
NEW TRENDS OF DEVELOPMENT OF BEER INDUSTRY IN LITHUANIA – DIVERSIFICATION AND SOCIAL RESPONSIBILITY

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Abstract. The main purpose of this article is to outline the current challenges of beer industry in Lithuania and provide suggestions for future development of organizations in this industry, by focusing on diversification strategy and social responsibility. The main challenges of Lithuanian beer industry are related to finding ways of future development in a constantly contracting market, as well as to find a competitive strategy of market penetration. In connection of these challenges, product differentiation creates new benefits for the consumers. However this strategy proves itself not being sufficient to reach the desired goals. Diversification of portfolio, being more risky, gives opportunity to target new customer groups and increase market presence. However, both strategies are less effective without changing the culture of drinking and consumer perceptions of beer. These issues will be addressed through the lenses of social responsibility, by emphasizing the promotion of responsible alcohol consumption and responsible behaviour of beer industry. As a result, the customers have to be ready to pay higher price for new products and develop a more responsible culture of beer consumption. To overcome outlined challenges, organizations in Lithuanian beer industry, must rethink their existing strategies and operations. Based on proposed future directions, the paper provides suggestions for business practices, how to implement differentiation strategy and actions in order to increase the level of social responsibility of various stakeholders.

Keywords: beer industry, Lithuania, differentiation, diversification, social responsibility, beer consumption, responsible drinking.

JEL Classification: M31, M110, M210, M290.

1. Introduction

Nowadays, business environment organizations are faced with different challenges every day. Beer industry, however, is not an exception. In Lithuania it is operating in a very

“unfriendly” business environment characterized by increasing competition, unstable and constantly changing legislation and government regulation. The public opinion is getting more and more negative towards the alcohol consumption due to the fact, that post-soviet Lithuanian consumers have inherited the wrong habits of drinking, preferably big quantity of strong alcoholic beverages (Stumbrys 2017).

By focusing on beer market in Lithuania we can outline that beer producers and importers are looking for new ways to penetrate market by offering new products and services and using new communication tools with the customers, like internet advertising, direct communication, articles in media and so on.

Taking into consideration the current characteristics of beer industry, market conditions, public opinion, existing culture of drinking and general challenges of nowadays business, we can outline the beer producers and importers have to focus not only on the production of alcoholic beverages, but also need to adopt different programs to develop a new culture of consumption and strive toward sustainable working and behavior of organizations. In other words, differentiation can be achieved by adding new values to existing brands and making them more attractive and different from competitors. Therefore social responsibility refers to the balance among economic, social, and environmental sustainability (Dunphy *et al.* 2000; Elkington 2004).

Identified challenges represent important obstacles for organizations in beer industry, if they are going to work on current patterns of operations and behavior. In that frame, the current literature and practice do not provide a clear answer how key challenges can be addressed in organizations and what actions are most promising for future success of organizations.

This paper offers organizations involved in beer industry strategies of future development and outlines possible actions in order to address above challenges. In terms of improved culture of drinking, this culture considers wider variety of new and more expensive products, based on understanding “drinking less, but better quality product”, as well as putting focus on / offering more non-alcoholic beer and ecological beer products. In terms of improved social responsibility within organizations, the main focus is on establishing sustainable operations and behavior. This may include like improving the producing technology, collaborate with partners in supply chains that are socially responsible, finding sustainable suppliers, and so on.

The paper is structured as follows. First half of the paper is dedicated to the theoretical cognitions about beer market in Lithuania, followed by basic starting points to understand differentiation strategies of market penetration, developing communication and social responsibility of organizations. Second half of the paper is devoted to the discussion about possible ways to address outlined challenges, through the lenses of product differentiation and social responsibility. In that frame practical implications and recommendations are outlined for organizations.

2. Literature review and background

The development of competitive strategy. The major brewers distinguish some of the key activities of strategic directions that will be most relevant in the coming years, when the brewers market is likely to continue to operate a long-standing negative trend of tightening regulation and prohibitions.

The main directions for development are considered the following: category product development and differentiation; category diversification, beer imports, craft beer renaissance; development and promotion of social responsibility, responsible beer consumption culture based on positive and open communication; energy conservation, so-called “green” solutions, application of innovations; long-term strategic objectives to invest in production and technology upgrading.

Smith (1956), Pride (Pride, Ferrell 1985) and Ferrell (1981) have described product differentiation and market segmentation as alternative marketing strategies due to the fact that “variations in production equipment and methods or processes, used by different manufactures of products designed for the same or similar use” (Smith 1956). Christensen and Montgomery (1981) incorporated both diversification strategy and market structure variables in a study of corporate economic performance. Rumelt (1982) has shown an association between diversification strategy and profitability.

