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The Creation of Big Business in the Swedish Brewing Industry during the aftermath of the Second World War

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Abstract

Before the First World War, the Swedish brewing industry was organised into cartels that fixed prices and established distribution areas. During the interwar years the major combines in the three biggest cities strengthened their position, since they controlled the market in the most populated areas. Because of the agreements within the brewing cartel *Bryggeriidkareförbundet*, there was hardly any competitions among the breweries and the only way to expand the business was to buy cartel-associated smaller breweries in the fixed “natural distribution area”. When the cartel ceased to exist in the mid 1950s, the agreements among *AB Stockholms Bryggerier* in Stockholm (StB), *AB Pripp & Lyckholm* in Göteborg (P & L) and *AB Malmö Förenade Bryggerier* in Malmö (MfB) were informally maintained. They managed to expand in their old distribution areas and beyond, but there was no interference in each other’s home market.

This paper examines why and how these agreements finally came to an end and the effects of the increased competition. The so-called “beer war” between StB and P & L during the early sixties paved the way for negotiations, which in the end led to a merger of the breweries and a new big combine – *Pripps* – was created. We take up questions related to the formation of the company, its market expansion, the diversification and other organisational strategies. Pripps’ monopolistic position on the Swedish market and the institutional pressure that followed started a process leading in the end to a reorganisation and a holding company, *PRIBO*, was formed in the early 1970’s. A few years later the majority of PRIBO’s brewing division (Pripps) was bought by the Swedish State and the rest of PRIBO was sold to one of the upcoming holding companies in Sweden during that time – *Beijer Invest*.

A more comprehensive understanding of the Swedish brewing industry’s evolution during the post war years may be attained, by using Alfred Chandler’s theories of the creation of big business in the Western World after the Second World War.

Points of Departure

The development of the Swedish brewing industry between 1945 and 1975 was examined in depth in my doctoral thesis, published in Swedish.¹ Here, I focus on an important aspect of that study, and hopefully reach out to a wider audience.

The main purpose of this paper is to investigate the concentration process of the Swedish Brewing industry in the aftermath of the Second World War. To be more precise, the focus is on the brewery combine Pripps, a company that was formed in 1963. During this period there was a radical change in the political economy relating to competition and liberalisation of the alcoholic policy in Sweden, and in most part of Western Europe for that matter.² The institutional theoretical approach of Alfred Chandler is most useful for an understanding of the changes in the brewing industry during this period. His discussion of the American business environment and how it reacted to institutional change during the late nineteenth century and beyond has been an important theoretical tool for my thesis and this paper. In creating “big business” some of the major industries in the United States were dependent on the institutional framework that followed the anti-trust legalisation institutionalised by the Sherman-act in the 1890s, which in turn led to an increased horizontal integration and creation of holding companies.³ The point is that a similar development in Western Europe occurred after the Second World War. The structural change and the creation of “big business” were an attendant phenomenon that can partly be explained by limitations in market expansion. In the long run this led to an increased diversification, followed by a need to reorganise a business into hierarchically structured companies with several divisions. By the 1970s this type of big business had become a common phenomenon in many parts of Western Europe.⁴ In dialog with Chandler, Herman Daems created a deeper understanding of the friction and the process of decartelisation and institutional change:

“Market allows autonomous production and distribution units to coordinate their activities by means of price-guided exchange. Federations such as trade associations, business interest groups, certain industrial combines, and cartels allow the members to coordinate their activities through negotiated agreements. Chandler’s definition thus allows us to view the modern firm as involved in a rivalry with markets and federations, a rivalry that might be labelled an institutional competition. Indeed, institutional structures compete in much the same way as technological processes compete for utilization of scarce resources. By implication, the modern business firm became predominant when its

¹ Sandberg, P. 2006.

² Harding, C. & Joshua, J. 2003, p. 87, and Chandler, A. D. & Daems, H. 1980, p. 3f.

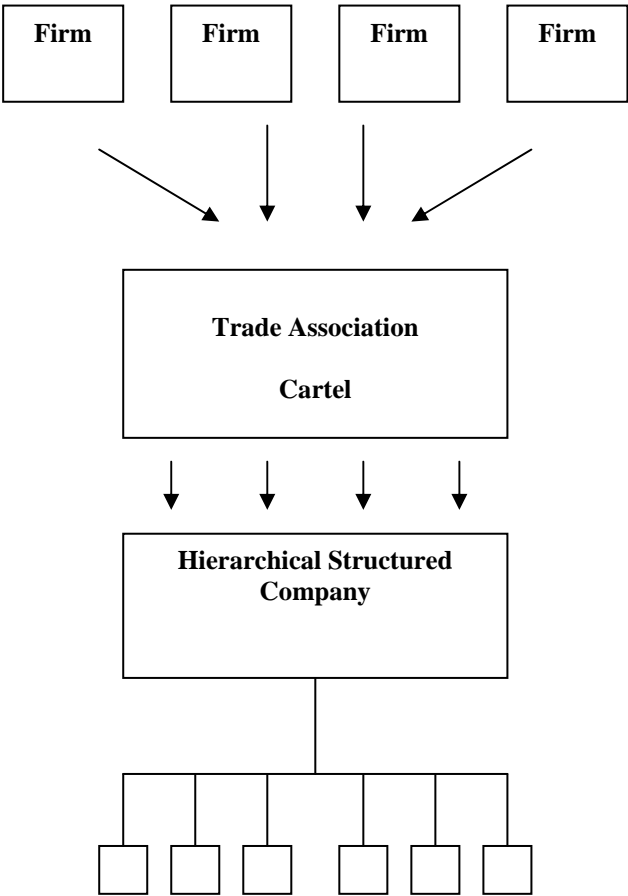
³ Chandler, A. D. 1962, p. 30.

