portfolio with very diverse categories. The alliance was therefore capable to respond quickly to the market trends with the launch of an innovation that was present in their mother portfolio. This has proven to be true and particularly successful for 2 products. Hennessy, the premium cognac owned by Moët Hennessy and Captain Morgan, a spiced rum owned by Diageo launched in 2013 in France. Those two brands are very successful today and both shareholders are happy about the dynamics and knowledge that both mother companies are bringing to those launch. We could see that having such an important portfolio in almost every category is very strategic for a joint venture, on both developed countries but also developing countries. When we look at MHD, we see that it gathers the leaders in most important wine and spirits category: champagne and cognac for Moët Hennessy and vodka and scotch whisky for Diageo.

iii. Product: local adaptation to consumers

Captain Morgan in France

Let us first focus on Captain Morgan in France and its launch. Captain Morgan has a very large range of products around the world. It gathers the Spiced Gold (Appendix 8), present in almost every market and limited editions, implemented in some strategically studied markets. It is owned by Diageo. It is nevertheless, a world innovation from its category positioning that was new to the wine and spirits market. There are very few alcohol innovation launches, and from the ones that survived the launch, very few lasted. It is very hard for such a disruptive innovation to mark its territory and to last in time. Captain Morgan proved the contrary.

It almost created its own category, meaning that Captain Morgan became an indispensable liquor for parties or a vital product to have at home, behind the bar.

If we consider the French market, we know the brand had been launched in other markets before. At the time of the launch in France (2013), Captain Morgan was already a very powerful brand and was the 6th alcohol in volume sold in the world, right after Jack Daniels. Considering the wine and spirits dynamics in France and the success from older launches in other markets, the corporation, under the decision of the shareholders, decided to start the product in France in 2013. For a big structure like Diageo, the strategy of the brand was global. Diageo has a Global Brand Team, in charge of making sure the implementation of the brand is the same in all different markets, to make sure to have a brand continuity. It is very important today since the world is globalized. Consumers want to find their product when they travel, and they expect to find the same exact characteristics anywhere around the globe. Captain Morgan wanted their consumers to have the same experience while consuming their product, in France, China, Spain or anywhere the product is available. The vision, mission and brand image need to stay the same to show a clear positioning for the consumer.

Before the launch, the French joint venture was interrogated to see whether they felt that locally it was a strategic launch. In France, there were a very important culture of agricultural rum with the history of colonialism. There was also an opportunity in that category with the spiced rum segment that was very trendy but did not have any offers. It was a totally new product, with new flavours. This launch was very tricky, and the strategic marketing team did not know if it would be as success, as each market is different, and the consumers' response could be very unexpected. We have seen in the previous section, that the consumers were very queen of the category rum and would appreciate Captain Morgan in a cocktail, strategy that the brand pushed during and after the launch. Captain Morgan has the global strategy to be the first party spirit around the world. It has 4 global growth drivers to make this happen: Party like the Captain, Drink like the Captain, Leaving Legend and Live like Captain.

Looking at the shopper's habits, we have seen that for the week-end celebration, they, not only buy their essential vodka, whisky & rum, they also have to add the Captain Morgan. Compared to other categories where the brand attachment does not seem to matter much, it could be any brand of vodka or whisky, Captain Morgan made the difference by being the only which remarkable brand loyalty. Therefore, it had to be Captain Morgan if any need of spiced rum and it would not replace the need of rum but be an additional category of purchase. Purchaser would say: "I need one vodka, one whisky, one rum and one Captain Morgan". It shows how strong the brand has evolved.

The market in France was, as we have seen, mature and competitive. Nevertheless, the marketing in MHD France did not wish to change the products characteristics. They started the introduction of the brand with the

Captain Morgan Spiced Gold 70cl (Appendix 8). The launch was completely standardized, except for the language and the local legislation on alcohol consumption. This strategy is global, all packaging need to be the same, with of course local legal and consumption minor adaptation. It was very important for the marketing to first make sure the brand was well identified in the consumer's mind. It was a party spirit, to be enjoy with cola in bars, clubs or at home. There need to be no more doubt inside the consumer's mind, that Captain Morgan is the party spirit. Only then, it was strategic to launch something different.

Nevertheless, if the strategy was value appropriation, the market was still eager of innovation and offers that would attract them and bring them curiosity and lifestyle. MHD launched other sizes of the exact same product for other type of consumption with first the barrel in 2018 (Appendix 9) for the fidelity and party settings and then the litre in 2019 (Appendix 10), like at home consumption. To continue with the trend of innovation, Captain Black Spiced (Appendix 11) was launch in April 2020 to attract other types of consumers, that might not be in the target of the original Spiced Gold product. Those new Captain products were already present in some other international markets but not everywhere. It all depended on the market. The range of Captain Morgan is very large, and each specific product is launched according to the dynamics and specificities of the local country. We see here that even if the launch was very standardized, the wish to adapt to the consumer's preferences was made through the launch of different formats of Captain Morgan, but also new products. This was only possible once the brand image was well understood by the market. This adaptation is a classic strategy over the consumer's life retention. As they get older, consumers might change their preferences and palate or simply be interested in other category or higher quality product, as their purchasing power increases. We see here that Captain Morgan strategy was to launch an innovation that was very standardized but nevertheless adapted to the need of the local consumers. Then the marketing followed very closely the evolution of the consumer's need and responded with tailored solution in terms of format (litre and barrels) but also with different products in its range (with Captain Black Spiced).

When we look at the prices, we see that it is relatively the same around the world. It is hard for us to study this argument since it is influenced by the local taxes but also some transportation price. There are, however, global price range to follow for each market. The market needs to be study locally with the competition, the category positioning etc. Therefore, the price is locally adapted according to the competitive market. This is also true with the promotions in the retail market.

In terms of strategy the launch was first made on the On-Trade market in large French provincial cities where the students population was high. Indeed, the target customer was a young student, looking for a fun experience. The introduction of the brand universe was made in bars, restaurants and night clubs. The start of the launch was very quiet and slow. Once the brand had enough notoriety, the marketing team jointly with the Off-Trade commercial team of MHD decided to start the distribution of Captain Morgan in the Off-Trade

channel. Few months after that second launch, we observed that the most impressive Off-Trade volumes came from regions where the brand had been massively activated previously in the On-Trade. This proves the efficacy of both channels working jointly and so the know-how of both parent companies in the alliance. Looking at the numbers, we see that the volume of Captain Morgan was first made in the On-Trade but very rapidly, the Off-Trade took over in that same 2013 year. The success was very quick and at the end of the year 2013, most of the volume and value share were mostly done under the Off-Trade channel. If we look few years later, we see that the shift is even more present. Looking at the year 2015, we see that 80% of the volume is been made on the Off-Trade channel (Appendix 12). Today, we see that the Off-Trade market has completely taken over the distribution. Looking at more global picture, today Captain Morgan Spiced Gold 70cl is the N°1 in terms of market share in the rum category in the world but also in France. It is enjoying a very impressive growth of 35% in 2019.

In France, it is very difficult to advertise any alcohol product. The “Loi Evin” dictates how every brand can communicate and is very strict. For such a fun and out-going brand, it was very difficult task to advertise under the law. The law indicates that the ad should not communicate on any link between alcohol and having fun, neither promote the alcohol consumption. Usually, alcohol ads are resumed of an unopened bottle with two filled glasses. To promote the product, MHD France decided to push the visibility on the Off-Trade channel with the creation of impacting retail displays but also samplings (Appendix 13). Captain Morgan also invested a lot in large print displays that were very visible with the Captain Morgan figure (Appendix 5). Sampling was also another part of the investments on both On-Trade (in bars and nightclubs) and Off-Trade.

The success was largely made by the characteristics of the brand that is both quirky and fun. Having a personification of the Captain helps to bring experience to the customer. The brand developed worldly the asset of having a character from the brand and had actors dressed up and activating the brands in key accounts in each country (Appendix 14). This created an experience around the brand that the consumer enjoyed. It was both present on the product but also a live experience in bars and clubs. This was also a very standardized process since the strategy of having a mascot was already present around the globe. This strategy was worldwide, we saw this strategy in France but also around the globe.

We could now look out our hypothesis on the France market.

Hypothesis 3: In a competitive market, standardization is not likely to be chosen.

We see here that it is not true for the launch of the standard product Captain Morgan Spiced Gold 70cl in France. Indeed, the product Captain Morgan is a very standardized product and has been launched with the same exact attributes in the French market. We here see that the standardization is made on the major product of the brand, the classic and emblematic Captain Morgan Spiced Gold. When we look at this product in USA

(Appendix 15), we see that the bottle looks the same as the one in France (Appendix 8). The shape, the design, the presentation of the product, the size all are identical. It is more difficult for us to compare the taste, but we have interviewed different marketing teams, and they told us that the recipe was the same around the world, with again some legal adaptation. The target consumer is also the same worldwide: the youngsters. As for the price, we see that it seems to be in the same range being 14\$ (12,80€) in the USA and 15£ (17€) in England. The Global Brand Teams made sure the strategy was the same everywhere and that the global marketing is followed on each market, with, if necessary, some local adaptation. Captain Morgan needs to be everywhere, the party drink, that is fun and young. This is one of the marketing growth driver: Live like a Captain.

When we look at the communication, we see that for all the Captain Morgan products is showed as a fun and young product. In most ads around the globe we see young people enjoying the drink, usually at parties or with friends. The most striking resemblance is the omnipresence around the globe of the Captain as a communication tool. We see that on the different markets, there are always a person dressed up as the Captain, being the ambassador of the brand. It seems like he is present in all On-Trade activations. This characteristic emphasizes the experience side of the brand, making the Captain alive and being present for all activations. It allows to have a global personification of the brand and make him speak for the brand globally. This strategy is followed on all markets. As for the slogan, we see that it seems to be everywhere “Live like a Captain”, adding an extra notoriety over the personification of the Captain. It also brings a very good story telling. In the different media campaigns, either on the social media or on print and road displays, they all look similar in France and elsewhere. It is not legal in France to advertise alcohol on TV, but on other markets we have witness that it is the same type of communication that are showed around the world. This communication is pushed under the global marketing strategy of Leaving Legend, one of the global growth driver.

As for the drink strategy, we see that is it showed only in a mixed drink, and mostly with cola. It is therefore the same strategy as in France where the Captain Cola is being promoted (Appendix 5). It is what the marketing calls the perfect serve. On the American official Instagram, we see the same communication of the strategic drink Captain Cola (Appendix 16). We also see that the mug is been used, the same mug we see in the French ads and retail stores (Appendix 6). We can see in supermarket Captain Morgan bottles attached with cola bottles to influence the consumer to make the cocktail at home. This is the Drink like the Captain growth driver.

The brand activations seem also similar in terms of standardization. We find the same type of On-Trade activations with bars and nightclubs parties. There have the same exact attributes, the Captain being present and giving away samples with his Morganettes. We also see a lot of island decoration and treasure hunt themes. As for the Off-Trade, we see that also here they are similar. The ship, the Captain, the treasure chest, the keys, the Morganettes and the samplings are strategic tools used to increase sell out volumes

worldwide. All the actors recruited for the Captain activations were trained by the official global Brand Ambassador, that travels around the globe to make sure the brand image through the face of the Captain is the same. It is following one of the world growth driver: Party like the Captain.

The strategy of the brand was to create cost saving on economies of scale, the product is being made in Italy for the European market and therefore the cost of producing it is reduced. Only minor changes need to be done on the product such as the language and the legal alcohol requirements. We see here a very interesting legal local adaptation that is the size of a liquor spirit. It used to be 75cl for all alcohol standard bottles, either wine and spirits. But in 1990, the European Union decided to make them 70cl. This difference will not be studied here as it is dictated by the law. Launching the product on both channels On and Off-Trade with same characteristics also allowed to save on cost. The logistic can be more fluid and easier to conduct creating major savings. The joint venture can therefore save on a lot of cost launching its produce standardized.