According to Porter’s Generic Strategies model (Porter 1980), there are three basic strategic options available to organizations for gaining competitive advantage. These are: Cost Leadership, Differentiation and Focus. Porter called the generic strategies “Cost Leadership” (no frills), “Differentiation” (creating uniquely desirable products and services) and “Focus” (offering a specialized service in a niche market). He then subdivided the Focus strategy into two parts: “Cost Focus” and “Differentiation Focus”. On the basis of Lithuanian beer manufactures and importers the general strategies are very dependent on two main factors – market size and risk. Generally, it can be characterized as outlined in Figure 1.

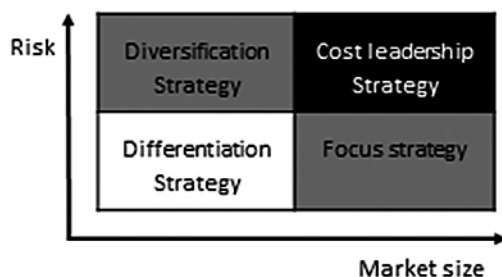


Fig. 1. Different strategies in a context of risk and market size (source: own presentation)

Differentiation focus. Picture shows, that cost leadership focus is risky and can be successful in a big market with lower income level. Lithuanian beer suppliers were using this strategy in until 2012, when excise duties have started to rise and new regulations, eliminating bigger PET package were introduced together with restrictions on beer lotteries. Beer importers, being flexible with volumes imported, were able to use a focus strategy. However, the big beer producers have changed their strategy to differentiation, trying to increase the assortment of lager beers and their quality. They were not able to consider the focus strategy, because it was important to keep the existing minimal production volume. The focus on very specific customers with specific requirements in a contacting market was not able to guarantee the minimal production volume and operations over the breakeven point. They put focus on the unique features of their products (especially new) promoting their taste and other specific benefits, explaining what makes them different from competitors. It has increased the costs and price, but was less risky, than to compete only with the low price. This process was described in a Blue Ocean Strategy (Kim, Mauborgne 2005). Based on a study of 150 strategic moves spanning more than a hundred years and thirty industries, Kim and Mauborgne (2005) argue that companies can succeed by creating “blue oceans” of uncontested market space, as opposed to “red oceans” where competitors fight for dominance, the analogy being that an ocean full of vicious competition turns red with blood. However, when every player is starting to use the similar approach to the market, the same number of customers, drinking beer will not suddenly start to drink more. Having in mind, that the duties continued to rise and emigration was increasing, it was necessary to develop new strategies of market penetration and expansion.

Diversification focus. Diversification is one of the four main growth strategies defined and developed by Ansoff (1957). His matrix is outlined in Figure 2.

Ansoff pointed out that a diversification strategy stands apart from the other three strategies. Whereas, the first three strategies are usually pursued with the same technical, financial, and merchandising resources used for the original product line, the diversification usually requires a company to acquire new skills and knowledge in product

| | | Products | |
|---------|---------|--------------------|------------------------|
| | | Present | New |
| Markets | Present | Market penetration | Product development |
| | New | Market development | Diversification |

Fig. 2. Ansoff matrix (Ansoff 1957)

development as well as new insights into market behavior simultaneously. This not only requires the acquisition of new skills and knowledge, but also requires the company to acquire new resources including new technologies and new facilities, which exposes the organization to higher levels of risk. Montgomery, Singh (1984) described the relationship between diversification strategy and systematic risk (beta). Beta values were examined for six diversification categories, and it is found that betas for unrelated diversifiers are significantly higher than those of other firms. Ducassy, Prevot (2010) argues, that there is a negative relationship between the presence of a shareholder block and the level of diversification only for non-family businesses. This result emphasizes the particularity of family businesses in terms of the links between governance structure and business strategy. At the same time Palepu (1985), using diversification index measures, examined corporate diversification and economic performance and failed to find any significant relationship between them. Ginevičius (1998) also presented the analysis of measurements of diversification and their relation for corporate management. In his opinion, differentiation is a natural process and every company can use this option for increasing presence in the market and even share the operation risk do not “keeping all eggs in one basket”.

Social responsibility. Over decades various initiatives to preserve the environment for future generations emerged (Dunlap, Mertig 1990; Elkington 2004) and are examined under different names, like triple bottom line (Elkington 2004), Corporate social responsibility (CSR) (Foote *et al.* 2010), social responsibility (Blackburn 2007; Potocan *et al.* 2013), Agenda 21 (Bullard 1998), sustainable development (Beckerman 1994) and sustainability (Clayton, Radcliffe 1996).

