
INVESTIGATIVE TECHNIQUES SEMINAR

ABUSE OF DOMINANCE

Documents

**United States Federal Trade Commission
United States Department of Justice**

WESTERN BREWERY CORPORATION

June 6, 2000

INTEROFFICE MEMORANDUM

---CONFIDENTIAL---

TO: Mr. Chen
President and Chief Executive Officer

FROM: Joseph Wu
Director of Marketing

SUBJECT: Eastern Brewery Corporation

It is being said that Eastern Brewery Corporation is attempting to enter our territory. Beny suspects that Western Distributors has been approached by Eastern Brewery Corporation. Given the effort put into developing our relationship with Western Distributors, this is a disturbing development. We've worked extremely hard in establishing our position in this territory, and Eastern Brewery Corporation has no right to encroach. It has not been confirmed yet about Western Distributors. I told Beny to wait to confront Western Distributors, because I think this is a delicate situation and should be handled carefully. Before we confront Western Distributors, I think we should check into exactly what our options are and then proceed. I also think it is important to keep this quiet.

Unfortunately I am scheduled to go on vacation tomorrow. I cannot change my plans because the tickets have already been purchased and my wife and children would be very unhappy. I will be back next Monday, and I suggest we get started on this as soon as I return.

EASTERN BREWERY CORPORATION

INTEROFFICE

June 1, 2000

TO: Mrs. Sonya
Vice President

FROM: Mr. Lee
Corporate Development

As you directed at our last meeting, I have contacted distributors in West Java pursuant to our expansion plan. Using our East Java distributors is just too slow, as we have seen in the last few months.

The largest distributor in the region, Western Distributors, has worked closely with Western Brewery Corporation for years. Western Distributors is very experienced in the territory, and would be an asset to our entry. Western Distributors reportedly has many close contacts and knows the strongest customers. We would be almost guaranteed to make an impact on Western Brewery Corporation's territory if we used Western Distributors. There are several other distributors as well that we could use, but they are smaller, and a lot of their capacity is taken up by Western Brewery Corporation and other products. For our initial attempt to enter into the territory, we should start with Western Distributors, because if we can not be successful using a well-established distributor, then we know we have problems. If things go well with Western Distributors, we can then check into some of the other distributors.

Western Distributors so far is willing to work with us. Their account manager, Artur Lubis, is very amicable. I think this could be the beginning of a good relationship. I've told Artur that we would like to begin on an experimental basis, shipping perhaps 400 barrels for the first few months.

EASTERN BREWERY CORPORATION

INTEROFFICE

January 5, 2001

TO: Mrs. Sonya
Vice President

FROM: Mr. Lee
Corporate Development

I thought I should let you know about a situation that has arisen. As you know, we have been using Western Distributors for our initial experimental entry into West Java. Western Distributors has been happy to work with us over the last six months. They have been shipping 400 barrels a month, and further expansion is promising. As you know, I've established a good working relationship with Artur Lubis. Western Distributors did not seem to have a problem shipping both our beer and Western Brewery Corporation's.

Not surprisingly, it seems that Western Brewery Corporation is not happy with our efforts. Now Western Distributors has completely changed direction and refuses to distribute for us. It appears that Western Brewery Corporation has had Western Distributors sign an exclusive dealership contract. I am very disappointed with Artur, and he knows it. I suspect he feels bad but can't do anything about it.

This is not a good situation. If our access to distributors in the region is limited, it could affect our ability to enter the region quickly and efficiently. We may have to re-think our strategy. Western Distributors is by far the largest distributor. It has a well established network. Its drivers know the territory. So far we have relied on Western Distributors and have been preparing for a major increase in distribution. It will be much more difficult and expensive over the long-run for us to continue our efforts with our existing distributors in East Java. We would be paying a similar rate, but would not be able to take advantage of the knowledge and experience of a distributor that already has the familiarity with the territory like Western Distributors does. Things would just take much longer. It would take our distributors at least six months to become familiar with the territory. If we are forced to use our own distributors, they would be disorganized for months, allowing Western Brewery Corporation to take advantage of the situation, rather than letting us take advantage of the situation.

There are other smaller distributors besides Western Distributors that know the territory and ship for Western Brewery Corporation that we have had some contact with, but I suspect Western Brewery Corporation will force them into signing exclusive contracts as well. One of our salesmen has heard of a distributor named Rolling Beverages that he thinks could help us. I don't know much about Rolling Beverages, except that it is considerably smaller. Our salesmen say that it is

aggressively seeking new contracts. I will investigate it and report back.

