The Impact of Multinational Investment on Alcohol Consumption Since the 1960s

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Though much has been written about the alcohol beverages industry, little has been said about its internationalisation. This article attempts to analyse the impact of multinational enterprises (hereafter MNEs) on the availability and consumption of alcohol in the world economy in the context of the evolution of the alcoholic beverages industry since the beginning of the 1960s.[2] It also gives special emphasis to the resources of the firm, and to the issues of international related diversification and branding. For that purpose, it draws on business history literature [Chandler, 1990; Jones and Morgan, 1994; Jones, 1996] and international business theory.

The study is based on the evolution of the largest five MNEs in the world in 1997, in terms of sales volume - Allied Domecq, Bacardi-Martini, Diageo, Moët-Hennessy Louis Vuitton and Seagram. These account for an increasingly large share of the world trade in alcoholic beverages. Because the aim of this article is to find a pattern of growth based on comparative analysis of successful firms, rather than causality relations between growth and its determinants, the sample does not include any 'control' firms, to which the behaviour of the successful MNEs of alcoholic beverages can be compared. It draws on evidence from the business archives of the MNEs, annual reports, interviews with top managers, other specialists in the industry, and secondary data.

Existing statistics on consumption, trade and number of firms in the alcoholic beverages industry are not very robust, but the pattern of an increasingly concentrated industry since the 1960s is significant. For example, in 1996 a published list of the drinks companies with international activity showed a total of 2061 firms in the industry.[3] In this period the big five MNEs account-

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[2] The category "alcoholic beverages" includes - wine, spirits and beer [*World Drink Trends*, 1998, p.8; Cavanagh and Clairmonte, 1985, p.21].

[3] *Impact World Directory* [1996].

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ed for around one-fifth percent of world trade in volume, in a market where the number of equivalent firms using the Herfindahl index is 70.[4]

Business history literature, following Chandler [1990], has until recently been largely focused on managerial industrial enterprises. Theories of MNE have also had as their empirical background such enterprises, stressing issues related to technological innovation as the core explanations in the understanding of their evolution [Dunning, 1981]. Studies of industries where brands and distribution services are a crucial part of the value added by MNEs are still very scarce.[5] For that reason, the case of the MNEs in alcoholic beverages gains particular relevance, since it illustrates how important internationalisation strategies and branding have been in determining the process of growth of the MNE.

The Period of Analysis, 1961-1997

The last four decades of the twentieth century saw both rising incomes, at least in the industrialised world, and the creation, or re-creation, of a global economy [Jones, 1996; Pollard, 1997]. Total consumption of alcoholic beverages, like all other consumer goods, increased, rising from 6,215 million litres in 1961 to 15,056 million litres in 1997, at an average growth rate of three percent per year. However, in per-capita terms, there has been a general decrease in consumption of alcoholic beverages.[6]

The fast growth rate in alcohol consumption during the 1960s and 1970s was mainly related to increasing incomes in Western countries, to changing lifestyles and consumer tastes. The stagnation and decrease of per-capita consumption in 1980s and 1990s, on the other hand, reflected the maturing of markets in industrialised countries, as well as the economic and social crisis in the former Soviet Union. In Western countries, the decrease was due to changes in the legislation on drinking and driving, to fiscal policies established by governments (set to restrict drinking), and to the higher levels of education by consumers (who became more concerned with quality wines, health, and other side effects related to addiction and health). In the former Soviet Union the high decline in consumption of alcohol, at least according to official figures, was related to the political and economic instability.

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[4] Estimates based on the companies annual reports, *International Wine and Spirit Record 1997* and *Impact International* 13(16). Unfortunately, there exist no official estimates on the size of the market in sales value. The MNEs market share in volume, as well as the Herfindahl Index, can understate the extent of power of these leading MNEs in the industry [*The Economist*, 2 May 1998; Fortune, 31 May 1982].

[5] However, Wilkins [1970, 1974] is noteworthy for including distribution and services in her general survey of US multinationals. See also Tedlow and Jones (1993) and Jones and Morgan (1994).

[6] Average growth rate estimated using per-capita consumption by country—*World Drink Trends*, 1998; and population by country—*Demographic Yearbook* (United Nations, 1998)—estimates of mid-year population.

In this period, the MNEs in alcoholic beverages intensified their investments abroad, increasing the availability and diversity of branded drinks in the emerging markets of Latin America, Asia and Eastern Europe, where formerly the alcohol consumed was largely of locally produced beverages, frequently home made and home consumed. That is why, in many of these markets, statistics on consumption and production, only start to be reliable and systematised after MNEs invested locally.