Involvement of organizations into actions related to preserve our environment for future generations has been constantly rising over last decades. There have been several discussions among academics and practitioners regarding the level of organizational involvement in sustainability activities (Beckerman 1994; Mitchell *et al.* 1997; Agle *et al.* 2006; Dima *et al.* 2013). Major arguments for organizations to perform those activities are related to (Certo, S. C., Certo, S. T. 2009): (1) the fact that organizations have significant impact on such critical issues as environmental pollution, influencing quality of people in neighborhood of organizational premises, (2) the fact that organizations are open system, thus they should listen to what must be done to sustain or improve social welfare, (3) severe depletion of natural resources, increased social problems, and greed for profits, in last decades, and (4) increased role and importance of national legislation, European Union legislation, activist groups, non-governmental organizations, customers, etc., for sustainable development.

Sustainability refers to the balance among economic, social, and environmental sustainability (Dunphy *et al.* 2000; Elkington 2004). It is a holistic concept, emphasizing that none of the development goals of economic growth, social well-being, and the wise use of natural resources can be reached without considering and affecting the

other two (Beckerman 1994; Clayton, Radcliffe 1996). Organizations with their actions and behavior importantly influence on natural and social environment (e.g. depletion of the resources, pollution) or often cause (or at least trigger) different misconduct. In that framework, the focus of the literature is to study/examine sustainability issues at the organizational level (Beckerman 1994). In last decades, there have been several well-known examples of different kind of misconducts, in terms of natural and social environment, as well as financial abuses (Valentine, Fleischman 2008).

Sustainability encompasses much more than just balancing profit with people and planet aspects, based on the concepts and standards of sustainability, developed through last decades. According to the findings of different authors a number of key elements or principles of sustainability can be derived, namely (Beckerman 1994; Clayton, Radcliffe 1996; Munda 1997; Dunphy *et al.* 2000; Hitcock, Willard 2009; Baumgartner, Ebner 2010): (1) Sustainability is about balancing or harmonizing the social environmental and economic interests. In order to contribute to sustainable development, a company should satisfy all “three pillars” of sustainability: Social, Environmental and Economic; (2) Sustainability is about both short and long term orientation. A sustainable company should consider long-term consequences of their actions, and not only focus on short-term gains; (3) Sustainability is about local and global orientation. The increasing globalization of economies affects the geographical area that organizations influence. The behavior and actions of organizations therefore have an effect on economic, social and environmental aspects, both locally and globally; and (4) Sustainability is about consuming income, not capital. Sustainability implies that the natural capital remains intact. This means that the extraction of renewable resources should not exceed the rate at which they are renewed, and the absorptive capacity of the environment to assimilate waste, should not be exceeded.

Furthermore, sustainability is about transparency and accountability (Cancer, Mulej 2009). The principle of transparency implies that an organization is open about its policies, decisions and actions, including the environmental and social effects of those actions and policies, to stakeholders that could be interested in or affected by these actions. The principle of accountability implies that an organization accepts responsibility for its policies (e.g. dedication to support sport; commitment to contribute to the repairing local roads, due to the activities of organization), decisions and actions, and is willing to be held accountable for these.

Sustainability is also about personal values and ethics. Sustainable development is inevitably normative concept, reflecting values and ethical considerations of the society. Thus, importance of societal values could reflect national policies; while employees also in their sustainable behavior in organizations. For instance, for those employees, for which for preservation of natural environment is highly important, will give more attention to these issues also in terms of his/her behavior in organization (Potocan *et al.* 2013). Part of the change needed for a more sustainable development, will therefore also

be the implicit or explicit set of values that project management professionals, business leaders or consumers have and that influence or lead their behavior.

3. Beer market in Lithuania

During a visit to Lithuania by the World Health Organization (WHO) representative reported that the Lithuanians – the most alcohol consuming nation in the world. According to WHO, in 2016 the average consumption of pure (100%) alcohol per capita in Lithuania is close to 16 liters. This unit is designed to unify the published statistics, in order to compare different countries (Zubrutė 2017).

The Department of Statistics of Lithuania announced that 2016 data is not yet systematized. However, in 2015 department declared, that everyone, who is older than 15 years, consumed more, than 14 liters of pure alcohol. The calculation has been provided according to older method and estimated 14.5 liters, which were consumed. At the same time, the WHO estimated 15.4 liters that were consumed in 2015. In fact, Lithuanian statistics in their calculations do not include illegal alcohol, what makes a difference in calculations with WHO. Nevertheless, who is right, it generally shows a big problem in connection of alcohol consumption in Lithuania.

However, during the past several years the total alcohol sales (including beer) were constantly decreasing, and it shows a positive trend in all alcohol categories. Details are summarized in Figure 3.