⁴ Chandler, A.D. 1980, p. 38f.

particular form of institutional organization, its hierarchical structure and centralized control over industrial property, gained a competitive advantage over other forms.”⁵

The process described by Daems can be translated into a simplified figure which describes the hypothesis:

Figure 1. From Cartel to Hierarchical Structured Company



Source: Sandberg, P. 2006, p. 38.

The cartelisation during the interwar years had a preserved effect on the Swedish trade and industry. Herman Daems discussions of “institutional competition” are a useful tool for the understanding of the process of decartelisation and the emergence of hierarchical structured companies in Western Europe in the aftermath of the Second World War.

⁵ Daems, H. 1980, p. 204.

Changes in the institutional framework laid the foundation for structural changes in trade and industry in Sweden after the Second World War.⁶ The decartelisation took off when the Bureau of Monopolistic Investigation and the Register of Cartels were established in 1946. This was followed by a legislative process and in the first competition law was implemented in the mid 1950s.⁷ The structural rationalizations that followed meant that mergers intensified after the war. Close to 3000 mergers took place between 1946 and 1969. Furthermore, changes in the fiscal legislation on share issues during the early 1960s were followed by an increase in formations of investment-trusts by former manufacturing companies.⁸ This structural transformation was evident in most branches in Swedish trade and industry. The subject examined in this paper is no exception, which the following empirical study will try to verify.

The Swedish Brewery Industry before the Post War Years

The brewing industry in Sweden at the beginning of the 20th century was organised into a cartel that fixed prices in restricted distribution areas. The cartel – the so-called *Bryggeriidkareförbundet* (a daughter organisation of the Swedish Brewery Association) – was formed in 1906 and organised more than 90 percent of the breweries in the period before the First World War.⁹ This pattern was maintained during the interwar years. As a matter of fact, the cartel became even stronger after strict regulations of the production and distribution of alcoholic beverages, wines and spirits were introduced between 1917 and 1923. The effect on the brewing industry was substantial. In 1917 the rule of concession was introduced and it became very difficult for new breweries to enter the market. Price regulations and restricted distribution areas were settled by the cartel with support from the authorities. The final step in the prohibition came in 1923 when beverages with stronger alcohol content than 3.2 percent were prohibited.¹⁰

The brewing industry had gone through a process of concentration during the period between 1890 and 1914. The smaller firms had been bought up and the main actors started to merge in the bigger cities. The formation of urban monopolies was an important step in restricting the distribution, since the most densely populated areas were the most profitable market with the lowest transport costs. Nonetheless, the restriction in distribution settled by the cartel also supported the breweries in the smaller cities and, together with firms in the same area, they created regional monopolies. Thus, the “natural distribution areas” were created. The authorities supported this strategy, since they believed less competition meant lower consumption. The interwar years became a period when the cartel strengthened its position and regional monopolies became the

⁶ Sandberg, P. 2006, p. 46ff.

⁷ Sandberg, P. 2006, p. 73ff.

⁸ Rydén, B. 1971, p. 55, Pokorný, C. R. 1963, p. 314ff and Benestam, S. 1967, p. 18ff.

⁹ Sandberg, P. 2003, p. 92f.

¹⁰ SOU 1952:55, p. 90

rule of the game. The numbers of breweries was more or less intact and some of the smaller ones close to the three big cities were purchased by the bigger combines.

Table 1. Number of Taxable Breweries in Sweden 1920 - 1940

	1920	1925	1930	1935	1940
Number of breweries	160	162	159	156	151

Source: Nilsson, S. 1979, p. 11.

The figures above speak for themselves. Only two new breweries were established and in fifteen years eleven breweries went bankrupt or were purchased. The structure of the brewing industry was more or less maintained during the interwar years, but after the Second World War things would change dramatically.

A New Institutional Framework and Increased Competition

After the Second World War the institutional framework changed and a new legislation supporting increased competition started to develop. For the brewing industry, the first sign of changed occurred in 1946 when the *Bureau of Monopolistic Investigation* was created by the social-democratic government. The main task was to register Swedish trade and industry cartel agreements in the Register of Cartels.¹¹ In addition, the brewing industry was the subject of a special investigation by the bureau in 1951. In this changed environment, the cartel's organisational goal was threatened and it ceased to exist in January 1956.¹² There were of course other factors that contributed to the demise of the cartel. A new legislation to increase competition was implemented in 1954 and one of its effects was the opening up of the retail trade sector and the creation of an independent supermarket system. Another important factor was the abolishment of the ration-book system that had been created in 1917. Strong beer became legalised in 1955, but it was only allowed to be distributed and sold through the governmental-run retailer *Systembolaget*. The brewers could no longer control the chain of distribution, at least not in a formal manner.