The other strategy of standardization was to create a global image and notoriety with only one product of the large range. As it was a giant success on other markets, the bet on the French market was smart. As we have seen, the market was queen for rum innovations. We see here that creating its own category of spiced rum, the brand did not need to change any of the attributes of the brand. As a new category, it was already something completely different from any other products from both the product itself and its taste but also the external characteristics of a fun and disruptive product. Starting in a new market with a global success and a standardized product is a very interesting strategy. In France, the product was already known, and the consumers were waiting for the launch. Indeed, with the social medias, and the online communication consumers knew about the product and were waiting for it. In France, this was especially true at the German borders, in Alsace. The product was present in Germany, and the French consumers were driving across the borders to buy their Captain Morgan. They were therefore expecting the exact same product to be launched nationally in France.

To tackle the market, we see here that launching the standard product of the brand's range standardized is favoured in competitive market such as France. The launch of an emblematic product can build the notoriety of the brand and its standardized presence is necessary. In the consumer's mind, there is a continuity of the brand on all the different point of consumption. In bars, nightclubs but also at the supermarket, the consumer is not lost and can easily access and recognized his favourite week-end spirit. This first strategy helped sitting the brand in the market and in the consumer's mind with the emblematic product.

Hypothesis 3 is here rejected with empirical evidence.

Let us look at the second hypothesis made on the French market.

Hypothesis 1: In a competitive market, adaptation strategy is likely to be implemented for best success for the joint venture.

As we have seen Captain Morgan adapted to the consumer's taste in terms of innovations. Indeed, after the very standardized launch of the standard product Captain Spiced Gold 70cl, we have seen that some other products were launched to adapt very closely to the consumers preferences. They seem to be all different from one market to the other. Looking at the French market, where the brand is relatively new, we see that it adapted with the launch of the barrel bottle 150cl (Appendix 9) and then with the litre bottle 100cl (Appendix 10). It was nevertheless the same Spiced Gold recipe inside those three packaging. The barrel made it more fun and experiential with the shape of a real rum barrel and the litre was a good way to have an at home lasting product to share. We see here that the brand is adapting to the consumer's needs and creating specific size of the standard product to please the consumers preferences. The consumers have been consuming the original product in its original size for few years and were expecting and waiting for another size for new way of consuming the liquid. The brand, looking only at the French consumers adapted and launch two different sizes.

In April 2020, as the brand was experiencing a very large success in France, the marketing created a new product of the brand. Captain Black Spiced 70cl (Appendix 11). This product is very different from the Spiced Gold and is targeting a new category of consumers. The rum is darker, result of an aging in burnt casks, and the alcohol content is higher. It is targeting older consumers, mostly the ones that already love the brand. Getting older, those consumers would want to try something with more power to it and maybe with a more complex palate. This strategy of adaptation allows the brands to stay visible. Indeed, after the launch and success of the standard product, the brand is well known but to keep it visible and attractive, launching innovation adapted to the consumers, seems key. Captain Morgan can communicate on its innovations and keep its loyal consumers that might be getting older and are interested in consuming something more premium. This launch was also a response to the competitive market where the spiced rum category was getting very competitive. Major innovations such as Bacardi Oakheart, Don Papa or Kraken were making increasing notoriety. They created a new trend of rum consumption or dark rum in France. To adapt and stay the first rum brand in terms of volume market share, Captain Morgan launched this new innovation. Having a joint venture helped creating a better understanding of the market. As we have seen, Diageo was more experienced on the Off-Trade market and Moët Hennessy was more used to the On-Trade market. Joining their forces, they were able to adapt the launch on each other know-how. For historical Moët Hennessy On-Trade clients, they were able to access a trendy rum category which would not have been possible to do without the creation of a joint-venture.

We see that around the world, every local competitive market is adapting its products to the local market. For instance, in USA, where the brand is very present, and has been so for a long time, we have seen

different types of Captain Morgan, adapted to the local taste and culture. In USA, Captain Gingerbread seems very popular, responding to the local taste of gingerbread cookies. We also witness a much larger Captain Morgan products range. Where in France, there are only 4 different products, we see that in America there are more than 15 different variety of Captain Morgan branded products. We could expect some new products being launched as the consumers are evolving, and the trends are changing in France. It seems like that are still growth opportunities for that brand. Nevertheless, the innovation products might be different, as Captain Morgan is responding exactly to the local taste and consumers' need.

Hypothesis 1 is here supported with empirical evidence.

Conclusion: We see that Captain Morgan is particularly successful in launching globally a brand and keeping the same image of the party spirit. This is one of the success factor of the brand, the global marketing strategy is followed strictly in each market. The consumer has a lean brand experience, anywhere he goes. However, each market needs to adapt under the law, like the “Loi Evin” in France for communication, but also under minor consumers preferences (like taste with gingerbread in USA). The brand strategy is both very clear and easy to follow for the internal marketing team but also the consumers.

On a competitive market, like the French market, consumers respond more positively to a first product with a standard introduction. Nevertheless, after the adoption of the produce and the brand, they are curious and want some adapted products while always having access to the traditional, and standard product. For the joint venture being present on such a market, it would therefore need to first launch the innovation product with standardization strategy, then as the produce has great performances and notoriety, then try to adapt with tailored produced.

Hennessy in China

Let us now focus on the Chinese market and Hennessy. Hennessy is a brand in the cognac category, it is the world cognac leader in terms of volume but also notoriety. The production of this alcohol is regulated under the French “appellation d'origine contrôlée” designation, with production methods and naming required to meet certain legal requirements. It has very strict rules under which the liquor needs to be produced but also a very regulated producing process. For instance, it needs to be produced in the cognac region and for VSOP, it needs to age for at least 4 years in barrels. Hennessy is a very historical brand that has a large and diversified range of premium products. It is today owned by Moët Hennessy. Its products are present in more than 130 countries and it stands for the 3rd producer of high end spirits in the world. Its standard and most well-known product is the Hennessy VSOP (Appendix 17). Compared to Captain Morgan, a spiced rum, this category, cognac, is very old and very historical in France. In China, it is nevertheless the most appreciate western spirit

after whisky. We observe that in big Chinese cities, and some specific regions in China, there is very high penetration rate of cognac.

Hennessy has, like Captain Morgan, a global marketing strategy. This brand wants to be visible the exact same way around the globe. It can do so since it has a lot of capital being inside a structure like Moët Hennessy. Being made in France makes it even more identical globally, there is only one factory and it cannot be made any other place. We see that the product packaging is the same in France, in China or in America. Like Captain Morgan, it still needs to adapt to the local legislation with alcohol content, language and legal logos. Nevertheless, when we look at the recipe, the VSOP for instance, it is the same product in France or in China. Not the entire range is present on all markets. Each market is studied and analysed to see the best fit in terms of product versus consumers' need. In China, we see that VSOP is present and it is a very standardized product. The strategy internationally is to show a premium drink, enjoyed neat or in a cocktail.

Hennessy has been present in China for over 150 years. For the local population, it is almost a Chinese product and Chinese brand, even if the "French touch" is still well known and respected. This product has been really present in the Chinese lifestyle, for over 3 generations. We can explain this alcohol trend from the local trade history. Shanghai became a treaty port in the 1800s and opened their imports to foreign goods, with alcohol being one of them. Interestingly, some of the first companies to knock on the Chinese market doors were cognac brands. It then became a national popular spirit. Today, it is one of the faster growing spirit with a lot of sales potential. With the turn of century, the consumption of the spirit grew by 55% between 2007 and 2011.

The Hennessy portfolio in China is gathering VSOP (Appendix 17), XO, Classivm (Appendix 18), Paradis, Paradis Impérial and Richard. Compared with other markets, we witness that VS is not present in China. This product a lower range product with a lower price image. It is also the same product range as Classivum, it would therefore cannibalize the sales. Having all those different products with different price positioning help to target all consumers. All the bottles present internationally look the same, both the packaging and the liquids are identical.

As we have seen, the Chinese population was queen to try western alcohol, especially some with a lot of experience and know-how behind. They are looking for super premium products and Hennessy is answering this need. It was already a very popular drink around the globe, leader in its category and was enjoying its very good notoriety. The consumer range is very large for Hennessy, there is the 20 to 28 years old range of consumer, the 28 to 40 years old consumers and 40 to 50 years old. We can even find Hennessy consumers older than 50 that would drink Hennessy until a very old age. It is reaching a very large population of consumers. They are very varied and diverse with different needs and expectations.

We have recently seen a shifted in alcohol consumption in China. More and more millennials are consuming alcohol and especially premium westerns spirits. This trend is particularly strategic since the Chinese population is very young, in 2018, it was weighting around 30% of the Chinese population. This category is a very important growth vector and has a very high potential of increasing purchase of luxury goods. The young population is the only one in the world to be so versatile in terms of product loyalty. They would change their habits completely one day, usually influenced by the launch of a new brand. As they are all connected with their smartphone, they follow influencers and social media personalities that would present a product. Instantly, their entire community would switch to this new brand too. A brand could rise one day, only thanks to one brand ambassador talking about it on WeChat. This means that brands can also die very quickly.

Hennessy responded to this trend with the launch of Hennessy Classivm in 2005. It was targeting the younger population, the millennium, that could not afford to buy Hennessy VSOP. Classivm is a cognac "with a new style" as Hennessy states. This targeting allows to reach a larger Chinese population but also the growing one of millennials. They are expected to be buying more and more luxury goods and will see their purchasing power increase. They could then switch to Hennessy VSOP. Classivm is trying to make the cognac category young and trendy again. We have seen that worldly, cognac is aging with its population and in developed country, it is not what the young population is consuming. This launch is strategic for two reasons. The first one is that it is making cognac trendy and visible since it is targeting young population in On-Trade accounts. The second is that the Classivm consumers, once they get older still being loyal Hennessy consumers, can easily switch to VSOP. This helps to keep the consumer during life consuming cycle and gather a good consumer retention. It was necessary to keep VSOP untouched, to keep its consumer loyal and make a clear targeting positioning.

In terms of pricing, we see that the price positioning is very clear and global. In the retail distribution, Classivum is about 260 RMB which is 35€ today, VSOP is around 420 RMB, which is equivalent to 55€, XO is about 150€ and Paradis is about 700€. This strategy helps to capture all the different consumers. Considering the very large Hennessy consumers population, the brand can be enjoyed by everybody with any budget. Hennessy is responding to all the different prices positioning according to the population purchasing power. As we have seen, the Hennessy products are all higher prices than Martell and Remy, cognac competitors in China. Their quality is perceived higher by the consumer which allow the brand to pretend having a pricing strategy and get higher margin from each product. It is very profitable strategy since Hennessy is one of the most well-known cognac in China and that consumers are ready to pay a higher price. It goes beyond accepting a higher price, they would rather spend more to show it to their friends and community. The pricing strategy is here adapted to the local market and allow MHD China to make very interesting prices.

We have seen that Hennessy is pushing different strategies according to the consumer's needs. They are activating at home consumption with cognac pairing with VSOP and XO for the 28 to 40 years old consumers. For instance, to celebrate the 254-year-old anniversary of the brand, Hennessy had a pop-up event in K11, a very trendy artistic space (Appendix 19). The idea was to follow marketing campaign "Hennessy & Meal," a key part of the brand's strategy to rebuild itself, after an industry-wide slump throughout Asia in 2005. This strategy would help bring back Hennessy into a modern wine-and-dine icon in China, especially in the Southern region where dinner with spirits is already traditional. Numerous activations were made with VSOP first in Guangzhou, Xiamen, Shantou, Shunde, Southern Chinese city for about 2 years. Apart from the event, Hennessy also had collaboration with more than 120 local restaurants to create adapted pairing in their menus to introduce Hennessy with a meal. Then, they brought this activation in Shanghai, and then moved on to northern cities like Beijing and western cities like Chengdu.