The recent challenges in beer industry. Global beer consumption is much higher, than consumption of any other alcoholic drink, not only in terms of volume, but also in value terms, and the gap is growing. In 2007, the value of global beer consumption was around 112 billion EUR, compared to 55 billion EUR for wines and 94 billion EUR for spirits or other alcoholic drinks (Swinnen 2011). The beer industry today is the largest in

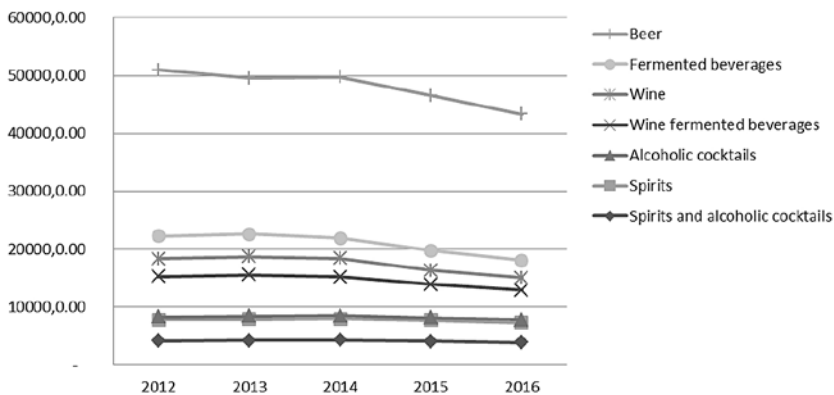


Fig. 3. Sales of different alcoholic beverages in Lithuania in 2012–2016 (Oficialiosios statistikos portalas 2016)

the total beverage sector in Lithuania. According European Economics Chancery House survey Lithuanian State from the beer sector through direct and indirect taxes received around 190 million EUR per year. Details are outlined in Figure 4.

Lithuania beer industry is one of the most profitable industries in the country. Since then, when Lithuania became independent (1991), the beer industry has changed morally, technically and technologically. Brewers promote competition between them to produce better quality beer, upgrade equipment and improve communication with the customers.

However, since 2010, the beer industry in Lithuania is facing significant decline, which is characterized by market contracting and decrease of production volume. According to Nielsen Lithuanian retail sales index, the country's beer market has dropped significantly in 2012–2013, when 5.6 and 6.5 per cent loss was recorded. In 2014 the 5.3 percent growth was registered which has provided encouraging brewers, but next year the hopes again began to break. Since 2014 the production volume continues to decrease. Production volume of beer in Lithuania between 2012 and 2016 are outlined in Figure 5.

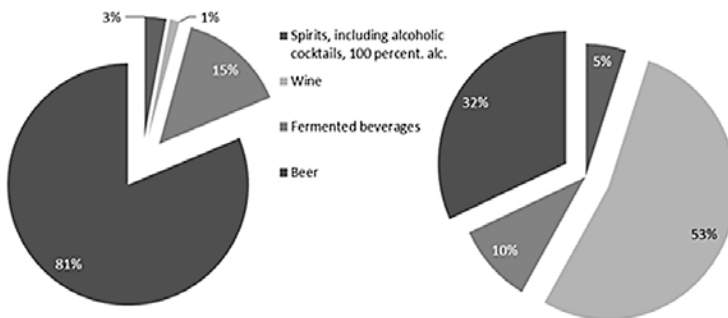


Fig. 4. Structure of production and imports of alcoholic beverages in Lithuania (Oficialiosios statistikos portalas 2016)

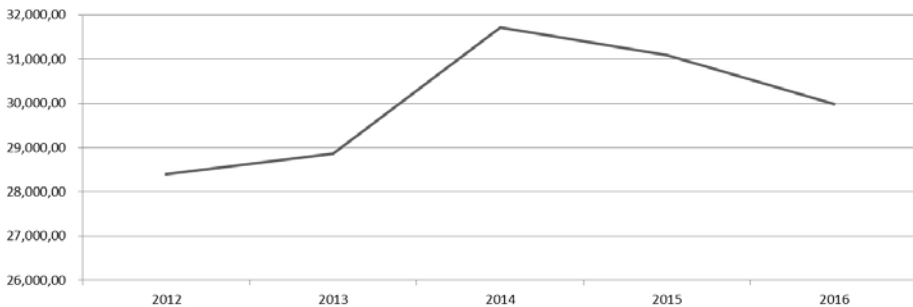


Fig. 5. Production of beer in Lithuania between 2012–2016 (Oficialiosios statistikos portalas 2016)

The largest beer producers. Beer market is concentrated in the 3 largest brewers, which have more, than 70% of the Lithuanian beer market. The market is not a monopoly, but the leader is “Švyturys – Utenos Alus” (SUA) brewery. The production decrease was highly influenced by beer price wars in the Lithuanian market, which began in 2014, when Kalnapilis Taurus Group and Volfas Engelman began to compete for the bigger market share. The first one cut prices, then the other, and as the market overall, the price changes began to react all of its participants. Moreover, it contributed supermarket competition.

