

OnLine Case 13.3

H.P.Bulmer

The UK is the world's leading producer of cider, with France in second place. H. P. Bulmer is the leading UK producer with nearly two thirds of the UK market. It manufactures some 480 million of the 800 million pints sold every year. The major brands are Strongbow, Woodpecker and Scrumpy Jack. The company was first established in 1887 when the son of a local vicar began using the apples from the vicarage orchard. To many, cider was an efficacious cure for a number of ailments. His first brand was Woodpecker, in 1894. Some 50% of the shares remained in family hands or family control up to 2003 and descendants of the Bulmer family retained seats on the Board. The company's objectives were listed in Box 2.1.

The company began losing money in the early years of the twenty first century and Bulmer's was forced to call in a turnaround specialist. Corporate debts amounted to £100 against a capitalisation of £67 million. A profit write-off was required to cover capitalised product development costs and goodwill on recent acquisitions in America. There was also a shortfall in the pension fund to deal with – caused by the decline in the value of equities generally.

The real, underlying problem is that the cider industry has never been particularly big and it had become vulnerable to competition from new alcopop drinks such as Smirnoff Ice in the 1990s. In an attempt to deal with the impact of these issues, the CEO at the time (Mike Hughes) sought expansion overseas. He grew the activities in selected European countries and South Africa and embarked on a joint venture in China. He also bought two American cider producers, both based in Vermont, and who, between them, commanded 50% of the American market. But cider was only 0.16% of the market for long alcoholic drinks in the US.

During 2002 and early 2003 the workforce was reduced from 1000 to 800, but there was a further impact on the local economy. Most of the apples came from Herefordshire (where Bulmers is based), Worcestershire and Gloucestershire – although concentrate is imported from overseas.

After disposing of the Australian interests to Fosters, the rest of Bulmers was sold to Scottish and Newcastle Breweries in April 2003. S&N believed it had the scale and power to exploit the potential market.

Question: Do you believe Bulmer's will be safer as a 'small cog in a large wheel' than as an independent business? As a family company, was sale into corporate ownership always inevitable for the market leader in the niche market that cider enjoys as a long alcoholic drink?