

Two Dogs alcoholic lemonade

Winner of the South Australia Small Business Awards in 1996, Duncan MacGillivray tends to make business look easy. It is a casual facade. From an Adelaide pub, MacGillivray produced the world's first alcoholic lemonade, Two Dogs, in 1991. He has built it into a \$56 million dollar global business. He says he got into exports because, 'with a product that is seasonal, it would have been pretty stupid not to. You could not make a lot of money selling such a product to Australia's small population.'

After New Zealand, MacGillivray chose his target markets by chasing the sun, the northern hemisphere during the Australian winter, then back south for the summer. As MacGillivray says, in the process of going global he has not 'lumbered' himself or Two Dogs with large staff numbers. Production, marketing, and distribution is carried out in each of the countries where Two Dogs has issued licences to local business to produce the product.

'You have to be sensible when you are going to be in a lot of countries,' he says. 'There's not much reason to have the high turnover of doing it all yourself when you also have all the responsibility and 7000 employees to consider, and having to try to manage it all from Australia. Think about it: 7000 people associated with Two Dogs — all these names I haven't had to learn, by staying away from production.'

MacGillivray's point is that the profit he enjoys is higher than if he had set up his own operations around the world. 'You still keep control of quality, the way we do it. You make sure that, when you get into the licensing agreement, you set the standards yourself.'

A licensing arrangement has made it possible for this small company to go global. What makes it work, is that the company controls the licensees, but does not have to get involved in the day-to-day production of the beverage.

MacGillivray also mentions:

- Pricing fairly according to each market
- Making his first exporting effort in New Zealand
- Product differentiation to change with customers' tastes
- Managing the licensing contracts closely
- Setting corporate standards for licensees
- Selling licences to competitors who would have otherwise shut him out of the market.

Source: Adapted from *Business Review Weekly*, 11 November 1996, p. 61.

Student exercise

Complete a SWOT analysis of this company on the basis of the information given.

Strengths	Weaknesses	Opportunities	Threats