As for the younger generation, Hennessy is activating Classium and VSOP in nightclubs. Hennessy created a party in April 2020 in Shanghai in a local club Beehive where it showed Hennessy (Appendix 20). This initiative was made also online to activate the e-commerce trend in China (Appendix 21).

We could now look out our hypothesis on the Chinese market.

Hypothesis 4: In a less competitive market, standardization strategy will tend to be adopted for best success of the joint venture.

When we look at the range of Hennessy in China, we see that it is relatively similar to other markets. It is diverse with VSOP and XO with prices lower than 100€ but also prestige products with Paradis, Paradis Impérial and Richard. We see that in France, the range is almost similar. VSOP, Paradis, Paradis Impérial and Richard are all present in the French portfolio. The bottles look the same. If we forget the language and the local legal inscriptions, the tag and design of the packaging are identical. The liquid is also the same for all products present on both markets. Having such a regionally made product makes it possible to control the production making and to have a very similar spirit. For example, VSOP is the same in France (Appendix 17) and in China (Appendix 20). Hennessy VSOP is the standard product and has been present in China for a long time. Here we see that the standard range of Hennessy products are very adapted to the local market even if the consumers and the consumption lifestyle is different.

Looking at the Hennessy consumers, we see that the range is very large in China, from very young consumers to very old ones. We see that the 28 to 40 years old consumers are consuming the same way Hennessy as in other markets. They are very loyal to their cognac brands and would not change for another competitor even if they have advertising or influencer telling them to try something new. They represent a large population but not the largest consumers population. However, they stay loyal to Hennessy forever which makes them very profitable. They enjoy Hennessy as an after dinner digestif which is a consumption

behaviour observed in other market like in France. They mostly drink their Hennessy neat and not in cocktails. They also like to consume Hennessy with their dinner, something that we can witness in France with a dessert pairing for example. VSOP or XO are targeting the older generation for an at home consumption. It is a product that is very present on both the On-Trade and the Off-Trade. They present a “low energy” product. In the Hennessy marketing this means that the product is consuming with a low energy environment, quiet and calm such as a fancy restaurant or hotel or at home.

As we have seen, the Hennessy strategy is following the MHD global pricing margin strategy. Hennessy XO is more expensive on the Chinese market than Martell XO of around 6%, we see that Hennessy XO is around 1788 RMB versus 1688 RMB for Martell XO on the Off-Trade business. This strategy is also seen in France where Hennessy is being more expensive than its competitors. The brand is enjoying a better-quality image and can therefore position its product at a higher price.

We see that the distribution of Hennessy products is present on the On-Trade and the Off-Trade. Products are accessible on both channels for consumers. This is also true in France. We see that Hennessy is in both retail and in restaurants in both markets.

In terms of activations, we see that for some Hennessy products, they seem similar. Hennessy Paradis Impérial is being promoted in palace hotels in France and in China the same way. The marketing strategy seems here global. In Lutetia Paris, we see that the product is showed on a very nice stele with the possibility to try the product at the hotel's bar (Appendix 22). This is also the case in Shanghai, in Amanyangyun Hotel, where the same product is being showed in a Louis Vuitton trunk (Appendix 23). The communication of these very premium products is made of the international standard image of a premium spirit, enjoyed during an evening tasting. This strategy helps to keep the global image stable. We have seen that the Chinese population is more and more open to the rest of the world but is also travelling. Therefore, Hennessy wants its consumer to have the same brand experience anywhere the consumer goes.

We see here that Hennessy seems to follow an international marketing strategy with identical products and visibility. Even if the market is very different and consumers have a different culture, the Hennessy brand universe seems to be standardized for the most well-known products in China.

Hypothesis 4 is supported with empirical evidence.

Let us look at the second hypothesis made on the Chinese market.

Hypothesis 2: In a less competitive market, adaptation strategy is not likely to be implemented in a joint venture.

Hennessy is also present in China with a different product and activations. Indeed, in China we see that Hennessy adapted to its market and launched in 2013 Hennessy Classivm (Appendix 18). This product was only made for the Chinese market, it is not present on any other markets. It really adapted to the Chinese palate and market. Instead of introducing VS to the market, MHD China chose to adopt a new product and made it exclusive for the very demanding Chinese market. Compared to France, there is an adaptation, VS was not introduced to the Chinese market but instead, they decided to launch a similar product, with adapted and tailored preferences to Chinese consumers. The bottle, tag and design respect the brand image but are completely new. Even the liquid is different to adapt closely to the Chinese palate. This product was launched to respond to the increasing demand of Hennessy product. We know the youngster can quickly change their brand consumption as they are not too brand loyal. The launch of this product was also to respond to the growing millennial population with a product made for them and activated in accounts they enjoy.

As we have seen, the consumers of Hennessy products are very different in terms of age and lifestyle. We see that there is a very big difference for the younger consumers from the age of 20 to 28. They love Hennessy and consume it very often. They know the entire range of Hennessy. We witness a very important brand notoriety even among the younger population. We see that in France, that population of consumers are not interested at all in the cognac category neither Hennessy. They are aware of the brand but are non-interested in consuming it. Here, first, China has a different consumer target, the young population or millennials. This is true for VSOP and XO and of course Classivm. This population of consumers enjoys Hennessy products in nightclubs mostly. They go out and order a lot of Hennessy bottles to show off in the clubs but also on social media. We know that the young population in China is a very large percentage of the population and it is an increasing population. It is therefore a very interesting target for Hennessy. However, it is a very tricky target since, opposed to the older generation, they are not brand loyal. They can switch brands easily if they see that their favourite influencer is talking about it. They are very influenced by the social media. Nevertheless, Hennessy is enjoying its reputation of prestige and the high-end products.

In France, we see that the target is not the same. The range of targeted consumers are not as large as in China, only the older generation is enjoying Hennessy and it is not as massively enjoyed as it is in China. We have seen that 90% of the Hennessy volume goes to China, and another very large part of production is going to USA. Indeed, in France, the demand is very low. It is not a very popular category, not a lot of French people are consuming it. It is very specific of the Chinese and maybe the American population, but in the rest of the world, we do not see this brand being largely present. Those two markets are two exceptions in the world on cognac consumption and image. And need to be considered differently. We can see that Hennessy succeeded to rejuvenate the cognac image and make it a popular drink for all generations.

In China, we see here that the image of cognac is very different from the rest of the world. For instance, in France, cognac is seen as a very old fashion drink, usually enjoyed by parents or grandparents. Even sometimes, it is a forgotten category, and is dusting in closets waiting for a potential amateur. In China, it is a must to have at your house. We see it in most wealthy household but also in restaurants and supermarkets. It is part of the lifestyle and the everyday life of a Chinese person. In France, if someone consume Hennessy it would be after dinner, on a week-end night among older generations. The image of the drink cognac is aging worldly, it is considered as a dusky category. However, in China, it is the opposite, it is very popular and enjoys a very positive, young and trendy image. Launching Classivm was made to take on this opportunity.

Consumption of Hennessy also looks different, as the culture of drinking is different in China from the rest of the world. In France, we would enjoy Hennessy as a digestif drinking it slowly in a sofa in front of a fire. We also see that Hennessy is more and more present in cocktail bars, mixed in a long drink. The experience would more about the flavours. In China, we see that Hennessy is enjoyed during meals, 2 or 3 bottles could be opened during the entire meal, we see that Hennessy is really surfing on this trend and way of consumption and creating cognac pairings with Chinese cuisine (Appendix 24). This is very true for the older generation. As for the younger generation, we see that the consumption is made mostly on the On-Trade channels in night clubs or high energy bar. They like to drink Hennessy in shots but never in a cocktail. It is not the current trend.

Hennessy Classivm price is around 35€. Therefore, it is the cheapest product of Hennessy in the Chinese market. We cannot compare it to other markets as it is only present in China. Here we can study that this launch was made to make Hennessy affordable and to try to beat the whisky competition of Johnnie Walker Black and Chivas. Those products are around 25€ the bottle and popular drinks among the young population. As we know whisky is a non-ending competing category for cognac.

In terms of distribution, we see that for Classivm, it is rather different than Hennessy products in other markets. This new product stays quite disruptive and has very low volumes compared to VSOP or other Hennessy products in China. The launch was made first 100% on the On-Trade market, more specifically in nightclubs. It wanted to follow the consumption trend of young Chinese consumers. Today it is 80% On-Trade with nightclubs and 20% Off-Trade. The specificities here is that within the Off-Trade distribution, it is mostly being distributed online. This strategy to shift slowly to Off-Trade and especially online, was possible thanks to the historical presence of Hennessy and cognac category. For new categories like champagne, it would take some time to be able to be profitable on the Off-Trade. Today those new categories are mostly present on the On-Trade, in nightclubs. It is a very hard to switch to the Off-Trade channel for products targeting the younger consumers of Hennessy, however thanks to the very presence of the online market, it is being possible. Plateform like JD and Tmall are very interesting growth drivers that make the Off-Trade business profitable.

Online sales are part of everyday life for Chinese as most of the population has a smartphone and pays with it. It is a very profitable distribution channel since it allows to avoid rent and associates' pay. Being online for Hennessy is also a very important way to get consumer's information. The brand can have the location of the consumer thanks to his delivery address but also a lot of data on the consumer's profile and preferences. It is also interesting to study what they exactly buy and what they have in their basket. It makes easier to create tailored marketing campaign to make sure to target the right consumer with the right message according to the studied online trends. Targeted promotion can be made to push the sales. For example, MHD China realized that Hennessy consumers were consuming their favourite cognac with hot pot or crawfish. Even if MHD China has a very large sales team, around 350 sales representatives in around 80 cities, China is very big, so it is very hard to cover all the territories. Thanks to online, it is made possible to reach most of the territory with a very high penetration rate.

In terms of activation for Classivm, as the product is mostly present on the On-Trade, they are mostly made in nightclubs (Appendix 20). We see that in China, there are adapting more quickly to local trends and they seem to be ahead of every market in terms of channel cooperation. We will take an example to illustrate this argument. In April 2020, MHD China decided to celebrate the deconfinement due to Covid-19 with a very big party. They booked one of the largest and most popular premium night club in Shanghai called Beehive and invited around a thousand of young Chinese. They activated the brand Hennessy with very large visibility in their clubs but also with online sales. Indeed, the party was also happening online, on a live stream on JD.com. Online participants were able to discuss with the DJ's but also, as JD is an e-commerce platform, they were able to very quickly buy Hennessy to enjoy (Appendix 21). As the e-commerce market is very developed, it is very easy and fast to buy and get products delivered in China. This strategy created a connexion of On-Trade with Off-Trade online sales. They were more than 250 000 connected people from all over China and 1000 persons in the club in Shanghai. This strategy also allowed to reach consumers from other cities in China and not only Shanghai. The sales performances were very encouraging, they sold 150 bottles in the club and about 350 bottles online from very diverse locations. This shows how Hennessy is adapting to the local market with the young population and their specific behaviour and preferences. This is not seen on any other markets. The other significant difference in activation is how cognac is consumed in China, which is during dinner. Therefore, Hennessy must adapt. They created events to show how to enjoy Hennessy with the Chinese cuisine (Appendix 19) but also communication tools to provide adapted ways to consume Hennessy with the Chinese culture. Clos 19, the Moët Hennessy e-commerce platform is therefore advertising on such pairings (Appendix 24)

The communication of Hennessy is following the e-commerce growth trend. Most of the ad campaigns for the brands are made online, on e-commerce giants like TD or Tmall. As those e-commerce platforms gather a lot of data on the consumer, Hennessy can then make tailored promotions for the online shopper. Ads are

also present on very popular social medias such as WeChat or Alipay. Adoption of smartphone is so high in China that it is the most profitable channel for impacting media campaigns: 70% of marketing spending is made online. In our example of the last paragraph, during the live streaming, promotions were made to increase the sales of Hennessy VSOP. Streamers were able to enjoy the party but also get a promotion on their Hennessy bottle. We see here that the communication strategy is completely being adapted to the market and its specific way of living and consuming.