Although large countries such as the United States and Japan figure among the largest absolute consumers of alcohol, the biggest markets in per-capita terms are found in a cluster of Western European countries. It is in these latter countries that there has been the most marked decline in absolute consumption since the 1980s.

Apart from the dispersion of alcohol drinking around the world since the 1960s, there has also been a trend towards the consumption of a similar mix of alcoholic beverages (wine, beer and spirits) by different countries [Spawton, 1990]. In Northern Europe, where markets traditionally consumed beer, there has been an increase in wine consumption. The UK, where consumption of beer is still around six times more important in volume than wine, is a good example of a fast growing market in terms of wine consumption. In Southern Europe, where the most important wine producers are located, while wine still accounts for the majority of alcohol consumption, beer consumption is growing fast. France, Italy and Portugal are good examples of this pattern of consumption, confirming the trend towards globalisation of the alcoholic beverages industry.

Multinational Enterprise in Alcoholic Beverages

The period since the 1960s is one of fast growth in foreign direct investment [Dunning 1993, p.15]. Many industries became increasingly concentrated in a handful of giant corporations, with oligopolistic power, and started confronting each other in different markets [Hymer, 1968]. The alcoholic beverages industry exemplifies such a pattern of concentration, with MNEs integrating vertically and horizontally, combining production of different types of drinks with trade and distribution.

The type of diversification strategy followed by each MNE varied, depending on the specific market opportunities, on the corporate resources available and on the type of products produced and traded. Penrose highlights the importance of the creative and dynamic interaction between the firms internal resources and its market opportunities, in the process of growth of the firm [Penrose, 1995(1957)]. This section gives a brief highlight of the direction of expansion of the MNEs of alcoholic beverages selected in this study. Table 1 includes a summary of their business activities by decade, and their dates of foundation and country of origin.

The history of international business in this industry is complex. Even the date of foundation of the MNEs, as well as their country of origin, can be difficult to determine, since they all result from a series of mergers and acquisitions. For the purpose of this work, the date of foundation and country of origin considered for each MNE will be the one that refers to the corporation that had the most active role in its process of growth. For example, Allied-Domecq is the result of several acquisitions and mergers. Although it may seem a young firm (having been formed in 1961), it was the outcome of the merger of three regional breweries founded in the eighteenth and nineteenth century.[7]

All the MNEs owe their initial growth to consumption from developed countries, which for the majority of the cases, coincide with the country of origin. Bacardi seems to be the exception, since it was originally set up in Cuba but grew through sales in the United States. However, its real process of growth and international expansion only started when the Bacardi family was expelled from Cuba in 1960 (following the Cuban revolution), and had to set up its operations abroad. The case of Seagram is similar in the sense that its growth results from sales in the US market, though the company was originally from Canada.

The MNEs in the alcoholic beverages industry differ from many other industries in two significant ways.

First, in contrast to so many other industries, MNEs originating from US do not have a leading position among the big multinational investors of this industry.[8] One possible explanation can be that, although the US is an important market due to its size, it has never ranked among the top ten consumers of alcohol in per-capita terms. Another explanation can be related to Chandler's view about the development of strong branded, packaged food industries in the UK [Chandler, 1990]. While American firms developed by exploiting economies of scale and scope in production, international marketing and distribution networks, the British firms made their mark in branded, packaged products which demanded fewer managerial skills in terms of the complexity of production and offered less opportunity for securing scale economies [Church, 1990].

Second, their patterns of ownership are distinct. Despite Chandler's argument that family ownership or more precisely 'personal capitalism' unduly restricted the growth of firms (and thus contributed to British relative economic decline), this industry has remained predominantly owned by family businesses [Chandler, 1990, pp. 236-94]. Out of the five MNEs selected for this article, only Diageo and Allied Domecq, the two British based MNEs, are no longer family controlled, though their predecessor firms had a strong family influence until the early 1980s.[9] In this industry, family members are an impor-

[7] Ind Coope Limited (Essex) founded in 1799; Tetley Walker (Leeds) founded in 1822, and Ansells Brewery Limited (Birmingham and Midlands) founded in 1881 [Ind Coope Tetley Ansell Limited - *Annual Report & Accounts*, 1961; Tombrell and Tweedle, 1998].

[8] There are however two MNEs originating from the US - Brown Forman and Jim Beam, which ranked among the leading alcoholic beverages firms worldwide in the end of the 1990s but did not figure among the big five MNEs in this industry.