The effects on the brewing industry were immediate. The “natural distribution areas” could no longer be maintained and the big combines in the most densely populated areas – *AB Stockholms Bryggerier* (StB) in Stockholm and *AB Pripp & Lyckholm* (P & L) in Göteborg started to purchase many of the combines in the southern half of Sweden. This process is evident if one looks at the decreasing number of breweries in the 1950s.

¹¹ Kartellregistret 1947:1, p. 1f.

¹² Svenska Bryggareföreningen, Bryggeriidkareförbundet, Förtroendenämndens möte 8/12 1955, A:10, RA.

Table 2. Number of Taxable Breweries in Sweden 1945 - 1960

	1945	1950	1955	1960
Number of breweries	130	134	127	80

Source: Nilsson, S. 1979, p. 11.

The number of breweries in the table above includes every production unit and many of the combines owned more than one unit. It is also important to stress that the decreasing number of breweries was due to units that had no production. In order to keep the licence for production of taxable beer, these units were maintained and registered as “defence breweries” and included in the statistics.

Table 3. The Production of Beer by the six largest Brewery Combines in Sweden 1948

Brewery combine	Number of units	Production of Beer (mill. litres)	Percentage of the total production
AB Stockholms Bryggerier	13	65.0	39
AB Pripp & Lyckholm	7	22.7	14
Skånebryggerier, Hälsingborg	8	8.0	5
Malmö Förenade Bryggerier	4	7.9	5
Sveabryggerier, Filipstad	11	7.4	4
Nya Centralbryggeriet, Linköping	6	4.8	3
Total	49	115.8	70

Source: SOU 1952:55, p. 321

In the early 1950s P & L in Göteborg bought Sveabryggerier in the county of Värmland and started an expansion that led to a stronger market position. By 1955 their share of the market had risen to 20 percent. After the purchase of MfB in Malmö, Skånebryggerier and other smaller breweries in the early sixties, P & L’s market position rose to 28.5 percent. This development is shown in the table below.

Table 4. Market shares in the Swedish brewing industry 1961 (percent)

	Beer	Soft drinks	Total
AB Stockholms Bryggerier	31	24	27.5
AB Pripp & Lyckholm	30	27	28.5
Other breweries	39	49	44
Total	100	100	100

Source: Stockholms Bryggerier, The Swedish Brewery Associations statistics 1960/61, A3 B: 5, CfN.

After the demise of the brewing cartel, the two combines in Stockholm and Göteborg had informal agreements that prevented any serious competition in each others home markets. P & L's acquisition of MfB (which had merged with Skånebryggerier) in 1961 was the most important affair when one considers the size of market shares, but the dual agreements between StB and P & L were threatened by a minor acquisition when the latter bought *Eskilstuna Bryggeri*, a brewery that was located in the heartland of StB's home market. This move was followed by a crisis and the competition between the two combines increased. During 1961 and 1962 the so-called "beer war" shelved the former non-competition consensus.¹³

It is worth noting that the new institutional framework meant a concentration of breweries, but at the same time new actors, who had never had been part of the cartel, emerged in the market. This dual process became more prominent in the sixties and there were several factors behind this evolution. First of all there was increased access for new actors in the wake of the institutional change, but the changing structure of the retail trade sector and the more efficient distribution opportunities were also important factors. Together with a new distribution network and an unexploited innovation, the tin can, new entrepreneurs could enter the market and were able to challenge the combines in Stockholm and Göteborg. Even a few older breweries took up the challenge and developed market-expanding strategies.¹⁴ This is one important explanation for why StB's and P & L's market shares did not rise by more than three percent between 1948 and 1961 (tables 3 and 4 above).

The Beer War and the creation of Pripps

As we have seen, P & L's acquisition of Eskilstuna Bryggeri threatened the non-competition agreement with StB, the most important part of which was the non-intervention aspect. The two breweries built up their regional positions in the southern half of Sweden by mutual consultation and acquisition during the 1950s. When P & L bought Eskilstuna Bryggeri, they broke this code and a completely new situation was at hand. StB intensified the marketing of their strongest brands in the south-west of Sweden, while P & L started a promotion campaign in Stockholm and the regions surrounding it. In the fall of 1961, StB bought *Lidköpings Bryggeri AB*, a combine that owned most of the breweries in the county of Skaraborg. This part of Sweden belonged to P & L's market region and may be seen as retaliation for the acquisition of Eskilstuna Bryggeri.¹⁵ The competition continued in 1962 and in the end there were only two options – increase competition with high costs for both parties or merge into one big brewery combine.

¹³ Sandberg, P. 2006, p. 133ff.

¹⁴ Sandberg, P. 2006, p. 349f.