To conclude on this second hypothesis, we see that here MHD China is really adapting to its local consumers. First with a new product Hennessy Classivm but also with adapted ways of communicating on the brand and distributing its products. The Chinese market is so specific, Hennessy had to adapt to really follow the local trend but also culture of consumption.

Hypothesis 2 is rejected with empirical evidence.

Conclusion: Hennessy in China is both following the international marketing strategy with a very standardized product range and global communication positioning. However, it is also adapting to the Chinese market with Classivm and its very different activations online and in clubs following the value creation strategy.

The success of the launch of Hennessy Classivm is nevertheless limited. The investment was very large and today it is not the most profitable product of Hennessy range. Cognac is a status symbol product for Chinese, so consumers prefer to show very expensive bottles like VSOP or XO at their private table in clubs. Here, Classivm is not aligned with the consumers' need as it is not more expensive than VSOP or XO. The image of Classivm is the "less expensive product of Hennessy". The notoriety of the other standard Hennessy products was too strong to have such a launch. However, we see that switching the distribution on the online market made this reference more strategic.

So here we could conclude that the launch of Classivm with the joint venture was not a complete success, but it is not representative of the joint venture success to innovate. This structure is really adapting to its local markets not only with innovations, but also with distribution and communications adaptations. MHD China is innovating in other categories with investment in sparkling wine with Chandon China. The power of having a joint venture for innovations can really be seen with this strategy. MHD China is a successful structure for both global strategy but also adaptation strategy.

Table II summarizes of our hypothesis with empirical observations.

	<i>Theoretical patterns</i>	<i>Empirical findings</i>	<i>Empirical patterns with examples</i>
Hypothesis 1	In a competitive market, adaptation strategy is likely to be implemented for best success for the joint venture	Supported	Captain Morgan Black Spiced in France is an adaptation from the marketing team in order to respond to the specificities of the local market.
Hypothesis 2	In a less competitive market, adaptation strategy is not likely to be implemented in a joint venture	Rejected	Hennessy Classivm is product that has been made only for the Chinese market, according to their taste and need.
Hypothesis 3	In a competitive market, standardization is not likely is be chosen	Rejected	Captain Morgan Spiced Gold in a very standardized product, that is present in almost every market with the same attributes. In France, a competitive market, we can also find it.
Hypothesis 4	In a less competitive market, standardization strategy will tend to be adopted for best success of the joint venture	Supported	Hennessy VSOP is one of the most standardized product in the Hennessy range and can be found in China, a less competitive market.

Table II. Confrontation of Theoretical Hypothesis with Empirical Patterns

We will conclude this part with a SWOT of MHD in the Table III.

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Innovation capacity • Leadership: growth and market share • Carrying leader brands in the world • Economies of scale • On and Off-Trade synergy 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Internal cannibalisations • Shareholders' expectations • Priority brands • Culture difference of both shareholders • Cleavage between MH and Diageo
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Market adaptation with innovation • Acquisition of trendy categories • Emerging countries getting more open about western product • Increasing purchasing power • E-Commerce 	<p>THREATS</p> <ul style="list-style-type: none"> • Counterfeit and censorships in China • Alcohol consumption legislation • Changing trends • Fusion of other powerful competitors • Taxes (alcohol, export...)

Table III. SWOT of MHD Market

V. Discussion

We have seen in our study that MHD is a very specific structure. It started as an international marriage of interest and settled in some different countries. We have decided to study the French and the Chinese structure as their market is very different. We therefore analyzed how the structure adapted to the local market with two adapted products. We studied Captain Morgan in France and Hennessy in China.

We draw different theoretical hypothesis with our literature review on two brand introduction strategies which are value creation and value appropriation. Then, after looking at different data, marketing campaigns and exchanging with various professional during interviews, we were able to confront the theoretical hypothesis with the empirical evidence. The first striking difference we found that in China, even if it is relatively new market for cognac, there is a very harsh competition. This finding made it more difficult to confront our hypothesis since we considered this market as noncompetitive. However, we adapted our research and were still able to investigate the two brands in their respective markets and study their launch strategies.

We discovered that our prior hypothesis of competitive and noncompetitive market with standardization and adaptation cannot be generalized. We thought in a competitive market, the joint venture had to implement adaptation as it was mature and eager for innovation. We realized, with the very standardization of Captain Morgan in the French market, that it was not entirely true. This brand launched its product the same exact same way as in other markets and the success was met. This strategy has been seen among competitors in the wine and spirit business with Jack Daniels for example. We see today that this global strategy is present on both markets: competitive and noncompetitive. Indeed, Hennessy in China was also introduced in a very standard way and made its way first with this global vision. As the world is today very globalized, we see that strategies tend to go towards the idea of a global shopper. As people travel more and more and want to enjoy the products the same way everywhere, brands follow with a very global image. It also insures the brand positioning to be very clear in the different consumers' mind.

This standardization strategy has its limitation. Each country has its own culture, its own education, habits and believes. Therefore, brands also need to study the local market to make sure the standardization strategy would perfectly fit the need of consumers. Brands like Hennessy, must also seek opportunities. We have seen that Hennessy is present with a much larger consumers segment in China. Hennessy had to adapt to follow the younger consumers need in terms of On-Trade activations but not only. The drinking culture in China is very different, and the brand adapted with cognac pairings activations. Finally, we see that not all market can strictly follow the global strategy of launching with the e-commerce specificities in China. Adaptation had to be implemented to really fit the local need of online shopping and experiences. Today Hennessy in China is ahead of its competitors, investing already in the future trendy category like sparkling wine with Chandon but also red wine with Ao Yun.

One of our study goals was also to understand the strategy of the joint venture structure for a brand launch. We have seen that MHD in France and in China are taking advantage of such a structure to make sure to be present in all categories. The wine and spirits market is very atomic and largest companies are gathering different power brands in order to make their portfolio more competitive. With the study of our two launch examples within the same structure, we see that the joint venture helped in both markets. It was very adapted to help for economies of scale but also in terms of distribution power and negotiations, especially in France. As for China, as the market is changing very rapidly, it allows the joint venture to always be able to respond quickly to the arising trends.

Out of our 4 hypotheses, we had two that were supported and two that were rejected. In the end, to summaries the hypothesis results, in both France and China, we see that there are adaptation and standardization strategies. In competitive markets such as France, we have seen that standardization is very important for the brand notoriety and consumer's appropriation. In those very competitive markets, adaptation strategies also need to be implemented to take on local opportunities and adapt very closely to the local needs. In China, Hennessy had to really adapt to make its brand successful among all consumers.

VI. Contributions

We hope to have brought some interesting insights about global marketing strategy. Especially, we hope that we brought some interesting information regarding the different strategies surrounding the launching strategy of an innovation in two opposite markets. It was very interesting to be able to compare France and China from two similar structure of MHD. Being able to study these launches brought some light on how international companies bring their global strategies with very powerful brands like Captain Morgan and Hennessy.

Another interesting topic we tackled was the strategies of alliances and joint venture. We chose to study different innovations on different markets but inside the same structure of MHD. It allowed us to look and study the advantages and disadvantages of having such a structure. We also got to understand why this structure was present only in some specific markets. Our research was only made on the wine and spirits market, it therefore brought some interesting insights over this small yet growing market around the world.

Finally, we were able to really show two different launching market strategies which are value creation of value appropriation. With our two study cases, we also brought to light interesting examples of how joint ventures manage to prepare their launch but also study in details their consumers.

VII. Limitations and future research

It was hard to start from a general hypothesis of global consumer goods and then compare to very specific markets and wine and spirits categories. We have experience the impossibility to compare global strategies to very local small consumer goods categories. Each spirit category is also specific in each market and has its own specificities. We believe that if we had chosen other categories in France or China present within the joint venture, we might have found different results. This argument is particularly true in terms of consumer preferences over a period of time. What we have found in our research, might not be true in few years. Especially in market where trends are changing rapidly like in China. Global hypothesis could therefore be limited and need to be look at with a critic eye.

Another limitation that we could state is that global strategy is not always a world success. Captain Morgan is successful thanks to its global strategy, if it worked so well everywhere, it is because it is responding to a global need: fun party for young people. It seems that is should be a need in any market. Therefore, we have seen that the launching strategies have been done similarly everywhere around the globe. Yet, in Spain we have witness a failure of the introduction of the brand. We have seen this result also more locally in Paris versus in the provincial cities. Paris never adopted the Captain Morgan. Global strategy are generally a very efficient way of introducing a brand, especially for world brand image coherence. Nevertheless, the market should always be studied to make sure the global needs meet the local desires.

It would be interesting to study if MHD could settle on a new market and how. There are no intentions today in the corporate strategies settle in a new market. Today it would be very costly and time consuming to create such a structure in already very organised markets like USA. On emerging countries, we could see some possible implantation as no actors is present today and if there are noticeable opportunities the joint venture could settle. It would be interesting to see why the structure would be settling and what were the consumers' need that were matching the implantation of the joint venture.

VIII. Conclusion

It appears that the same joint venture present in different markets tries to combine its own international strategy with local consumer needs. We have seen that such a structure helps the joint venture to settle in very different market and adapt with a diverse portfolio. We decided to study the example of Moët Hennessy Diageo joint venture in France and in China where the wine and spirits market is different.

According to each market, each brand in the joint venture's portfolio is developed to fit perfectly the local need. Some international global strategies can be implemented in very competitive market like France if the fit seems right. Captain Morgan was launched in France the same standard way it was in the rest of the world as the consumers were eager to have the exact same brand experience. This strategy helped to bring a very clear global brand image to Captain Morgan but also it saved on economies of scale thanks to previous successful launches of that same brand in other countries. We would here call this approach value appropriation. This first strategy of standardization seems to be well adapted to competitive market like France from a joint venture point of view.

In China, Hennessy took the opportunity of having a younger consumer segment and adapted closely to their consumption and purchasing habits. This adaptation strategy was very different from the global brand positioning. The value creation strategy that MHD China implemented shows how important it is to study the local markets and its specificities to take on interesting business opportunities. China is relatively competitive for western spirits and it is very different in terms of consumer's needs. Adapting to this new market was necessary and strategic.

Having a joint venture to implement those two different strategies shows of great power of adaptation. Indeed, having a diversified portfolio helps each market to adapt and relate to its consumers. It also allows to be more powerful in terms of competition and market share. Finally, we see that having a joint venture helped both MHD France and MHD China to be able to react to the fast-changing consumer's need and continue to innovate in trendy categories.

Appendix

Appendix 1: Introductory email for interviews

Cher Mathieu,

Je te remercie du temps que tu m'as consacré aujourd'hui. Cette première introduction au marché asiatique était très intéressante.

Pour te remettre dans le contexte, je suis actuellement en apprentissage chez MHD France et je rédige mon mémoire de fin d'études.

Diplômée en Business International, j'aimerais comprendre les dynamiques commerciales de la joint-venture Moët Hennessy Diageo dans le monde.

Je souhaiterais tout particulièrement me pencher sur les axes de réflexion suivants :

- Quels sont les enjeux de développement de MHD en Asie ?
- Comment MHD France vs MHD Chine répondent à leurs consommateurs via des portefeuilles adaptés ?

Si nous avons le temps, je pensais aussi discuter avec toi du succès de cette alliance et de sa possible implantation dans d'autres pays.

