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Erik Silge

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Essay



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Essay from the year 2009 in the subject Business economics - Accounting and Taxes, grade: 1,0, Pfeiffer University, Charlotte Campus, course: Accounting, language: English, abstract: This summary deals with a German company planning to enter the US market. The company "Oettinger Brauerei GmbH" is engaged in the business of beer brewing. It is a well established brand on the German market with a rapidly growing market share. The company has discovered a competitive gap in brewing a brand beer and distributing / selling it at a low price – they promote their products with the slogan "Germany's price-worthiest brand beer". The same strategy could be pursued on the US

market, as there are already foreign beers (e.g. from Belgium, Netherlands, and from Germany), but those are relatively expensive. This is due to the fact that only upper scale brands from Europe have yet entered the American beer market. Furthermore, as the total percentage of beer brewed in Germany is declining, there is an upcoming need for German beer producers to search for new markets abroad. A strategy including new markets will help the German company to extend its safety margin. Therefore, it is essential that it is sufficiently sure that the company is able to break even with its products in a new market. To successfully transfer its strategy of cost leadership, Oettinger will have to produce its beer locally in the USA to save import fees and distribution costs. There are some issues that arise with this option concerning accounting, taxes, finance, and law – this summary will concentrate on the facets and problems the company may face before breaking even in the US market. Additionally, because the company is a rather small brewery considering its market capitalization, it has not the financial strength like for example the giant brewer Inbev. The economic side of entering this new market should include both economic and risk related aspects. This paper will therefore primarily deal with the concept of the break-even point (BEP) and some options to reach it. Therefore, the German business approach will be taken into account to depict Oettinger's cost-saving strategies.