Most of the production is sold in Lithuania, therefore the export rate in the country is not very high. The government promotes the development of the beer industry and promotes its growth. Three Lithuanian breweries are owned by foreign companies. Lithuanian brewers want to be competitive in the EU market, so they are trying to reach EU standards, where the most important thing is the quality of the beer.

For instance, “Švyturys – Utenos Alus” brewery net profit in 2015 amounted to 1.483 million euro and was nearly 7 times less than the year before, when it stood at 10.246-million-euro. Company profitability remained unchanged, while net profit was influenced by a binding Carlsberg requirement executed SUA holding company Švyturys-Utenos Alus Holding cessation and for the costs incurred. Reducing the net profits was the result of higher excise duty, which Švyturys-Utenos Alus has paid in 2015 – 18.9 million euro, 16.8% more than in 2014. Market shares of biggest beer producers are outlined in Figure 6.

In 2015, SUA has sold in the same volume as in 2014 – 10 800 thousand Deciliters. However, the general sales volumes increased due to 12.2% – nearly 6.5 million EUR increase in export volumes, as well as other categories (soft, energy drinks and cider) sales growth. General Lithuanian beer export has started to increase since 2014 and became higher, than imports. Details are outlined in Figure 7.

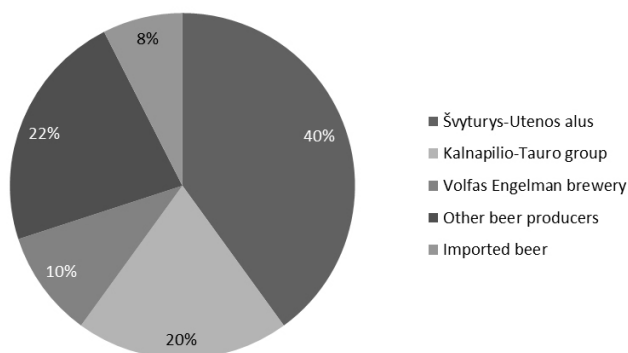


Fig. 6. The main beer producers in Lithuania (Sapetkaitė 2015)

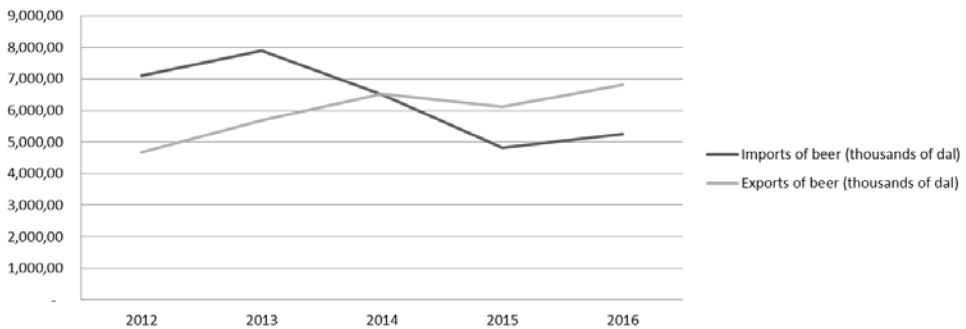


Fig. 7. Exports and imports of beer in Lithuania in 2012–2016
(Oficialiosios statistikos portalas 2016)

Lithuanian beer tastes are strongly changing. There are about 400 types of beer in the world. There is a lot of new beers in the market, it becomes a matter of which interest, which delves. Unfortunately, long-Lithuanian beer was uniformity, a large part of producers mainly used to sell light beer.

The relationship of beer sales volumes and population quantity. The major reason for decrease in consumption is emigration, which is increasing drastically. Lithuania is a country of emigration, and one of the few migrants “sending” countries of the European Union (EU).

Lithuanian Department of Statistics declares that totally 615 thousand left the country since 1990. In average 30 thousand people are leaving the country every year. According to International Migration Organization (TMO 2017), in 2010 more than 83,000 people, have declared their departure. This is almost four times more than in 2009. Such a sharp rise in emigration declared is essentially related to the amended Law on Health Insurance. According to this law, all residents registered in Lithuania must pay premiums of health insurance to the state. Emigrants, who have not declared their departure, also have to pay these contributions. In order to avoid such payments even those, who are only a few years away, officially declared their departure. Therefore, in 2010 emigration has increased so dramatically. Although these changes have become more reliable migration statistics, it is important to note, that still not all immigrants declares their departure from Lithuania. Details are outlined in Figure 8.