Très belle soirée,

Cécilia

Cécilia Buffenoir

Assistante Compte Clé Grande Distribution

Moët Hennessy Diageo - France

01 41 88 33 28

cbuffenoir@mhdfrance.fr

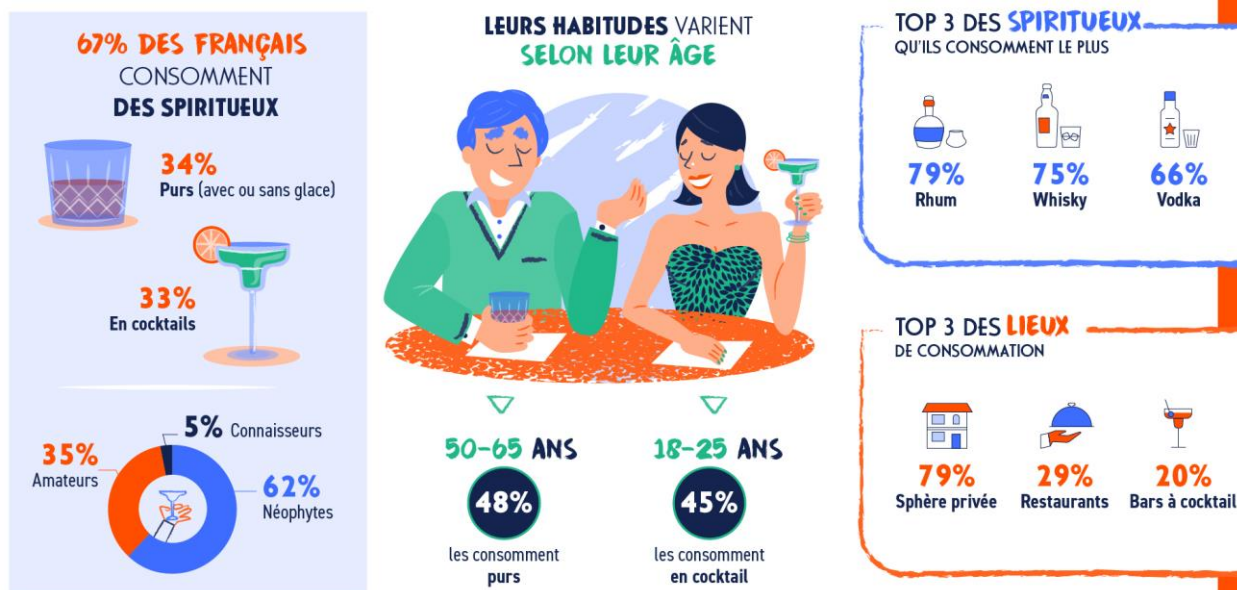


Appendix 2: So Wine Survey 2019 on wine and spirits consumption

BAROMÈTRE SOWINE / DYNATA 2019

LES SPIRITUEUX ET LES FRANÇAIS

NIVEAU DE CONNAISSANCE ET CONSOMMATION



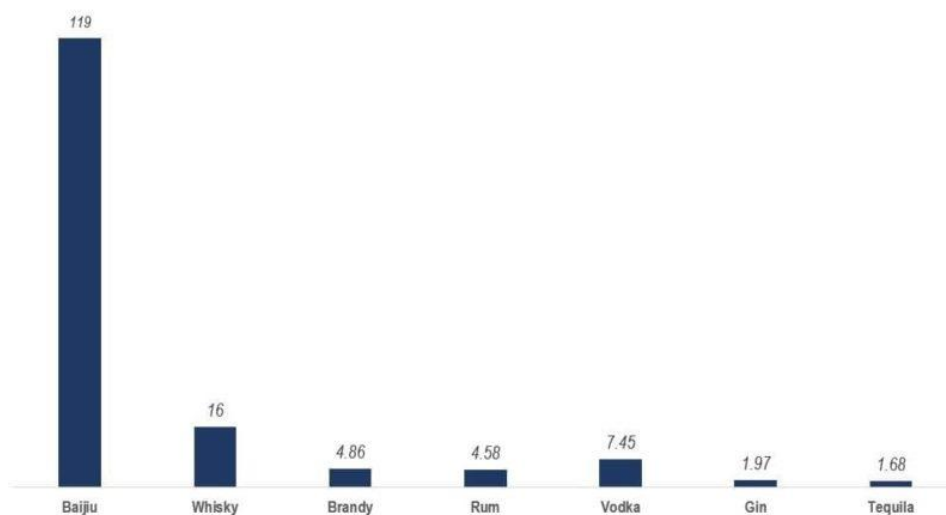
ÉTUDE MENÉE EN AVRIL 2019 SUR UN ÉCHANTILLON DE 1 000 FRANÇAIS ENTRE 18 ET 65 ANS, DONT LA REPRÉSENTATIVITÉ A ÉTÉ ASSURÉE PAR LA MÉTHODE DES QUOTAS.

sowine

Appendix 3: Alcohol sold in million bottles – March 2019 in China

Sold items of spirits on Taobao/Tmall
(million bottles - March 2019)

daxueconsulting



[Data source: taosj.com "Sold item of spirits on Taobao/Tmall"]

Appendix 4: So Wine Survey 2019 on wine and spirits purchasing

BAROMÈTRE SOWINE / DYNATA 2019

LES SPIRITUEUX ET LES FRANÇAIS

L'ACHAT

LES **2/3 DES FRANÇAIS**
ACHÈTENT
DES SPIRITUEUX



7%
Grands acheteurs*

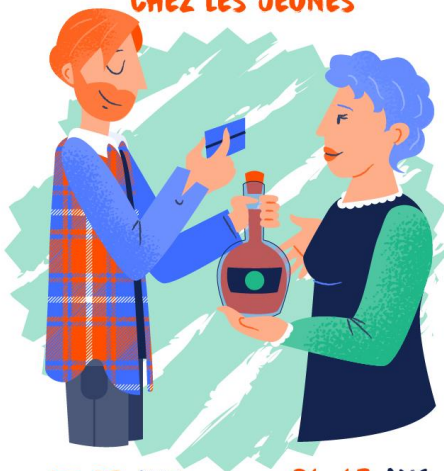


16%
Acheteurs réguliers*



45%
Acheteurs occasionnels*

UNE FRÉQUENCE D'ACHAT **PLUS FORTE**
CHEZ LES JEUNES



18-35 ANS

20% d'acheteurs
réguliers

36-65 ANS

14% d'acheteurs
réguliers

TOP 3 DES **LIEUX D'ACHAT**



88%
En grande distribution



18%
Chez les cavistes



10%
Sur internet

BUDGET MOYEN

POUR L'ACHAT D'UNE BOUTEILLE



7%
Moins de 10 €



53%
Entre 11 et 20 €



37%
Entre 21 et 50 €



3%
Plus de 50 €

*Grands acheteurs : achètent des spiritueux une à plusieurs fois par semaine - Acheteurs réguliers : quelques fois par mois - Acheteurs occasionnels : quelques fois par an

ÉTUDE MENÉE EN AVRIL 2019 SUR UN ÉCHANTILLON DE 1 000 FRANÇAIS ENTRE 18 ET 65 ANS, DONT LA REPRÉSENTATIVITÉ A ÉTÉ ASSURÉE PAR LA MÉTHODE DES QUOTAS.

sowine®

Appendix 5: MHD France Ad Campaign, Summer 2019



Appendix 6: MHD France Captain Morgan Spiced Gold 70cl with Mug (2017, older brand bottle tag)



Appendix 7: Market Share in Volume and Value in France and in China in 2018 of Major Wine and Spirits companies (IWSR)

Title: Market Share in Volume and Value in France and China in 2018 of Major Wine and Spirits Companies						Copyright: The IWSR 2020					
Units: Case volumes: 000's of 9-litre cases											
Currency: Retail value & Ecommerce Value: 000's of USDs (fixed). Retail prices: USDs per bottle. Bottle sizes shown in cl. (fixed)											
France						China					
Distributor	Category	Volume 2018	Retail Value 2018	% Market Share Vol	% Market Share Value	Distributor	Category	Volume 2018	Retail Value 2018	% Market Share Vol	% Market Share Value
Pernod Ricard		10 706	2 207 209	58%	55%	Pernod Ricard		2 170	2 246 112	56%	56%
Pernod Ricard	Spirits	10 068	2 067 076	58%	58%	Pernod Ricard	Spirits	2 110	2 184 443	57%	57%
Pernod Ricard	Sparkling Wine	638	140 132	4%	4%	Pernod Ricard	Sparkling Wine	61	61 669	2%	2%
MHD		3 066	815 162	17%	20%	MHD		1 377	1 619 960	36%	41%
MHD	Spirits	2 513	562 224	15%	16%	MHD	Spirits	1 297	1 554 681	35%	40%
MHD	Sparkling Wine	554	252 938	3%	7%	MHD	Sparkling Wine	80	65 279	2%	2%
Bacardi Martini		2 516	509 737	14%	13%	Bacardi Martini		273	69 152	7%	2%
Bacardi Martini	Spirits	2 410	486 996	14%	14%	Bacardi Martini	Spirits	236	60 522	6%	2%
Bacardi Martini	Sparkling Wine	107	22 742	1%	1%	Bacardi Martini	Sparkling Wine	37	8 630	1%	0%
William Grant		2 255	464 132	13%	13%	William Grant		51	52 190	1%	1%
William Grant	Spirits	2 255	464 132	13%	13%	William Grant	Spirits	51	52 190	1%	1%
TOTAL		18 544	\$ 3 996 240			TOTAL		3 871	\$ 3 987 414		
Total Spirits		17 245	\$ 3 580 427			Total Spirits		3 694	\$ 3 851 837		
Total Sparkling Wine		1 299	\$ 415 812			Total Sparkling Wine		177	\$ 135 578		

Appendix 8: MHD France Captain Morgan Spiced Gold 70cl France (2019 new bottle tag)



Appendix 9: MHD France Captain Morgan Spiced Gold Barrel 150cl France (2019)



Appendix 10: MHD France Captain Morgan Spiced Gold 100cl France (2019)



Appendix 11: MHD France Captain Morgan Black Spiced 70cl



Appendix 12: Volume and Value Evolution of the Brand Captain Morgan in France

Title:	Volume and Value Evolution of the Brand Captain Morgan in France								
Units:	Case volumes: 000's of 75cl bottles								
Currency:	Retail value & Ecommerce Value: 000's of Euros (fixed). Retail prices: Euros per bottle. Bottle sizes shown in cl. (fixed)								
Criteria:	Brand: Captain Morgan Rum- Country: France								
Copyright:	The IWSR 2020								
Colonne1	Colonne2	Volume	Volume3	Volume4	Retail Value	Retail Value5	Retail Value6	On-Premise	Off-Premise
Country	Brand	2013	2014	2015	2013	2014	2015	2015	2015
France		258,0	504,0	1 026,0	€3 738,4	€8 073,0	€16 434,3	205,2	820,8
France	aptain Morgan Ru	258,0	504,0	1 026,0	€3 738,4	€8 073,0	€16 434,3	205,2	820,8

Appendix 13: MHD France Captain Morgan Retail Displays May 2019



Appendix 14: MHD France On-Trade Activation in Lyon 2017



Appendix 15: Captain Morgan Spiced Gold 70cl in USA



Appendix 16: Captain Morgan Instagram account USA



 captainmorganusa • Abonné(e) ...



captainmorganusa If there are two truths in this wild world it's that summer never gets old and neither does a Captain & Cola.

Captain & Cola
1.5 oz Captain Morgan Original Spiced Rum
3 oz Cola
Garnish with lime wedge

85 sem



 trenttleonard @mock_n_stalk

85 sem Répondre



10 745 vues

23 AOÛT 2018

Ajouter un commentaire...