¹⁵ Stockholms Bryggerier, meeting of the board 30/3 1962, A2 AA: 34, CfN.

The first serious attempt to find a solution to the problem came in the winter of 1961. Even though P & L was the stronger partner, the managing director Franz Hartmann wanted to find a solution. There were no signs of mutual understanding and in the summer of 1962, P & L got a new managing director. Franz Hartman, by now chairman of the board, tried to keep some kind of informal discussion alive, but to no avail. Things changed when the new managing director suddenly died in June 1963 and was replaced by the former director Franz Hartmann. Formal negotiations took place in July soon to be followed by a merger investigation led by professor Ulf af Trolle. Two alternatives were the subjects of discussion, a joint sales company or a complete merger of the two combines. In the end the latter alternative received support from all parties concerned and a merger was agreed upon in October 1963. The merger took place in November 1963 and the name of the company was *AB Pripp-Bryggerierna* (Pripps). The board was located in Göteborg and the management in Stockholm.¹⁶ The share of the beer market was over 60 percent and a few percent less for soft drinks.

The first priority was to coordinate the two management groups into one unit. This was not an easy task since the culture of the two former combines were indeed different in many respects. The production had to be restructured and concentrated to lesser units. P & L and StB had closed down 25 units since the mid 1950s, but more units had to be closed to solve the problem of overcapacity in some of the regions.

Table 5. Overcapacity in Pripps 1964/65 (1000 hl).

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
Production 1964/65	550	665	226	324	1000	139
Production capacity	757	810	246	380	1081	142
Over capacity	207	145	20	56	81	3

Source: Pripps Bryggerier, meeting of the board 25/3 1966 (appendix), A2 A: 13, C 76: 1, GLA.

Pripps had 34 production units in 1965. The overcapacity was highest in the regions of Malmö (region 1) and Göteborg (region 2). Region 1 had nine units in eight different cities, while Göteborg had seven units in three cities (five in Göteborg alone). Most of the units were old breweries from the turn of the century and some of them were run down and in need of new technology. It is no surprise that the new management had rationalisation as a first priority. The first project was to concentrate production in the Stockholm region (region 5). The so-called “project Ulvsunda”, in which a new brewery and a malt house

¹⁶ Stockholms Bryggerier, ratified document concerning the merger of P & L and StB 28/11 1963, A2 AA: 35, CfN.

were planned to be located in Ulvsunda outside Stockholm was started in 1965. The brewery was inaugurated in 1970. This was followed by new production units in Malmö and Göteborg. Three large breweries were in production by 1975/76, complemented by seven smaller breweries, one factory that manufactured Coca Cola and two large malt houses in Stockholm and Göteborg. Altogether, Pripps had 10 production units in 1976, a reduction by 24 units in a little more than ten years.¹⁷

Defending the market shares

When the merger took place in 1963, Pripps' shares of the beer market exceeded 60 percent, with a few percent less for soft drinks. It was not an easy task to maintain this strong position. In the public opinion, Pripps represented a monopolistic company, a fact the competitors used in their marketing. As we have seen before, new breweries emerged and became important actors during the 1960s, leading to a decrease in market shares for Pripps.

Table 6. Pripps market shares 1963/64 – 1970/71 (percent)

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/1970	1970/71
Beer	62.1	59.0	53.6	52.9	52.3	52.3	54.3	53.4
Softdrinks	56.7	55.2	54.6	53.1	51.3	52.3	52.5	51.1

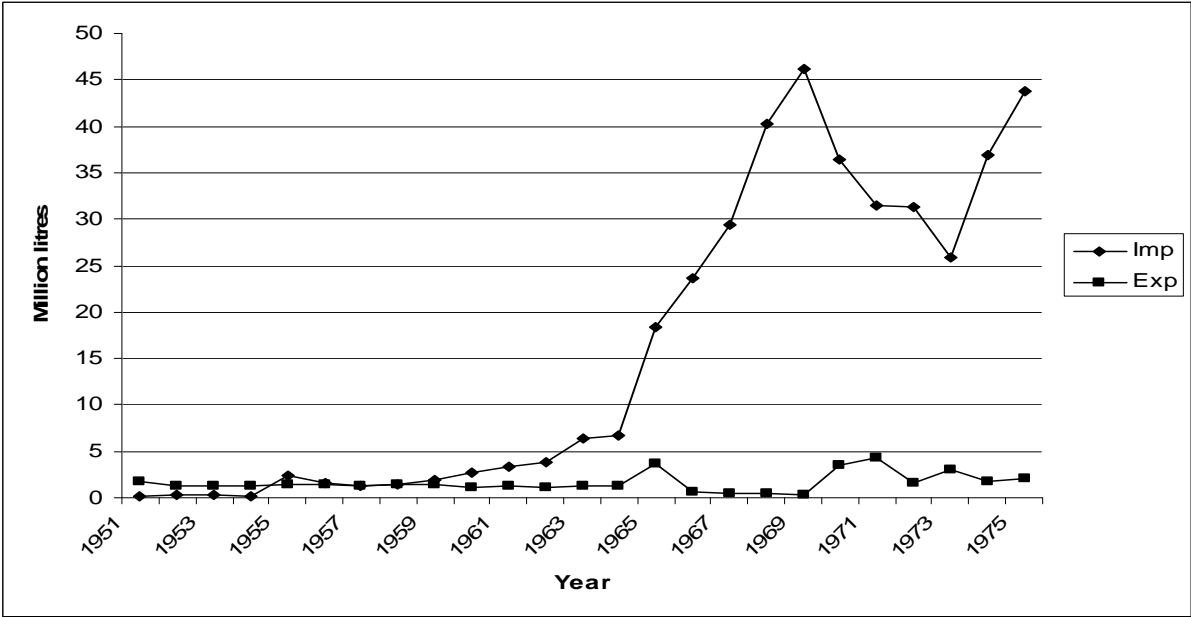
Source: Pripps Bryggerier, meeting of the board 1971, appendix 9712, A2 A: 29, C76: 1, GLA.