The main reason for emigration is that Lithuania has relatively low wages and high unemployment level. However, the IOM Vilnius Office study showed that also other socio-economic factors, such as social insecurity, justice, unsatisfactory behavior of employers with employees, as well as better career prospects abroad is highly contributing to the decision to emigrate. Meanwhile, the number of arrivals to Lithuania is relatively low. During the last decade in Lithuania annually arrive about 6 500 people. Most of them are returning Lithuanian citizens (Figure 9).

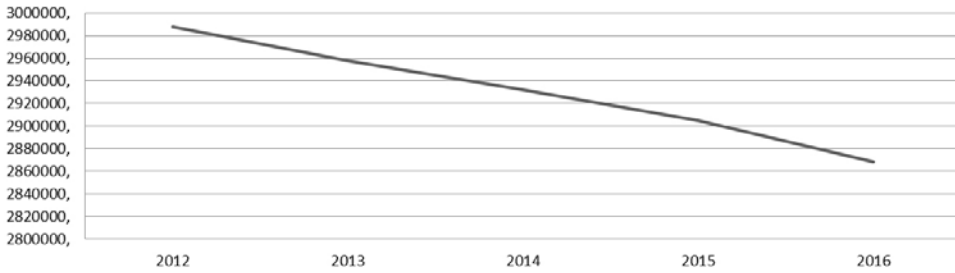


Fig. 8. The average annual population in Lithuania in 2012–2016 (Oficialiosios statistikos portalas 2016)

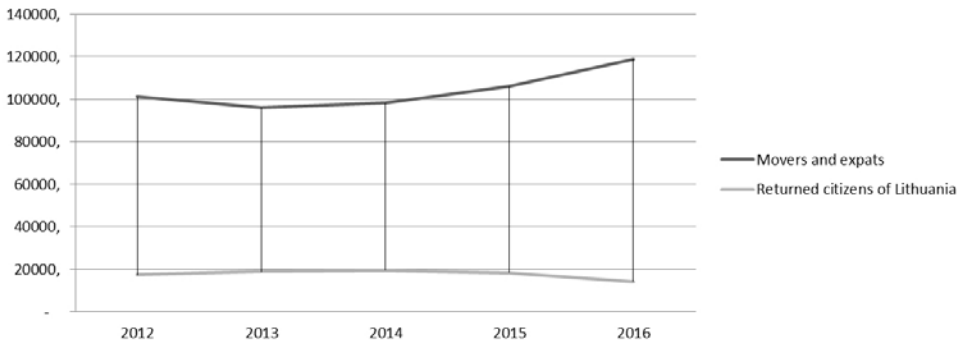


Fig. 9. The relation of movers and expats to the returned citizens in Lithuania in 2012–2016 (Oficialiosios statistikos portalas 2016)

Therefore, we can observe the relationship between the decreasing beer sales volumes in Lithuania and emigration. This is bringing a negative impact for future expectations of beer producers, as well as investors. It is necessary for them to develop a clear strategy, which will allow staying in the market and increasing competitiveness.

4. Discussion and practical implications

In terms of differentiation versus diversification, it is often less risky to differentiate. This is because it's an amendment on a pre-existing and an already established product or service, so there is the guarantee that it's going to have interest. With diversification, there is the risk of too little interest or too much interest. Therefore, if you add a new activity/business and interest is not sufficient, that could mean a loss of capital. Ordinary businesses do like to diversify though, because market presence, brand and stature are everything. Lithuanian beer manufacturers since 2012 also started the diversification process. It was characterized the following way: strong shift of production towards non-alcoholic beer, mineral water and soft drinks; foreign beer imports; launching projects for craft beer production.

Beer imports. This activity was never performed by Lithuanian beer manufactures, as well as the majority of other European breweries. Independent European breweries are not willing to give their product for distribution to other local brewery in the target country. The reason is, that the local brewery put the main focus on the own product development. In this case imported products are considered as “competitive products”, which should be eliminated from the market. However here we have different situation. All biggest Lithuanian breweries are owned by big international beer manufactures: SUA is owned by “Carlsberg”, Denmark, “Kalnapilis-Taurus” – by the “Royal Uni-brew”, Denmark”, “Volfas Engelman” – by “Olvi”, Finland. Therefore those Lithuanian breweries have started to import beer from their “family” breweries. For instance SUA started with “Grimbergen” and “Kronenbourg 1664”, “Kalnapilis-Taurus” started to import “Faxe” and “Heineken”, “Volfas-Engelman” is importing “Warsteiner”, which is also distributed in other markets by its “family” breweries. This way the local breweries are taking away the market share from independent beer importers, and their production is being placed on the shelves of the supermarkets not only together with the local beer, but also with the imported.