Publier

Appendix 17: MHD France Hennessy V.S.O.P



Appendix 18: MHD Chine Hennessy Classivm



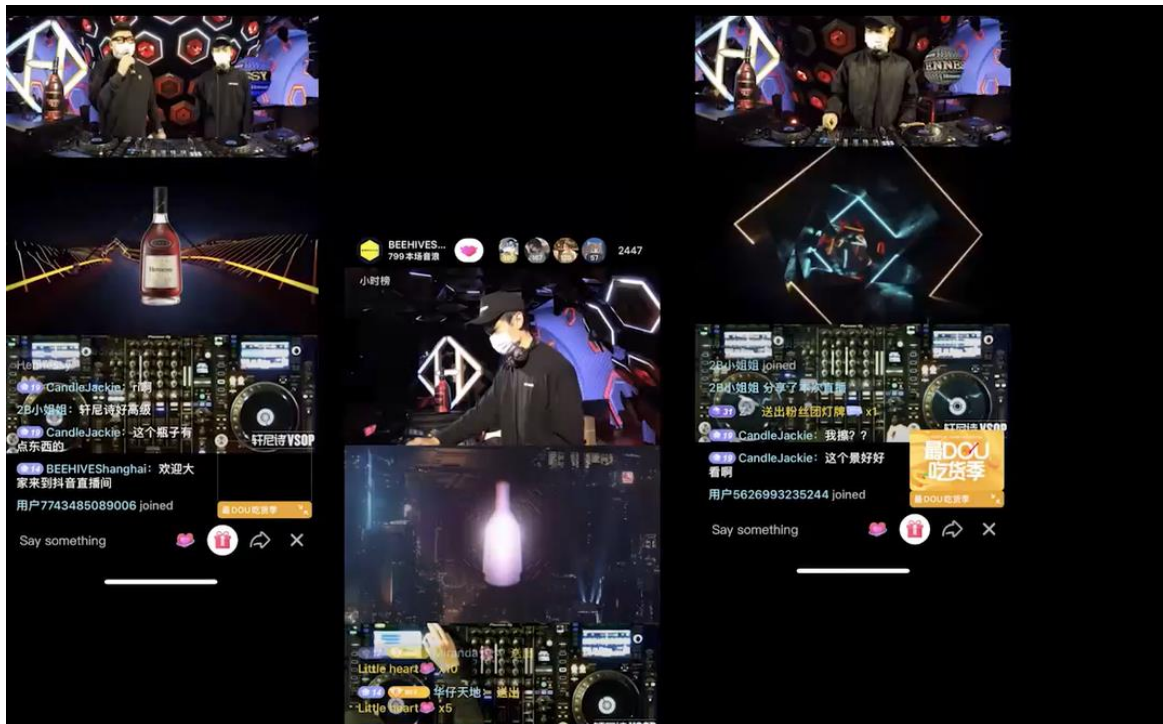
Appendix 19: Hennessy Event at K11, Shanghai, May 2018



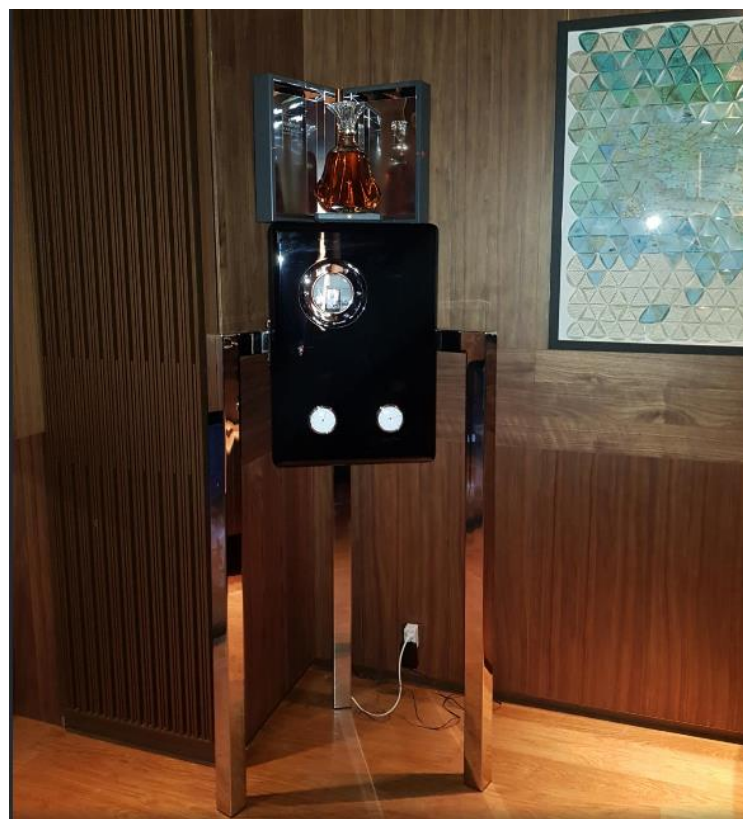
Appendix 20: On-Trade Activation Shanghai with Hennessy, April 2020



Appendix 21: Online Activation Hennessy Party April 2020



Appendix 22: Lutetia Paris Hotel Hennessy Paradis Impérial Activation Octobre 2019






Appendix 24: Online Clos 19 mediatisation of Hennessy pairings with Chinese cuisine


19

PERSONALISATIONGIFTS SELECTIONCHAMPAGNESPIRITSWINEACCESSORIESRARITIESEXPERIENCESJOURNAL19GASTRO@HOME


PAIR WITH HENNESSY X.O



CANTONESE ROAST GOOSE
Rediscover Hennessy X.O's round flavours and unmistakable aromas. The goose's richness and aromatic spiciness will help to reveal the cognac's character.



STEAMED SHELLFISH WITH GARLIC
The wonderfully spicy Hennessy X.O makes a powerful impression when paired with steamed clams or mussels topped with sautéed garlic.



BAKED CRAB WITH SICHUAN PEPPER
In this dish, the crab's richness and the Sichuan pepper's complex intensity are an intriguing complement to the roundness of Hennessy X.O.

Bibliography

- <https://www.linkedin.com/company/moet-hennessy-diageo-france/>
- <https://www.linkedin.com/company/lvmh-moet-hennessy-diageo-china/>
- <https://www.linkedin.com/company/moet-hennessy-diageo-singapore/>
- <https://www.linkedin.com/company/mhd-japan/>
- <https://www.linkedin.com/company/moet-hennessy-diageo-malaysia/>
- <https://www.linkedin.com/company/moet-hennessy-diageo-hong-kong-macau/>
- <https://www.diageo.com/en/our-business/where-we-operate/asia-pacific/diageo-mo%C3%ABt-hennessy-thailand/>
- <https://www.theiwsr.com>
- <http://www.mariebrizard.com/en/>
- <https://www.pernod-ricard.com/fr>
- <https://www.la-martiniquaise.com/>
- <https://research-methodology.net/standardisation-vs-adaptation-in-international-marketing-2/>
- <https://successfulglobalmarketing.weebly.com/untitled/global-marketing-strategy-standardization-vs-adaptation>
- <https://www.diva-portal.org/smash/get/diva2:1302/FULLTEXT01.pdf>
- <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000344577&categorieLien=id>
- <https://sowine.com/barometre/barometre-2019/page-6/>
- <https://www.chinadailyhk.com/articles/156/99/29/1563510336842.html>
- <https://daxueconsulting.com/research-on-alcoholic-drinks-in-china/>
- <https://daxueconsulting.com/spirits-market-china/>
- <https://www.forbes.com/sites/georgekoutsakis/2018/07/20/here-are-the-drinks-leading-chinas-booming-alcohol-industry-in-2018/#67ae92d37e17>
- <https://www.reuters.com/article/us-diageo-moet-dealtalk/diageo-and-moet-hennessy-a-deal-made-in-heaven-idUSLM15465320090422>
- https://lexpansion.lexpress.fr/actualite-economique/bernard-arnault-contre-les-anglais-ou-comment-la-veuve-clicquot-a-fait-payer-sa-trahison-a-johnnie-walker_1351897.html
- <https://jingdaily.com/hennessy-cognac-drinkers/>
- <https://presse.hennessy.fr/hennessy-classivm/>
- <https://www.captainmorgan.com/en-row/>
- <https://www.hennessy.com/fr-fr>
- <https://www.thedrinksbusiness.com/2018/09/alibaba-partners-with-moet-hennessy-as-western-spirits-set-to-surpass-us14-bn/>

- <https://www.diffordsguide.com/encyclopedia/235/bws/bottle-sizes-the-worlds-mandatory-bottle-sizes>
- <https://www.clos19.com/en-de/cognac-chinese-food>
- <https://www.lvmh.fr/les-maisons/vins-spiritueux/chandon-china/>

References

- Bai X., Chang J., Juan Li J., 2019. How Do International Joint Ventures Build Legitimacy Effectively in Emerging Economies? CRS, Political Ties or Both? [e-journal] *Management International Review* (2019) 59:387-412.
- Baker T., Callingham M., 2001. An innovative unified brand and market measurement system for strategic investment decisions. [e-journal] *International Journal of Market Research*, Vol 43, No. 3, 2001.
- Connelly B., Shi W., Hoskisson R., Balaji R., 2019. Shareholder Influence on Joint Venture Exploration. [e-journal] *Journal of Management* Vol. 45 No. 8, November 2019 3178-3203.
- Homin C., Tain-Jy C., 2003. Governance structures in strategic alliances: transaction cost versus resource-based perspective. [e-journal] *Journal of World Business* 38 (2003) 1-14.
- Leiblein M., 2003. The Choice of Organizational Governance Form and Performance: Predictions from Transaction Cost, Resource-based, and Real Options Theories. [e-journal] *Journal of Management* 2003 29 (6) 937-961.
- Le Nguyen H., Larimo J., Wang Y., 2019. Control, innovation and international joint venture performance: The moderating role of internal and external environments. [e-journal] *International Business Review* 28 (2019) 101591. [e-journal] *International Marketing Review* Vol 34 No.6, 2017 pp. 814-884.
- Jell-Ojobor M., Windsperger J., 2017. Determinants of the governance structure of the international franchise firm.
- Marshall S.J., Rongwei C., Yigang P., 2011. Anticipated duration of international joint ventures: A transaction cost perspective. [e-journal] *Journal of International Management* 17 (2011) pp.175-183.
- O'Regan N., Ghobadian A., 2010. Creating a world class business through a merger of two equals. [e-journal] *Journal of Strategy and Management* Vol. 3 No. 3, 2010 pp.285-298.
- Seung H., Dongheol K., 1997. Market Valuation of Joint Ventures: Joint venture Characteristics and Wealth Gains. [e-journal] *Journal of Business Venturing* 12, 83-108.

Introduction

Our world is today globalized. By this we mean that international companies are reaching almost all markets in the world. Today, with the Covid-19 crisis, we see how fast products and people are traveling but also how much markets are interdependent. Western companies have especially developed their presence in developed countries. We have observed that the joint venture is one of the structure used to enter the market but also to exchange better experience knowledge. We see that the market must be taken into consideration, especially the consumer needs. Therefore, we observe interesting adaptation from the same structure settling in different countries. This study will analyse how each market adapted to its local consumer needs in terms of portfolio strategy. We will develop especially on how innovations launches should be done to respond to either a competitive market or mature market, or in a less competitive market in a developing country.

Moët Hennessy Diageo is a joint venture created from two giants which are Moët Hennessy and Diageo. This company activity is selling premium wine and spirits. It gathers the portfolio of Moët Hennessy which has powerful champagne brands like Moët & Chandon, with the portfolio of Diageo, world leader in the spirits sector with the most sold whisky Johnnie Walker for instance. This joint venture was created for more powerful market position as it was gathering a very diverse portfolio which enable the company to be competitive on different categories. Nevertheless, this structure was implemented in only few markets. We found this structure in France, China, Singapore, Japan, Taiwan, Malaysia, Hong Kong and Macao. It is interesting to notice that this joint venture is only present in the Asian region or in France.

We wanted to understand throughout the research writing process of our thesis, how MHD is adapting worldwide and what are the primarily portfolio strategies in each market. Knowing the disparities between the French and Chinese wine and spirits market, it would be interesting to compare the MHD France strategies with the MHD China ones, through the study of their market and portfolio. More specifically, analysing a launch of an opportunistic category in each market would help answer our questions. This study will help us to analyse how the joint venture is adapting to each local market, here France and China, with adapted portfolio. We will especially look at the implementation of Captain Morgan in France and the launch of Hennessy in China. We wanted to analyse the portfolio construction, is it the same in both markets? Considering the very different French and Chinese market, are both MHD approaching their local consumers with standardized products and international marketing communications? Are they looking to adapt to the market with a tailored product? Could we compare their adaptation strategies in terms of portfolio? Our research will try to respond to the main question:

How are MHD France and MHD China responding to the local consumers with tailored portfolio strategies?