[9] For the declining importance of family firms in Britain since the 1950s and 1960s, see Rose (1998).

tant factor supporting the company brand image, given they are the living icon of their brand names, and success in this industry is strictly linked with tradition and heritage.[10] This entrepreneurial nature of the business is also an assurance to the customer that quality standards have been met, production experience has been accumulated and traditional methods of production kept.

Table 1 shows that each MNE expanded in different ways since the 1960s.

Most of the MNEs diversified into unrelated activities during the 1960s and 1970s. More recently, the trend has been for them to abandon those business activities which are not related to their core businesses. Guinness, one of the MNEs that merged to form Diageo in 1996, started to transform itself from a conglomerate into a sharply focused international drinks company in the 1980s. Since then, it has concentrated on producing, distributing and marketing branded spirits and beer worldwide, overseen by United Distillers and Guinness Brewing Worldwide, respectively. Its subsequent acquisitions were designed to strengthen its position within the alcoholic beverages industry. The demerger by Allied Domecq of its leisure and retailing activities in 1999 (which accounted for around one fourth of its sales value), also illustrates the continuing pressure MNEs are facing to concentrate on their core businesses.

Some MNEs only diversified horizontally into different types of beverages and vertically in the production and distribution of alcoholic beverages. Bacardi is an example of a MNE that only diversified within the alcohol business. It was since its foundation a "dominant product firm", relying on a single brand - *Bacardi.* Its diversification strategies from the 1960s were mainly into production and distribution of rum in different countries. It was only recently, with the acquisition of Martini-Rossi in 1993, and Dewar's and Bombay in 1998, that it has started to diversify horizontally by broadening the scope of its portfolio of alcoholic beverages.

The growth of Moët-Hennessy Louis Vuitton (hereafter Moët-Hennessy) distinguishes it from the other MNEs in the sample. It has taken an ethnocentric approach to mergers and acquisitions. The country of origin (France) was the key determinant in its process of growth and expansion. It mainly acquired and merged with companies, such as Louis-Vuitton a producer and distributor of luggage and leather goods, whose businesses were associated with luxury, fashion and high quality products. These mergers and acquisitions have mainly been made with other French companies.

[10] For an analysis of the importance of family networks in the evolution of the alcoholic beverages industry, see Duguid and Lave (1996).

Table 1 – MNEs business activities by decade, 1960s-1990s

MNE Origin Major acquisitions and mergers, dates of foundation	**1960s**	**1970s**	**1980s**	**1990s**
Allied-Domecq UK - Allied Breweries – formed 1961 by three brewers - Ind. Coope Limited – founded in 1799, UK - Tetley Walker – founded in 1822, UK - Ansells Brewery Limited – founded in 1881, UK - Showerings - acquired in 1968 - founded in 1963, UK - J. Lyons - acquired in 1978 - Hiram Walker - acquired in 1986 - founded in 1858, Canada - Pedro Domecq - acquired in 1994 - founded 1730, Spain.	• wines and spirits • beer • soft drinks • hotels and pubs	• wines and spirits • soft drinks • beer • hotels and pubs • food	• wines and spirits • beer and retailing • food	• wines and spirits • retailing • beer • biscuits, cakes, tea, coffee, seafood products, bakery
Bacardi-Martini Cuba - Bacardi - founded in 1862 - re-constitution in 1960, Bahamas - Martini & Rossi - acquired in 1993 - founded in 1847, Italy	**Bacardi** • spirits **Martini-Rossi** • spirits	**Bacardi** • spirits **Martini-Rossi** • spirits	**Bacardi** • spirits **Martini-Rossi** • spirits	**Bacardi** • spirits **Martini-Rossi** • spirits
Moët-Hennessy Louis Vuitton (LVMH) France - Moët-Hennessy Louis Vuitton - merged in 1987 - Moët-Hennessy - merged in 1971 Moët & Chandon - founded in 1743, France Hennessy - founded in 1765, France - Louis Vuitton - founded in 1854, France - Veuve Cliquot - acquired in 1987 - founded in 1772, France	**Moët** • champagne **Hennessy** • cognac	**Moët-Hennessy** • champagne • cognac • sparkling wines • perfumes	**MHLV** • wines and spirits • luggage and leather goods • perfumes and beauty • other	**MHLV** • wines and spirits • luggage and leather goods • perfumes and beauty • selective retailing • other