ISLAND BIR

December 3, 2000

TO: James Ong
Vice President

FROM: Zak Rahman
Manager

SUBJECT: Expansion Plan

My development of a plan for expansion into West Java is moving forward. The manager in our distribution department, continues to believe that the best plan is to utilize our existing distribution force. He believes that if we purchase ten new trucks, we would have no problem entering the territory. This is not surprising, because he has been complaining for several years that he needs new trucks. He does not think it would take his drivers very long to learn the territory. I have my doubts on this point, though he claims to know best. I just think it would make sense for us to take advantage of the knowledge of existing distributors in the region. (He may also be worried about the company using only outside distributors. His concern may be misguided, but I just do not know yet. I think he is nervous that he may lose his job if Island Bir begins to use outside distributors.)

We should look into what some of our competitors have done when they were expanding. It would be interesting to see if others have been able to penetrate new areas effectively with distributors unfamiliar with the territory. I suspect that there are advantages and disadvantages to both options.

WESTERN BREWERY CORPORATION

December 20, 2000

INTEROFFICE MEMORANDUM

TO: Mr. Chen
President and Chief Executive Officer

FROM: Joseph Wu
Director of Marketing

SUBJECT: Foreign Competitors

As discussed at our last strategic planning meeting, I have been watching our foreign competitors. Initial reports show that sales of foreign brands account for about 3 percent of all beer sold in our territory. This share has been slowly but steadily increasing over the last few years. My previous assumption that we would never have to be concerned about foreign brands may have been premature. The foreign brands have awakened to the fact that there are millions of non-Muslims in Java, and the market is huge. There are a small number of customers that are willing to try foreign brands. It is possible that with increased marketing, customers will become more aware of foreign brands. At worst, foreign beer could become very popular. This seems unlikely. It would take an expensive and intense marketing campaign. I doubt the foreign brands would make such an attempt, given the large risk of failure. But the changes we are seeing in the distribution patterns that we've talked about have made me somewhat nervous in this regard. I don't think we need to be very worried at this point, but it is definitely something to monitor.

WESTERN BREWERY CORPORATION

September 21, 2000

INTEROFFICE MEMORANDUM

---CONFIDENTIAL---

TO: Mr. Chen
President and Chief Executive Officer

FROM: Joseph Wu
Director of Marketing

SUBJECT: Eastern Brewery Corporation

It looks as though we have successfully thwarted Eastern Brewery Corporation, at least for now. Just as we suspected, Eastern Brewery Corporation is not pleased. I'll keep you informed.

WESTERN BREWERY CORPORATION

May 11, 2000

INTEROFFICE MEMORANDUM

---CONFIDENTIAL---

TO: Mr. Chen
President and Chief Executive Officer

FROM: Joseph Wu
Director of Marketing

SUBJECT: Competition

Several brands from Central and East Java have been moving into our territory at the edges. It looks like they have been using some of the local small distributors or their own distributors from outside the region. To impact our market I believe they would have to use a large distributor that knows the territory. They may be able to convince some of the recent newly entered distributors in our territory to take them on if they make a substantial commitment. Although it is not difficult for a distributor to enter a new territory, it takes a long time, maybe a year, to develop a successful network of customers. We should be alert to see if our distributors are approached -- ESPECIALLY WESTERN DISTRIBUTORS. In the short term we should at least prevent these outside brands from using our distributors, but in the long term, there may not be much we can do.

Western Brewery Corporation

TO: Mr. Chen

FROM: Mr. Rick

January 24, 2000

As the economy begins to grow, we need to position ourselves to be viable in the long term. We cannot, for example, expect the traditional boundaries of breweries to hold up. This is good news and bad news: new regions will be available to us, but we will be faced with more competition in our own market. The key is to be the first to take advantage of the opportunities.

With this in mind, I propose we develop a long term strategy in which we outline goals for our business. We need to consider whether to expand or contract in terms of production, product lines, and geographic regions. Production questions include our role in bottling and distribution; product line questions include what types of beer we produce and whether we enter other beverage markets; and geographic issues include when we enter other regions and whether we should export to other countries.

If there is other work in this area you would like me to look into, let me know.