Category diversification and craft beer renaissance. Lithuania has used a small brewery definition much outdated and not much revealing. It seems that it is based on the abolished excise regime, under which benefits were applied to small businesses, producing up to 800 thousand deciliters of beer per year. In many EU countries this limit reaches 100–300 thousand deciliters of beer per year (for comparison, one of the European major breweries produce more, than 20 million deciliters per year).

It is no secret that the new craft beer wave reached the rest of the world from the United States, and even Great Britain, which has exported the craft beer trend, today has mostly copies of its technology, style and even the material (the latest British American hops full of citrus). In the US this wave had more than one identity crisis and endless discussion on who is who – meaning the “growth so fast”.

Another salient trend – “industrial” breweries are willing to take over the pursuit of this sector (of which, until recently one of the most breweries leaders tried to smirk as the “short-term fashion”) with all of its users. Everyone wants cake; similar processes are taking place all over the world.

However, we have a completely different context. If the United States has a long-running democracy, law, business, lobbying traditions have known and of prohibition fiasco, and pays the balance of short and big business interests, while in the US the small brewers gained decent rights and has become the fastest growing industry.

In Lithuania, the legal context is slightly different – a renewed facial combines old aggressive and semi-illegal methods – unregistered lobbying for the benefit of creating special conditions for large businesses, bars bribing, so-called “dirty cranes” (“dirty taps”) or interest-free loans to be issued on the condition marketed exclusively one company provided products, misleading information.

Reflecting the market changes, the biggest breweries in Lithuania within the last 12 years, have considerably increased their portfolio of beer into different categories and types (see Table 1). At the moment, probably no brewery in Europe is producing as many types of different products as in Lithuania.

Table 1. Development of assortment of the biggest beer manufactures in 2005–2017 (source: own presentation)

| Beer Type | Beer Producer | 2005 | | | 2012 | | | 2017 | | |
|------------------|----------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | | Švyturys-Utenos Brewery | Kalnapiilis-Tauras Group | Volfas-Engelman Brewery | Švyturys-Utenos Brewery | Kalnapiilis-Tauras Group | Volfas-Engelman Brewery | Švyturys-Utenos Brewery | Kalnapiilis-Tauras Group | Volfas-Engelman Brewery |
| Bottom Fermented | Pilsener Lager | × | × | × | × | | × | × | × | |
| | Premium Lager (Dortmunder) | × | × | × | × | | × | × | × | |
| | Helles Lager (Munchener) | | | | | | | × | × | × |
| | Semidark Lager | × | | | × | | | × | | |
| | RED beer | | × | | | | | | × | |
| | Dark Lager | | | | | | | × | | × |
| | Stout Lager (Porter, Bock) | × | × | | × | | | × | × | × |
| Top Fermented | Blond Ale | | | | | | × | | | |
| | Dark Ale | | | | | | × | | | |
| | Wheat Beer Light | × | | | × | | × | | × | |
| | Wheat Beer Dark | | | | | | × | | | |
| | Australian Pale Ale (APA) | | | | | | | | × | |
| | Indian Pale Ale (IPA) | | | | | | | | × | |
| Kriek | Kriek Beer (Not Lambic) | | | | | | × | × | × | |
| Non-alcoholic | Light beer | | | | × | | × | × | × | |
| | Dark Beer | | | | | | × | × | | |
| | Wheat Beer | | | | | | × | | | |
| All types | Imported Beer | | | | × | | × | × | × | |
| All types | Beer Coctails | | | | × | | × | × | × | |
| Special | Craft Beer | | | | | | × | × | × | |

Development and promotion of social responsibility, responsible beer consumption culture based on positive and open communication. Empirically, most economists agree, that past consumption patterns are important factors in explaining present consumption patterns (McCluskey, Sheay 2011). With beer, experiences are even more important. It is commonly understood, that beer has an acquired taste. Most consumers do not like their first taste of beer. This makes beer an interesting good because preferences for it change with experience. We would expect preferences to increase to a higher level of utility with beer experience. Utility for beer could be modelled with a non-decreasing, non-linear function of past experience, unless dependence for consumption has developed.

The effect of culture on consumption and preferences is an open area for research. McCluskey and Sheay (2011) are using a logit model in order to analyze the international students' preferences for the local beers with the following equation:

$$y = \beta'x + \varepsilon,$$

$$\text{where } y = \left\{ \begin{array}{l} 1 \text{ if the subject prefers a local beers} \\ 0 \text{ otherwise} \end{array} \right\},$$

β – vector of coefficients to be estimated,

ε – error term, which is assumed to have a logistic distribution.