Table 1 (cont.) – MNEs business activities by decade, 1960s-1990s

MNE Origin Major acquisitions and mergers, dates of foundation	1960s	1970s	1980s	1990s
Diageo UK - Diageo – merged in 1996 - Guinness - founded in 1759 - United Distillers - acquired in 1986 - founded in 1877,UK - GrandMet - founded 1934 - International Distillers and Vintners - acquired in 1972 - founded in 1962, UK	**Guinness** • beer • pharmaceuticals • plastics and engineering • confectionery • property **GrandMet** • wines and spirits • beer • restaurants • industrial catering • hotels	**Guinness** • beer • pharmaceuticals • plastics • confectionery • property • general trading **GrandMet** • wines and spirits • beer • distribution • hotels • entertainment • industrial catering • managed public houses • milk • gaming and allied operations	**Guinness** • wines and spirits • beer • pharmaceuticals • plastics • confectionery • property • general trading **GrandMet** • wines and spirits • beer • retailing • leisure • catering • foods • consumer products • hotels	**Diageo** • wines and spirits • food manufacturing • eyewear and eyecare
Seagram Canada - Distillers Corporation - formed in 1924 - Seagram - acquired in 1928 - founded in 1857, Canada	• wines and spirits • oil and gas	• wines and spirits • oil and gas	• wines and spirits • oil and gas • fruit juices and soft drinks	• wine and spirits • fruit juices • entertainment (films; music; recreation and other)

International Related Diversification[11]

As some theories of the MNE would predict, internationally related diversification by MNEs in the alcoholic beverages industry was not a continuous process but instead evolved incrementally [Johanson and Vahlne, 1977]. In a first stage, firms export indirectly, only responding to customer's orders. Then, as the frequency of transactions increases, firms hire independent distributors or agents to trade their products in foreign markets. Although sales become recurrent, firms still keep a low level of control and risk in foreign markets. As foreign markets become more important for the company in terms of their overall activity, it becomes economically advantageous for the firm to internalise distribution. The last stage of internationalisation is achieved when the firm becomes more involved in terms of control and risk, by setting up a production unit abroad. Internalisation theory provides an explanation of shifts from one mode of entry in foreign markets to the other [Buckley and Casson, 1976]. The variants of these patterns of internationalisation involve licensing technology to local producers, or franchising of product or trade name, depending on the product or service rendered.

In the alcoholic beverages industry MNEs cannot always advance into the last stage of internationalisation by setting up a production unit in a foreign market. For some products, where asset specificity relating to the type of land and climate is high, exports (whether or not these occur through a wholly owned distribution channel) are the only feasible mode of entry. For example, it is possible to set up production units of gin and rum in foreign markets, but the same does not apply for whisky, champagne, cognac or port wine. This land specificity factor has always impacted on the stage of international involvement of firms operating in the alcoholic beverages industry.[12] For example, Bacardi started to set up rum production units abroad since the beginning of the twentieth century, having several units dispersed around the world in present times. For firms for which production depended on land specific assets, exports were normally the main form of approaching foreign markets. Moët & Chandon and Hennessy, which were historically two separate companies by the time of their merger in 1971 and produced French champagne and cognac respectively, had a high international involvement but only through exports (directly to customers or through intermediaries).[13] However, some companies such as Seagram, despite trading on whisky, which is land specific, were already highly internationalised to Canada, the US and Scotland. Having made its first investment abroad in the 1930s, with the acquisition of a Scotch

[11] The related diversification strategies analysed in this article refer to production of alcoholic beverages and its distribution. For an analysis of the importance and advantages of unrelated diversification of the selected MNEs, see Jones and Lopes (forthcoming).

[12] See Jones and Bostock (1996, p. 225) and Weir (1995).

[13] In 1971/1972 Moët & Chandon sold a total of 17.2 million bottles, 49 percent corresponding to exports, and Hennessy sold 16.2 million bottles, being around 93 perecnt exported. [Moët-Hennessy annual reports, 1971/1972].

whisky company (Robert Brown Limited, in 1935), shortly after World War II Seagram intensified its efforts to develop business overseas. Seagram also set up wholly owned distribution channels in markets considered strategically important in those days. It was this foreign direct investment (hereafter FDI) and the use of independent distributors in other markets, that allowed Seagram to be present in more than one hundred countries, and to become the largest selling brand of export whisky in the world, in the beginning of the 1960s.[14]

During the 1960s, exports were mainly directed to the emerging markets and to neighbourhood developed countries. Apart from being distributed through independent distributors, which were family owned and had a local or regional scope in their activity, alcoholic beverages were also sold through trading companies, especially in many emerging markets.