Another factor that partly explains the decreasing figures in the table above was the growth in the import of beer. Before 1955 Sweden was a closed market since beer with an alcohol content higher than 3, 2 percent was not allowed to be sold. Furthermore, the cartel had agreements with the neighbouring countries not to intervene in each other's home market.¹⁸ Other important reason for the low import figures were the high transport costs and the system with returnable bottles.

¹⁷ Sandberg, P. 2006, p. 319.

¹⁸ Pripps Bryggerier, Pripp & Lyckholm, agreement between Bryggeriforeningen and the Swedish Brewery Association (SBF) 1946, appendix to the group of management records Dp 719, A3 BA: 58, C76: 1, GLA.

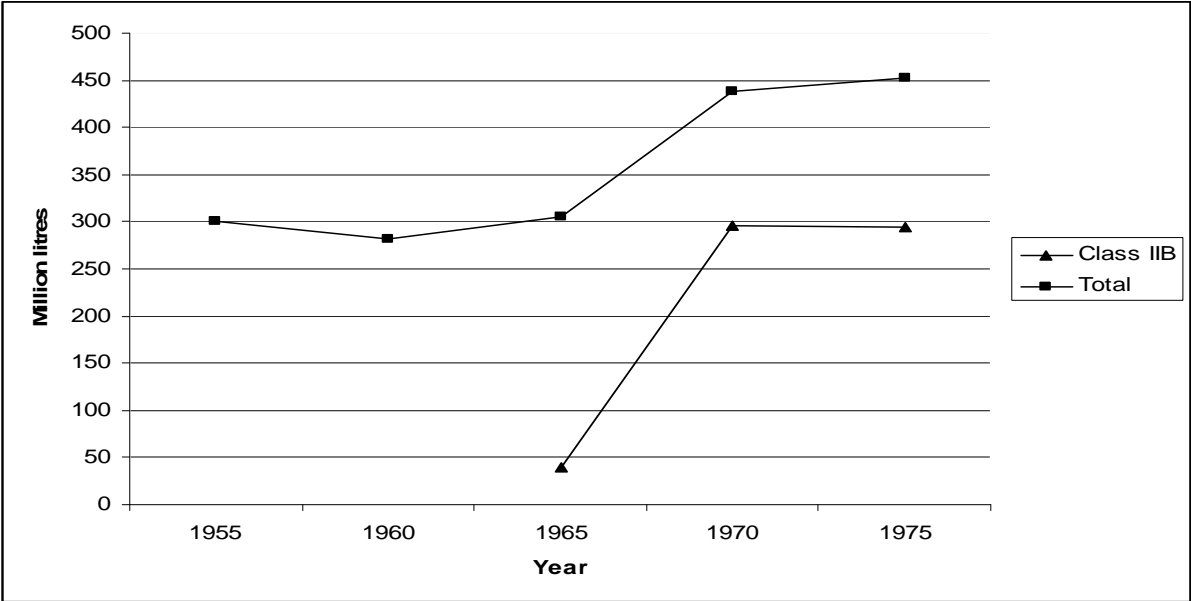
Graph 1. Import and export of beer to Sweden 1951 – 1975 (million litres)



Source. Official Statistics of Sweden (SOS), domestic and international trade 1951 – 1975.

As can be seen in the graph, the Swedish beer export was very low. The same can be said about the import figures, which were very modest until 1963. A sharp increase in import is clearly visible in 1965, the reason being the introduction of a medium strong beer (class IIB) on the Swedish market in October 1965. Most importantly, the medium strong beer was allowed to be distributed and sold through the private retail sector.

Graph 2. The sales of beer manufactured in Sweden 1955 – 1975 (million litres)



Source: Official Statistics of Sweden (SOS), domestic and international trade 1955 – 1975. Note. The figures for medium strong beer (class IIB) in 1965 are only for the period 1/10 – 31/12 1965.