The vector explanatory variables (x) includes years living in a country, an indicator of being male, whether the respondent's homeland beers are available to purchase locally, whether the respondent's consumption of beer has increased since coming to a new country, where peer influence is the most important factor in the subject's choice of beer, whether price is the most important factor in the subject's choice of beer, whether taste is the most important factor in the subject's choice of beer and student status (graduate or undergraduate student).

The result supports the arguments about culture affecting beer preferences. The intuition is that as stay in the new country increases, the respondent develops a taste for new beers. If price or taste is the most important factor in choosing which beer to purchase, then the subject is less likely to prefer the local beers. If price is most important, factor, then the subject is likely to drink the cheapest local beer. If taste is most important factor, then one can hypothesize that the subject may already have established strong preferences about taste in his home country.

As we have pointed out throughout the paper, the beer producers and importers have to focus not only on the portfolio that they produce, but also need adopt different programs to development a new culture of consumption and striving toward sustainable working and behavior of organizations. Here we propose some possible ways of future development and outline possible actions in order to address current challenges of Lithuanian beer industry/market.

Tightly associated with the changes in strategies of beer organizations, is also the need to change the habit of the consumers, due to the proposed changes. In that frame, the consumers' behavior must first be addressed, while also organizational working and behavior must be taken into the consideration. The common point, as already outlined above, will be social responsibility.

The issues about raising the awareness of drinking, responsible drinking and the culture of drinking can be address in frame of social goals of social responsibility. A decisive role in improving the awareness of drinking and the culture of drinking can have organizations involved in beer industry. First step can be done with adopting the above proposed strategy of differentiation, which will increase the quality of beer and reduce the amount of beer (in terms of quantity). With production of small scale and increase the quality of beers, an important change must also occur in the culture of drinking. Thus, a logical step will be to improve culture of drinking, by promoting and putting in the forefront a bigger variety of new and more expensive products, based on understanding “drinking less, but quality product”, as well as putting focus on non-alcoholic beer and ecological beer products.

For that purpose organizations, need to adopt different programs to promote this culture. A detailed plan for diffusion of the ideas is needed. Probably, the effect will be greater, if some key stakeholder would be involved, for instance, the state (governmental institutions). It is well known, that culture and its underlying values are very persistent and thus cannot be changed quickly. Usually, one or two decades are necessary for substantial changes in the culture to take place. In case of beer industry, such change may occur later then other or eventually faster, in case if government regulations, can represent an important ground stone for improving the culture of drinking – i.e. to implement more restrictive politics about drinking, different taxations, etc.

In frame on natural aspect of social responsibility phenomena, organizations involved in beer industry can improve their level of social responsible behavior by using “more natural” ingredients. In that frame, this is in line with current trend, which outlines the increase of so called “ecological beers”. Thus, beer industry, in order to be social responsible, must assure that entire supply chain is social responsible. Starting with supplier, this means that “all four basic ingredients” must be from sources, which can be characterized as social responsible, i.e. traceability, decent payments for producers, etc. In terms of production technology, also there can be various initiatives for greening the production of the beer.

In line with three pillars of social responsibility – natural, societal and economic – we can argue that a modern enterprise involved in beer industry, try to achieve profitability, reducing the impact on the environment (e.g. investing in modern or greener technology), improving corporate reputation (e.g. donations, sponsoring) and behave ethically (to the employees and outer environment, especially to the consumers of beer).

5. Conclusions

The beer industry in Lithuania is operating in a very “unfriendly” business environment characterized by increasing competition, unstable and constantly changing legislation and government regulation. Beer consumption is decreasing constantly. The major cause of decrease in consumption is emigration, which is increasing drastically. Lithuania is a country of emigration, and one of the few migrants “sending” countries of the European Union (EU). Therefore, we can see a clear relationship between emigration and decreasing beer sales volumes in Lithuania. This is bringing a negative impact for future expectations of beer producers, as well as investors. It is necessary for them to develop a clear strategy, which will allow staying in the market and increasing competitiveness.

In terms of differentiation versus diversification, it is often less risky to differentiate. This is because it’s an amendment on a pre-existing and an already established product or service, so there is the guarantee that it’s going to have interest. Beer imports, as a new activity, was never performed by Lithuanian beer manufactures, as well as the majority of other European breweries, but today is being widely used among Lithuanian breweries as well as a craft beer production. These new activities show, that diversification, even being a risky form of development, today is very important for local Lithuanian beer manufacturers.

However, expansion of assortment and differentiation are increasing costs of production as well as the final price. Therefore, one of the major tasks for beer suppliers is to develop a clear understanding about the products, culture of consumption and social responsibility. In that frame the mains goals are related to the improving the culture of drinking, changing consumers’ patterns of consumption, greening the production, and so on.

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