Theoretical Framework

Let's first analyse what is a joint venture. From our literature reading, we can assess a joint venture by legal arrangement from two separate entities that wish to complete diverse strategic objectives owning both interest in that new entity. That contract helps both companies to seek various objectives, it could be to access resources they lack, enter a new market or strengthen their current market position. All in all, it is created in order for both companies to achieve a common project that they both agreed on.

Today, we can see numerous example of joint ventures in very different industries. Indeed, market globalization, technology breakthrough and competitive challenges, incentive companies to create new type of alliances, one of them being the joint venture. We have found in our literature review, that a lot of joint ventures are also seeking international radiance. They tend to appear in emerging countries between far away partners. Nevertheless, joint ventures are a risky operation since both parent companies share their assets, know-how, resources and competitive advantages. Motivation for the creation of a joint venture should be a mix of better performances of individual companies and collective gains. If we look at a joint venture created in an emerging and uncertain environment, we can observe that companies need to make sure the joint venture can adapt to the changing environment. In a changing market, literature has shown that the joint venture could increase its performance with internal radical innovation adapted to the local market. It could create competitive advantage toward the competition and focus on the creativity and flexibility of the joint venture (Nguyen, 2019). We wish to study the launch of strategic products according to the local market in two different markets yet under the same joint venture. To narrow our research, we will take the example of a brand of Diageo, Captain Morgan for the French market and a Moët Hennessy brand, Hennessy for the Chinese market. Both brands were a response to local consumers demand.

Settling in a new market, the new joint venture has different options of local strategy. They can first choose to set a **standardization strategy**. This strategy implements “the same range of products, the same pricing, promotional and communication strategies” (Gupta and Randhawa, 2008, p.77) to minimize cost.

On the other hand, they could also implement a totally different strategy that is **adaptation**. The latter implies to adapt the branding, the pricing and the communication according to the specifics of the market and need of consumers (Chung, 2009).

Choosing one or the other strategy would have direct impact on the sales, profit, market share, performance and likeliness of products. Therefore, it would affect the success of the company launching the product.

Considering the **adaptation strategy**, we can see that it has the advantage of adapting exactly to the local specificities. While creating the joint venture, the two parent companies can study the dimension of the market and decide to fit exactly where the demand and the need of the consumer are. Therefore, customer can be targeted better, having as a result a high performance of the brand. Looking at the psychological level, the

customer will be even more satisfied if they witness the product adapting to their specific needs and customs. Many aspects and factors of the country need to be understood: the language, the climate, different races, occupations, education, taste, different laws, cultures and societies (Czinkota and Ronkainen, 1998). Such a strategy takes time and concentration to learn in depth all the characters of the country. We can therefore imagine that it is a costly strategy, especially prior to the launch of the product. We call this strategy **value creation** since it creates value having a product adapted so closely to the market. Sensitivity towards the adaptation of the brand can very much depend on the market and the consumer's attitudes.

Looking at the French market, we see that it is very competitive for mass consumption products. Many brands are competing for brand adoption and brand loyalty. For most of joint ventures, we witness that they usually look for a partner that has different know-hows or a different portfolio. Therefore, both companies can have the logistics know how, the pricing targets, communication fit, of each other and be more competitive working together. To fight the very harsh competition, the joint venture would prefer to create a brand-new product, fitting exactly the need of the market. We have witnessed through our readings that the adaptation was more profitable, as it was responding exactly to very demanding local consumers. Aside from value creation, adapting to the local market can offer many advantages, especially less parent control and equity control, to let the joint venture work on its own according to the local needs.

Hypothesis 1: In a competitive market, adaptation strategy is likely to be implemented for best success for the joint venture.

On the other side, emerging countries for mass consumption products, need to be studied differently. The culture might be largely different versus the one in developed countries. When the joint venture has both parent companies operating in developed countries, it therefore is completely new to the local market with unknown and different culture, way of consuming, language and education. However, Chinese see the occident as dignified and sophisticated, therefore consuming western products shows great prosperity and wealth. We have seen a great increase of occidental companies doing business in China. As a first look, when an international joint venture wants to settle down in China, it needs some local partners, either business ones or inside the government.

Hypothesis 2: In a less competitive market, adaptation strategy is not likely to be implemented in a joint venture.

The other strategy the joint venture can implement is **standardization**. This strategy supports the implementation of standardized marketing, branding, pricing etc. With the increasing recent globalization, some researchers suggest that the markets are becoming more and more similar. We are witnessing a

homogenisation of the consumer needs and taste, thanks to the intensifying forces of globalization (Winer, 2009). Some researchers are talking about the concept of a “world consumer” (Hallgren, 2012). It relates the creation of a globalized taste and lifestyle thanks to the acceleration of people traveling and the access to all types of media. This strategy has many advantages. First, it creates a large economy of scale and minimize all the cost related to the study of the market and the adaptation of the product. A second advantage is to keep the global corporate image of the company or the joint venture (if it exists in different markets), creating a synergetic positive affect of uniformity of brand positioning. This unified strategy creates a core competitive advantage of having a consistent and strong brand across all markets (Donnelly, 2009). We call this strategy **value appropriation**, since it uses the global strategy for local implementation.

On a mature market, consumers are expecting product specificities and differentiations. They (consumers) have access to a large range of products, coming from companies that, for some, have been operating for a while on the market. As the consumers have been surrounding with different products over the years, on a mature market, they would be more willing to consume something new and different, having some local specificities.

Hypothesis 3: In a competitive market, standardization is not likely is be chosen.

On the case of an emerging country, it seems to be very successful. Joint ventures are increasingly settling down. Furthermore, they are implementing their global strategy, launching their products the same way they have done in their home countries or anywhere in the globe. As Chinese consumer are seeing the western products as sophisticated, they wish to be able to consume the same products as the consumers are in the home country. Settling in a new country can also carry a lot of cost in terms of legal and operating issues. Implementing standardization would be adapted for those last reasons. With a very standardized product, risks are better managed and controlled. The joint venture can implement higher internal control to move more quickly into the new country with less risk. They could save on the cost of settling down through the standardization of their product launch.

Hypothesis 4: In a less competitive market, standardization strategy will tend to be adopted for best success of the joint venture.

Research Methodology

In order to answer our thesis question, we decided to first, have a qualitative approach. We decided to conduct interviews from employees of MHD France, MHD China and Moët Hennessy Asia. We wanted a global vision of the joint venture, therefore, we interrogated different departments of each joint venture.

We created a list of questions we wanted to tackle. We gathered 14 questions, that we divided in sections according to the relevance of department each question could be answered. Before each interview,

we would look at the interviewee's department, skills and knowledge and pick 2 or 3 questions to ask and discuss. We started to conduct the interviews inside the French joint venture. We decided to record all our interviews for better relevance and to help us study better all the conversations and exchanges. We conducted 7 interviews total on video-conference. We had 5 interviews within MHD France, 1 interview with a Moët Hennessy representative of the Asian region and one interview within MHD China. As additional qualitative resources, we also gathered some visual documents about the two companies.

We also decided to have quantitative resources. Therefore, we first investigated firm-internal documents such as annual reports, sales reports, marketing studies, performance studies and targeted objectives from different departments. To have external and international point of view, we also decided to be looking at numbers from IWSR, the leading supplier of data and market intelligence on the global alcoholic drinks markets. We decided to use some management tools to help us analyse some information we got through our interviews but also through the data we collected. First, to conclude on our analysis of the external factors of the wine and spirits market, we decided to conduct of Porter's 5 forces on both the French and the Chinese market. To conclude on the external and internal forces, we decided to conduct a SWOT of MHD. It was interesting for us to have in a glance of an eye all the different forces influencing MHD both in France and in China. It helped us to synthetize all the results we gathered but also include some other forces we identified.

Empirical Findings and Data Analysis

In this section, we will present the results of our different interviews conducted inside MHD France and MHD China but also the data we gathered. We will make a conclusion on which hypothesis is supported and which one is rejected and study why it is so or no so.

The wine and spirits market is very competitive in France, being the native country for specific international products such as champagne and cognac, it makes the competition high. Creating joint ventures has been a great tool to get better market share on such a specific market. In China, the wine and spirits market is today relatively competitive but it is a more recent actor compared to the French market. Even if international brands made their positioning targeting the business elite and polite society in China, we see that there are local brands resisting to this international competition.

Let us now focus on the creation of MHD internationally, it is an international opportunity. Two British giants, Grand Metropolitain and United Distillers (Guinness) decided to join forces in 1999 and merge. This merger created Diageo. Internationally, United Distillers had historically some distribution agreement with Moët Hennessy Distribution. So once those two giants merged, in some local markets, some subsidiaries decided to follow the big merger like in France or in China. On some other markets, they decided to stay as

they were, apart and competitors. We see here that both Asian and French joint venture were created with the same structure and under the same international circumstances.

If we look at the spirits' consumers in France, the population is a traditional country of enthusiasts about wine and spirits. First, if we look at the trend around consumption, we see that 67% of the French population consumes spirits with 33% of them consuming it in cocktails, the other part being the consumption neat (Appendix 2). We see here that the age of the consumer drinking mixed drinks or cocktails are the youngest (18-25 years old).

The trend of drinking alcohol is making a comeback since 2012 in China. More and more Chinese are enjoying drinking with their dinners when they causally go out with family or friends. We can also witness that the younger population in China are more and more interested in new flavors, especially the ones from the West. The cognac category seems to be an increasing trend with whisky, especially in the South of China, in two provinces, Guangdong and Fujian. The competition is very tense in Asia with western whisky brands and it has be the case for a long time. Cognac drinkers in Asia are of two different populations. There are the 35 to 40 years old with at home consumption and a very large budget to spend on their cognac product. Then we have 18 to 30 years old, with nightclub consumption and a lower budget.