As we can see in the graph above, the domestic brewing industry took advantage of the situation and the sales figures increased during the late sixties, but also for the foreign breweries. Pripps took the smallest market shares in the class IIB segment, at least if expressed as a percentage.¹⁹ As the largest brewery combine, Pripps was also the main negotiator when the brewing industry tried to prevent further increases in beer import. The lion's share of the imports came from Denmark and the international brewery combines of *Carlsberg* and *Tuborg* were the main supplier. No brewery in Sweden had so far made any substantial efforts to penetrate foreign markets and the export figures, as shown above, were very modest to say the least. After the merger in 1963, Pripps became joint owner of *SKOL-International* together with *Allied Breweries Ltd* from Britain and *John Labatt Ltd* from Canada. The marketing strategy was to produce the brand SKOL for each domestic market and internationally. Pripps also bought the majority of the stocks in a Danish brewery called *Ceres Bryggerier A/S* during the late sixties. This move cannot be described as an economic success, but the one good thing that came out of it was that it gave Pripps a stronger position in future negotiations with Carlsberg and Tuborg.²⁰

There was one market that had been neglected by P & L and StB since the regional expansion started in the fifties. The northern part of Sweden, Norrland, was scarcely populated and the region geographically widespread. The transportation costs were too high for any breakthrough in the region, and even though StB had tried to penetrate the market in the very southern part of Norrland, the region was a "white spot" on the company's map of Sweden. After the merger, Pripps started to look for potential breweries for sale but in vain. In 1970, it laid down new and improved outlines for a penetration into Norrland. A new sales organisation was established, with six districts and depots in every sub-region. Although the sales figures in Norrland improved, they never exceeded 3.6 percent of Pripps' total output. In 1967, the share of the output was 0.8 percent, growing to 3, 6 percent in 1971.²¹ Once again Pripps tried to purchase breweries in Norrland. A brewery in the northern regions of Norrland – *Top-Bryggerierna* – was for sale in 1972. It was a small unit, but in a region that Pripps sales were very low. More important was the acquisition of *Sundsvallsbryggerier* in 1973, a combine that had two large plants in the southern part of Norrland. It also had interests in other breweries in the region.²²

In the early seventies, the impression of Pripps as a monopolist became stronger, especially after the acquisitions in Norrland. The management of Pripps became more cautious and they were well aware of public opinion and the fact that the authorities kept an eye on their market expansion. When Pripps in 1972 bought *Tingsryds Bryggeri AB*, one of its most innovative competitors,

¹⁹ Pripps Bryggerier, meeting of the board 14/6 1968 (appendix), A2 A: 17, C76: 1, GLA.

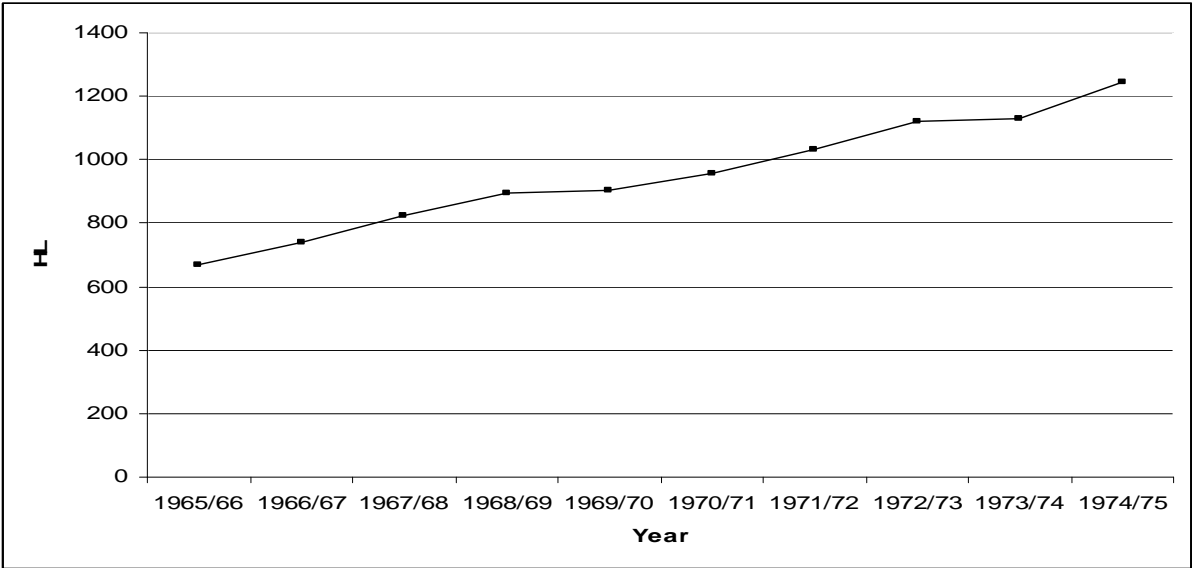
²⁰ Sandberg, P. 2006, p. 278ff.

²¹ Pripps Bryggerier, meeting of the board 5/4 1972 (appendix), A2 A: 31, C76: 1, GLA.