In the 1970s, with the changes in consumer tastes and lifestyles in the developed world, it became possible for companies to advance further in their process of internationalisation. Apart from some opportunistic acquisitions in production of beverages and in other unrelated fields which were then thought to be the best way to consolidate corporate growth, augment cash flows and immunise the corporation from the cyclical buffetings of a single product line [Chandler, 1990, p.62], firms started to integrate vertically into distribution, by setting up their own distribution channels in developed markets. This form of FDI was attained essentially through the acquisition of former independent distributors, which were starting to face difficulties in marketing high volumes and remaining competitive [Chandler, 1990, p.30]. During this period, emerging markets still accounted for a small percentage of total foreign direct investment given the low levels of demand in these markets.

The emerging markets only became important in terms of foreign direct investment from the 1980s onwards, when demand in the OECD countries started to stagnate. By compensating diminishing levels of alcohol consumption in Western countries, MNEs strategies of FDI also led to the dispersion in consumption of alcoholic beverages worldwide. Like what happened in many other industries during this period, MNEs chose joint ventures and other types of alliances as the mode of entry into emerging markets. These constituted good alternatives to foreign direct investment, especially in those markets where barriers to FDI existed. These markets included India, where MNEs needed always to have a local partner in order to invest in the market, and Japan, where the distribution system was so bureaucratic that was very hard for foreign companies to invest on their own.

The definitive decline of alcoholic beverages consumption, and the increase in asset specificity (especially due to brands) in the 1990s, led to further mergers and acquisitions, and consequently to an even higher concentrated industry from then on [Lopes, 1998]. Joint ventures and other kinds of hybrid governance structures became the major form of market entry, not only

[14] Annual report, Seagram 1961.

into emerging markets, but also in small markets in the Western world. MNEs created alliances with local partners (especially in emerging markets), or with competitors, as such alliances provided the scale and scope in markets where it would otherwise have been cost inefficient to have full control of distribution activities. Balasubramanyam and Salisu consider that the prestige the joint venture confers to both partners, and the prevention of entry by new firms, are also important reasons for the spread of alliances in the alcoholic beverages industry [Balasubramanyam and Salisu, 1994, p.70]. The seven joint venture companies formed in 1995 between Moët-Hennessy and United Distillers (subsequently integrated in Diageo) covered several markets in Asia. The aim was to bring together their expertise in distribution, allowing the attainment of economies of scale and scope in distribution with products, which could be considered distant substitutes.

With this general trend towards vertical defragmentation, management of relations rather than control, became one of the key issues in international management of the alcoholic beverages business. This evolution shows that existing theories of the MNE are not sufficient to explain internationalisation in the alcoholic beverages industry. The theoretical argument that MNEs emerge inevitably as a result of the internalisation of transactions in intermediate product markets, seems to be specific to a particular period of time. In fact, not only have alternative governance mechanisms such as networks always been important in international business [Powell, 1990], but over the last decade they have steadily replaced integrated corporations.

Branding in International Business

The enormous power of brands to differentiate and add value to products or services makes them one of the principal assets of successful companies operating domestically and internationally [Jones, 1994]. However, brands have been neglected in the past both by mainstream economists and business historians [Corley, 1994]. Despite that, a significant literature has accumulated. Chamberlain and Bain were pioneers in studying the economic impact of product differentiation in the strategy of firms and in preventing entry; Comanor and Wilson recognised the importance of product differentiation in consumer goods industries [Chamberlain, 1933; Bain, 1956; Comanor and Wilson, 1967]. Wilkins studied the evolution of brands in food and drink, and concluded that they help both the consumer and the producer, by reducing search costs for the former, and by increasing efficiency in production and making possible the existence of modern distribution systems for the latter [Wilkins, 1994].[15] Casson disagreed with this view, and considered that the major role of branding was

[15] For an analysis of other contemporary research on the importance of brands in business history and economics see the books edited by Tedlow and Jones (1993); Jones and Morgan (1994); Carter, Casson and Suneja (1998).

to imbue products with cultural characteristics which are increasingly linked to major lifestyle options [Casson, 1994, p.56].

The alcoholic beverages industry is a good illustration of the importance of brands over time. The recent trends in the markets and in the industry have led firms to rationalise brands, globalise the ones remaining in the portfolio, and to invest less in product and brand innovation, by creating alternatively line extensions. The disposal by Diageo of eight Canadian whisky distilleries, four US bourbon companies, and some other drinks operations in North America in 1999 highlights the increasing importance of such strategies in this industry.