Competition will be studied with a Porter's analysis:

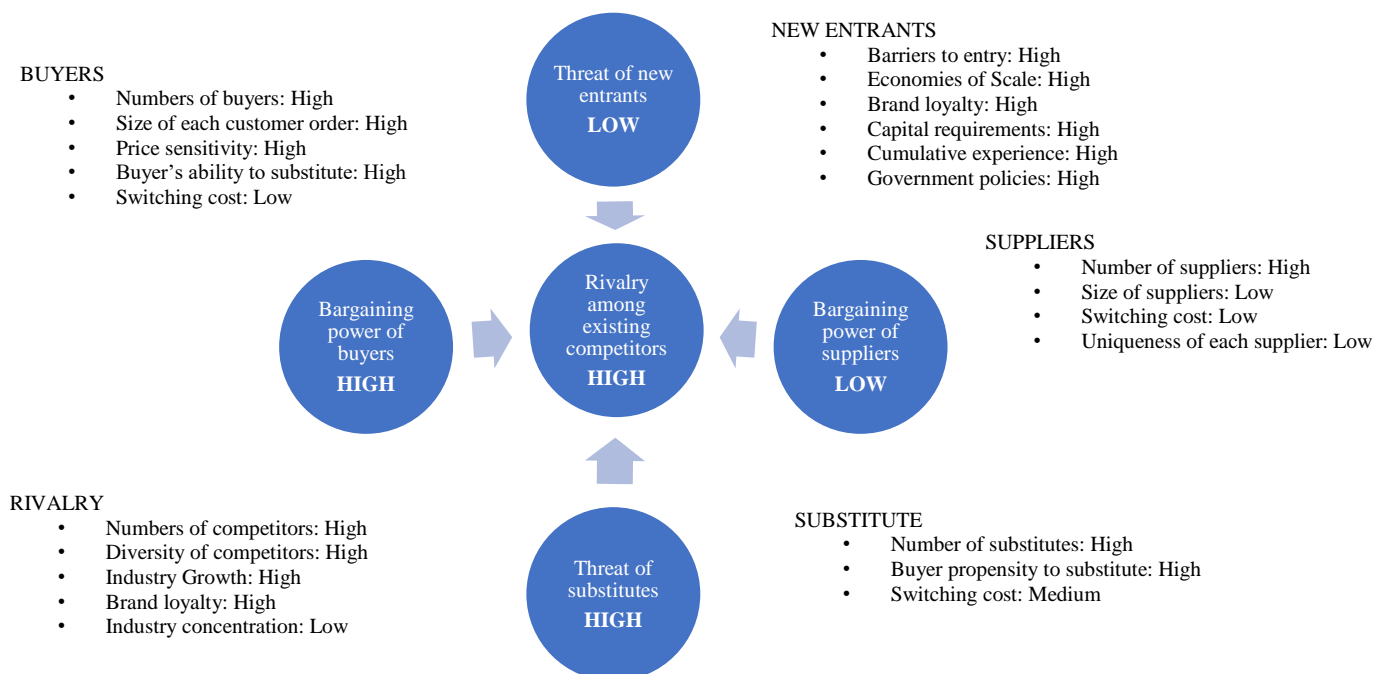


Figure I. Porter's 5 Forces of the Wine and Spirits Industry

In this second section, we will be look at the company's **internal factors** that could influence portfolio strategies. For both joint ventures, the two groups are very different but they both accept each other disparities, making the best out of the jointed strength. They are very compatible in terms of portfolio and we see also today as a structure. Since the beginning, one thing is bounding them together, which is the power to create premium products, with very strong value added, worldly known, often the most expensive of their respective categories with irreproachable quality products. The managing partner is Moët Hennessy for all MHD, inevitably the culture will be influence by it. Diageo is very present on the retail business with powerful brands like J&B and Moët Hennessy is developing its core champagne brands on the On-Trade channel like Moët & Chandon or Dom Perignon. For both MHD France and MHD China, this new entity created a perfect combination of On-Trade and Off-Trade strategies. There can be in contact with all the different business actors.

As we have seen in the first part, each portfolio must adapt to the local market. In France, we can find a very extensive portfolio with large range of products in the champagne category, the white spirit category but also the malts sector. The portfolio today in China is like the French portfolio in terms of brands. Nevertheless, Johnnie Walker is the major brand from the Diageo portfolio. In the Moët Hennessy portfolio, we see that Hennessy is the most represented brand.

In terms of innovation, it was also very strategic to have such a large portfolio for both markets, with very diverse categories. The alliance was therefore capable to respond quickly to the market trends with the launch of an innovation that was present in their mother portfolio. When we look at MHD, we see that it gathers the leaders in the most important wine and spirits categories: champagne and cognac for Moët Hennessy and vodka and scotch whisky for Diageo.

We could now look out our hypothesis on the France market.

Hypothesis 3: In a competitive market, standardization is not likely is be chosen.

Captain Morgan has a very large range of products owned by Diageo. It gathers the Spiced Gold (Appendix 8), present in almost every market and limited editions, implemented in some strategically studied markets. At the time of the launch in France (2013), Captain Morgan was already a very powerful brand and was the 6th alcohol in volume sold in the world, right after Jack Daniels. Diageo has a Global Brand Team, in charge of making sure the implementation of the brand is the same in all different markets, to insure a brand continuity. They implemented 4 global growth drivers. Captain Morgan wants their consumers to have the same experience while consuming their product, anywhere the product is available. Captain Morgan has the global strategy to be the first party spirit around the world. We see here that our hypothesis is rejected for the launch of the standard product Captain Morgan Spiced Gold in France. Indeed, the product Captain Morgan is a very standardized product and has been launched with the same exact attributes in the French market. When we look at this product in USA (Appendix 15), we see that the bottle looks the same as the one in France (Appendix 8). Captain Morgan needs to be everywhere, the party drink, that is fun and young. This is one of

the global growth driver: **Live like a Captain**. We see that on the different markets, there are always a person dressed up as the Captain, being the ambassador of the brand. This communication is pushed by the global strategy of **Leaving Legend**. The brand activations seem also similar in terms of standardization. We find the same type of On-Trade activations with bars and nightclubs parties. It is following one of the world growth driver: **Party like the Captain**. As for the drink strategy, we see that it showed only in a mixed drink, and mostly with cola, in France where the Captain Cola is being promoted (Appendix 5). On the American official Instagram, we see the same communication of the strategic drink Captain Cola (Appendix 16). This is the **Drink like the Captain** growth driver. We here see that the standardization is made on the major product of the brand, the classic and emblematic Captain Morgan Spiced Gold. Hypothesis 3 is here rejected with empirical evidence.

Let us look at the second hypothesis made on the French market.

Hypothesis 1: In a competitive market, adaptation strategy is likely to be implemented for best success for the joint venture.

MHD launched other sizes of Captain Spiced Gold for other type of consumption with first the barrel in 2018 (Appendix 9) for the fidelity and party settings and then the litre in 2019 (Appendix 10), like at home consumption. In April 2020, as the brand was experiencing a very large success in France, the marketing launched a new product of the brand. Captain Black Spiced 70cl (Appendix 11). It is targeting older consumers, mostly the ones that already love the brand. This launch was also a response to the competitive market where the Spiced rum category was getting very competitive. Major innovations such as Bacardi Oakheart, Don Papa or Kraken were making increasing notoriety. Hypothesis 1 is here supported with empirical evidence.

Conclusion: We see that Captain Morgan is particularly successful to launch globally a brand and keep the same image of party spirit and fun. This is one of the success factor of the brand, the global marketing strategy is followed strictly in each market. The consumer has a lean brand experience, anywhere he goes.

We could now look out our hypothesis on the Chinese market.

Hypothesis 4: In a less competitive market, standardization strategy will tend to be adopted for best success of the joint venture.

The Hennessy portfolio in China is gathering VSOP (Appendix 17), XO, Classivm (Appendix 18), Paradis, Paradis Impérial and Richard. All the bottles, except Classivm, look the same internationally, both the packaging and the liquids are identical. For example, VSOP is the same in France (Appendix 17) and in China (Appendix 20). Hennessy VSOP is the standard product and has been present in China for a long time. We see that the distribution of Hennessy products is present on the On-Trade and the Off-Trade. This is also true in France. In terms of activations, we see that for some Hennessy products, they seem similar. Hennessy

Paradis Impérial is being promoted in palace hotels in France and in China the same way. The marketing strategy seems here global. In Lutetia Paris, we see that the product is showed on a very nice stele with the possibility to try the produce at the hotel's bar (Appendix 22). This is also the case in Shanghai, in Amanyangyun Hotel, where the same product is being showed in a Louis Vuitton trunk (Appendix 23). The communication of these very premium products is made of the international standard image of a premium spirit, enjoyed during an evening tasting. We have seen that the Chinese population is more and more open to the rest of the world but is also travelling more. Therefore, Hennessy wants its consumer to have the same brand experience anywhere the consumer goes. We see here that Hennessy follows an international marketing strategy with identical products and visibility. Even if the market is very different and consumers have a different culture, the Hennessy brand universe seems to be standardized for the most well-known products in China.

Hypothesis 4 is supported with empirical evidence.

Let us look at the second hypothesis made on the Chinese market.

Hypothesis 2: In a less competitive market, adaptation strategy is not likely to be implemented in a joint venture.

Hennessy adapted to its market and launch in 2013 Hennessy Classivm (Appendix 18). This product was only made for the Chinese market, it is not present in any other markets. It really adapted to the Chinese palate and market. Consumers of Hennessy in China are younger, from the age of 20 to 28. This population of consumers enjoys Hennessy products mostly in nightclubs (Appendix 20). Today, Classivm make 80% On-Trade volumes with nightclubs and 20% Off-Trade. The specificities here is that within the Off-Trade distribution, it is mostly being distributed online. Most of the ad campaigns for the brands are made online, on e-commerce giants like TD or Tmall. As those e-commerce platforms gather a lot of data on the consumer, Hennessy can then make tailored promotions for the online shopper. The Chinese market is so specific, Hennessy had to adapt to really follow the local trend but also culture of consumption. First with a new product Hennessy Classivm but also with adapted ways of communicating on the brand and distributing its products. Hypothesis 2 is rejected with empirical evidence.

Conclusion: Hennessy in China is both following the international marketing strategy with a very standardized product range and global communication positioning. However, it is also adapting to the Chinese market with Classivm and its very different activations online and in clubs following the value creation strategy.

Table II summarizes of our hypothesis with empirical observations.

	<i>Theoretical patterns</i>	<i>Empirical findings</i>	<i>Empirical patterns with examples</i>
Hypothesis 1	In a competitive market, adaptation strategy is likely to be implemented for best success for the joint venture	Supported	Captain Morgan Black Spiced in France is an adaptation from the marketing team in order to respond to the specificities of the local market.
Hypothesis 2	In a less competitive market, adaptation strategy is not likely to be implemented in a joint venture	Rejected	Hennessy Classivm is product that has been made only for the Chinese market, according to their taste and need.
Hypothesis 3	In a competitive market, standardization is not likely is be chosen	Rejected	Captain Morgan Spiced Gold in a very standardized product, that is present in almost every market with the same attributes. In France, a competitive market, we can also find it.
Hypothesis 4	In a less competitive market, standardization strategy will tend to be adopted for best success of the joint venture	Supported	Hennessy VSOP is one of the most standardized product in the Hennessy range and can be found in China, a less competitive market.

Table II. Confrontation of Theoretical Hypothesis with Empirical Patterns

We will conclude this part with a SWOT of MHD:

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Innovation capacity • Leaderships: growth and market share • Carrying leader brands in the world • Economies of scale • On and Off-Trade synergy 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Internal cannibalisations • Shareholders' expectations • Priority brands • Culture difference of both shareholders • Cleavage between MH and Diageo
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Market adaptation with innovation • Acquisition of trendy categories by parents' companies • Emerging countries getting more open about western product • Increasing purchasing power • E-Commerce 	<p>THREATS</p> <ul style="list-style-type: none"> • Counterfeit and censorship in China • Alcohol consumption legislation • Changing trends • Fusion of other powerful competitors • Taxes (alcohol, export...)

Table III. SWOT of MHD Market

Conclusion

It appears that the same joint venture present in different markets tries to combine its own international strategy with local consumer needs. We have seen that such a structure helps the joint venture to settle in very different market and adapt with a diverse portfolio. We decided to study the example of Moët Hennessy Diageo joint venture in France and in China where the wine and spirits market is different.

According to each market, each brand in the joint venture's portfolio is developed to fit perfectly the local need. Some international global strategies can be implemented in very competitive market like France, if the fit seems right. We would here call this approach **value appropriation**. Captain Morgan was launched in France the same standard way it was in the rest of the world as the consumers were eager to have the exact same brand experience. This strategy helped to bring a very clear global brand image to Captain Morgan but also it saved on economies of scale thanks to previous successful launches of that same brand in other countries. In China, Hennessy took the opportunity of having a younger consumer segment and adapted closely to their consumption and purchasing habits. This adaptation strategy was very different from the global brand positioning. The **value creation strategy** that MHD China implemented shows how important it is to study the local markets and its specificities to take on interesting business opportunities. China is relatively competitive for western spirits and it is very different in terms of consumer's needs. Adapting to this new market was necessary and strategic.

Having a joint venture to implement those two different strategies shows great power of adaptation. Indeed, having a diversified portfolio helps each market to adapt and relate to its consumers. It also allows to be more powerful in terms of competition and market share. Finally, we see that having a joint venture helped both MHD France and MHD China to be able to react to the fast-changing consumer's need and continue to innovate in trendy categories.