²² Sandberg, P. 2006, p. 273ff.

the affair was kept a secret during the negotiations. There were even members of the board who had no knowledge about the affair before the deal was done.²³ By purchasing Tingsryds Bryggeri, Pripps finally got rid of a competitor that had been a “trouble-maker” since the late 1950s. However, after the acquisition of Tingsryds Bryggeri and the breweries in Norrland, Pripps expansion on the Swedish beer market came to a temporary halt. By 1972, its total market share had risen to 54 percent, a position that the management saw as optimal for the time being.²⁴ The concentration of production units resulted in a steady increase in productivity as shown in the graph below:

Graph 3. Production per Worker in Pripps’ Brewing Division 1963/64 – 1974/75 (Hectolitres)



Source: Sandberg, P. 2006, p. 320.

The rationalisation program that Pripps introduced after the merger in 1964 paid off in terms of increased productivity, but the financial strength that followed the rationalisations had a serious impact on the decision-making process.

The diversification progress and the reorganisation into PRIBO

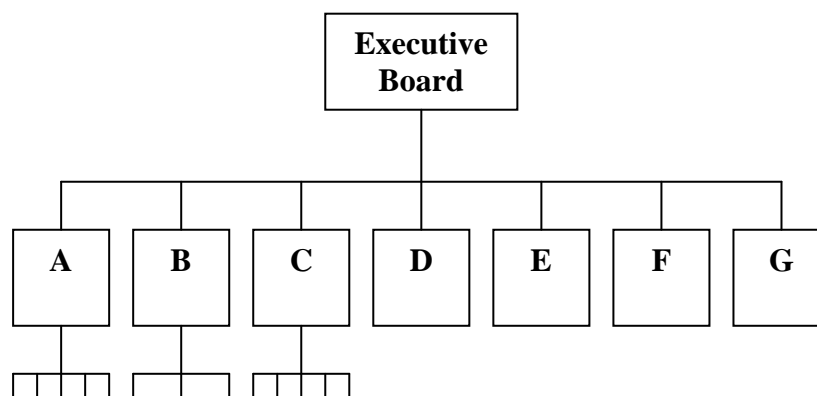
As we have already seen, Pripps’ strong position on the Swedish market had some serious implications. Its monopolistic position became a problem, especially after government’s report “The investigation of alcohol policy” in 1974. The Social Democrats, who had been in power since the inter-war years, had raised the question of “private profit” in the brewing industry on and off since the Second World War. The production of liqueur had been state-owned and the distribution of wine, liquor and strong beer (class III) had been under governmental control through a state-owned retailer since 1917. The industry

²³ Sandberg, P. 2006, P. 233ff.

²⁴ Pripps Bryggerier, meeting of the board 9/6 1972, A2 A: 29, C76: 1, GLA.

had every reason to be suspicious when the question was raised in 1974.²⁵ Pripps' market position had reached the limit for the time being and the export strategy had not been a success. Since the merger in 1963, profits had risen and the solidity was 50 percent on the average.²⁶ The management started to look for new investment opportunities in other branches, a process that had already started in the late sixties. Pripps' executive director Nils Holgerson saw the potential in the food industry sector as well as in other branches. The most important acquisition took place in 1969, when Pripps bought the sea-food company *Abba-Fyrtornet AB*. In 1971 it bought the investment trust *AB Fannyudde*, a company which had interests in different branches. After the acquisitions of companies in several branches, the Pripps management wanted to reorganise the company into an investment trust, the main reason being the need to separate the beverage division (Pripps) from the other companies and the holding trust Fannyudde.²⁷ It was only the top management who were involved in the transformation process and the level of secrecy was high. Kurt Rydé, who became executive manager for the beverage division did not know about the changes until the organisational structure was in place. The holding company – *PRIBO* – started to function in October 1972. The former executive manager of Pripps, Nils Holgerson, became chairman of the board and Anders Risholm executive manager of *PRIBO*. The organisation was of a hierarchical structure with seven divisions and several sub-divisions.

Figure 2. The organisational structure of *PRIBO* 1972



Source: Pripps Bryggerier, PM by Anders Risholm 11/8 1972, F7:9, C76:1, GLA.

Explanations: **A:** The Swedish Brewing Division, including AB Pripps Bryggerier, AB Ramlösa hälsobrunn, AB Consol, AB Fructus Fabriker och AB Tingsryds Bryggerier. Also including Ceres A/S. **B:** Breweries abroad (2 production plants in Spain). **C:** The food industry, including Abba AB, AB Lithells (with daughter companies), Svenska Jästfabriks AB, AB Zymos och AB O Annerstedt. **D:** Galon AB. **E:** Kebo AB & Rudolph Grave AB. **F:** AB Fannyudde. **G:** Real estate and related companies.

²⁵ SOU 1974: 91, p. 325ff.

²⁶ Sandberg, P. 2006, p. 319.

²⁷ Sandberg, P. 2006, p. 292 ff.