Rationalisation of brands places major emphasis on strong brands which hold international reputations for quality and prestige. For most of the MNEs in alcoholic beverages, their top brands were launched in the eighteenth and nineteenth centuries, at the beginning of the activity of the original firms. These older brands have product differentiation advantages over new ones, of provenance and heritage, related to being early entrants. These advantages have nothing to do with advertising or consumer irrationality, but originate from the fact that the first brand performed satisfactorily, becoming the standard against which subsequent entrants were rationally judged [Schamlensee, 1982; Urban *et al*, 1984]. However, these first-mover advantages depend on the continual upgrading of products as well as of the brand identity, with the support of effective distribution and other network arrangements. Gordon's, the most important brand of gin owned by Diageo, which ranked among the world's top spirits brands consumed worldwide in the end of the 1990s, was launched in 1769 in London, when the firm Gordon & Company was established.

The main reasons behind rationalisation of brands are related to cost efficiencies, since maintaining small brands involves high production costs as well as stocking and marketing. Although ideally rationalisation of brands would lead to the strengthening of existing brands, which become global, it is not what has been happening in reality. On the one hand, abandoning brands has meant lost sales that haven't been compensated for by increased consumption of other brands in the portfolio of the MNE. On the other hand, the creation of real global brands is a fallacy, since historical evidence shows that even for those brands which are available around the world, and for that reason are defined as global, their sales are actually accounted for in a very small number of markets. For example, in 1997, 90 percent of the sales of "Bacardi White" was generated in eleven countries, whereas the total number of markets where it was available was eighty-three.[16]

Brand innovation is another key issue in international brand management [Espey, 1985]. Among the top spirits brands in the end of the 1990s, only three - Baileys Irish Cream, Malibu, and Absolut Vodka were launched since the 1970s. The historical low success rates attained with new launches, the high

[16] "R. Drive Domestic Database," *Drinks International*, 1998.

investment costs they required, and the increasingly concern of firms in achieving short-term results have strongly influenced this evolution. Line extensions, which are new products that mix an existing spirit with another beverage and keep the name of the mother brand (generally a long established brand), are alternatively an easier and less costly way of innovating in the alcoholic beverages industry. Some examples are the brand extensions introduced by Bacardi during the 1980s, including *Bacardi Tropical Fruit Mixers* and *Bacardi Breezer*. These line extensions resulted from the recognition by Bacardi that many customers loved fruit drinks, but did not wish to go to all the trouble of mixing them. Apart from covering specific market segments needs, line extensions contribute to keeping the mother brand name in front of the consumers (especially in those markets where there exist barriers to marketing beverages with a high level of alcohol), and also help to invite young drinkers to switch to spirits. Brand extensions also help creating trade, especially in mature markets; though they normally correspond to a small percentage of the MNEs total sales. The key success factor of such brand extensions is their capacity to fit with the proposition and personality of the mother brand.

Concluding Remarks

This article has examined how multinational investment has impacted on alcohol consumption since the 1960s. MNEs have dispersed consumption around the world, by spreading branded lifestyles, and by homogenising tastes between countries in terms of the amount of wine, spirits and beer consumed per-capita.

A number of points deserve emphasis. Firstly, multinational investment has not been spread evenly around the world. It was only after consumption in Western markets started to stagnate that MNEs dispersed their investments into emerging markets. Secondly, the pattern of multinational investment has been product-dependent. For those beverages for which production does not require location specific resources, it has been possible to acquire or create production units in foreign markets; otherwise, exports through wholly owned distribution channels have been the most advanced form of foreign direct investment. Thirdly, this is one of the few global industries which does not have US MNEs among the largest international firms. Fourthly, in contrast with the Chandlerian view of the superiority of managerial enterprise, most of them are family controlled. Fifthly, existing theories of the MNE about the rise of big business have heavily emphasised the importance of technological innovation. Alcoholic beverages provide an example of an extremely large and important world industry where it is the management of brands and distribution that have been the key sources of competitive advantage. Sixthly, this industry provides a vivid illustration of the tendency seen in many industries since the 1980s for hierarchical governance structures to be replaced by joint ventures, strategic alliances and other non-equity modes. In the past, theories of internalisation have tended to suggest a certain inevitability in the process from exports to full ownership. To confront the new reality in international business strategies, both business theorists and business historians will need some more persuasive explanations.

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