As mentioned above, the food industry was the main sector and PRIBO had plans to expand into the European market. The divisions A to C in figure 2 represent different branches in the beverage and food industry, while division D (Gallon AB) was a supplier to the furnishing industry and the car industry. Division E manufactured equipment for the pharmaceutical industry, while the F and G divisions dealt with financial administration, investments and included several real estate companies. As one can see, the evolution into a holding company changed the scale and scope of the former brewery combine and the beverage division, especially Pripps, provided capital for investments in new branches. The political environment concerning the future of the Swedish alcoholic policy changed during the early seventies and further restrictions and abolishment of the medium strong beer was a realistic scenario in the near future. The management of PRIBO started to feel that Pripps were a burden for the company.²⁸ This led to some dramatic changes in the ownership of Pripps.

The Selling of Pripps and then PRIBO

It is difficult to put an exact date when concrete plans to sell Pripps took shape. What we know is that informal discussions between Nils Holgerson and the Department of Finance started at least before the summer of 1972, even before Pripps evaluated into PRIBO.²⁹ But the Danish combine Carlsberg/Tuborg, which had recently merged into *De Forenade Bryggerier* (DfB) also had an interest in purchasing Pripps. The relations between Pripps and the Danish brewing industry had become complex. Ever since Pripps had bought the majority of the shares in Ceres, DfB (with 85 percent of the Danish beer market) had tried to push the Swedes out of Denmark. The Danish presence on the Swedish market had grown substantially since the introduction of a medium strong beer in 1965 and the Danish share of the beer import to Sweden was close to 90 percent in 1972.³⁰ Since DfB was the main competitor on the Swedish market, the situation had to be solved by negotiations with them. Before 1973, Pripps had had an informal cartel agreement with DfB about the price level and discounts on the Swedish market. In the spring of 1973, this agreement was in a state of flux and Pripps threatened DfB to use Ceres to wage a price war with DfB in Copenhagen.³¹ It is no wonder that Pripps wanted a foothold on the Danish market. Ceres (with a market share of 6 percent) was the opportunity they had waited for and when DfB showed interest in purchasing Pripps, Ceres became PRIBO's trump card.³²

As we have seen, DfB had a serious competitor in the Swedish Ministry of Finance. Gunnar Sträng, the Minister of Finance, was involved in

²⁸ Interview with Pripps former executive manager Kurt Rydé 29/6 2005.

²⁹ Interview with Pripps former executive manager Kurt Rydé 4/10 2005.

³⁰ SIND 1976: 6, p. 45.

³¹ Pripp Bryggerier, PM concerning Pripps sales problem 27/2 1973, F7: 10, C76: 1, GLA.

³² Sandberg, P. 2006, p. 300ff.

the negotiations during 1973, but the negotiations were slow and far between and PRIBO intensified the negotiations with DfB from the summer of 1973 until early 1974. No deal came out of those negotiations. The Ministry of Finance finally made an offer in the autumn of 1974. It was willing to pay 300 million Swedish kronor for 60 percent of the total shares in Pripps. From PRIBO's point of view the offer was too low and it wanted a further 100 million kronor. DfB had also made an offer, which was closer to the sum PRIBO had in mind. The problem was that DfB wanted to use 10.6 percent of the stocks in DfB and an unspecified sum in ready money. DfB saw Swedish ownership as a guarantee for future involvement in the brewing division, but PRIBO wanted cash payment, since it was interested in making further investments in other branches. The executive board of PRIBO started to view the Swedish government as the best suited purchaser.³³

In October 1974 it became clear that the Swedish government was going to purchase a majority of the shares in Pripps. The price was still an obstacle, and negotiations with the Ministry of Finance ran through the spring until the early autumn of 1974. The final offer made by DfB was around 400 – 450 million kronor for all the shares in Pripps (270 million for 60 percent of the shares). The Ministry of Finance had estimated the total value to be 300 million kronor, but PRIBO wanted an estimated 375 million (225 million kronor for 60 percent of the shares). In November 1974 a deal was signed with the Ministry of Finance and the Swedish state became the largest shareholder in Pripps (60 percent). PRIBO agreed upon a long-term ownership and to keep its 40 percent share until 1985. The price was set at 225 million kronor, including 60 percent of AB Pripps Bryggerier and AB Tingsryds Bryggerier. The rest of the beverage division was not included. The shares in Ceres were not included in the deal either. There is an interesting formulation in the written agreement concerning the purchasing purpose:

“With respect to the special characteristics of alcoholic malt-beverage, all parties concerned agreed upon the public good of a State-owned domination in the brewing industry in Sweden. An increase in public ownership will create a foundation for planning and better efficiency in the Swedish brewing industry.”³⁴

A debate in the Swedish parliament on the acquisition followed with no serious objections from other parties. The delegation took place in April 1975. The written agreement stated that the Swedish State had the right to purchase PRIBO's share in Pripps after six months notice. PRIBO on the other hand could

³³ Pripp Bryggerier, meeting with the board of PRIBO (memorandum appendix) 10/6 1974, A2 A: 40, C76: 1, GLA.

³⁴ Pripps Bryggerier, written agreement between the Swedish State and PRIBO 19/11 1974 (appendix in the record of the meetings of the board 12/12 1974), A2 A: 40, C76: 1, GLA.

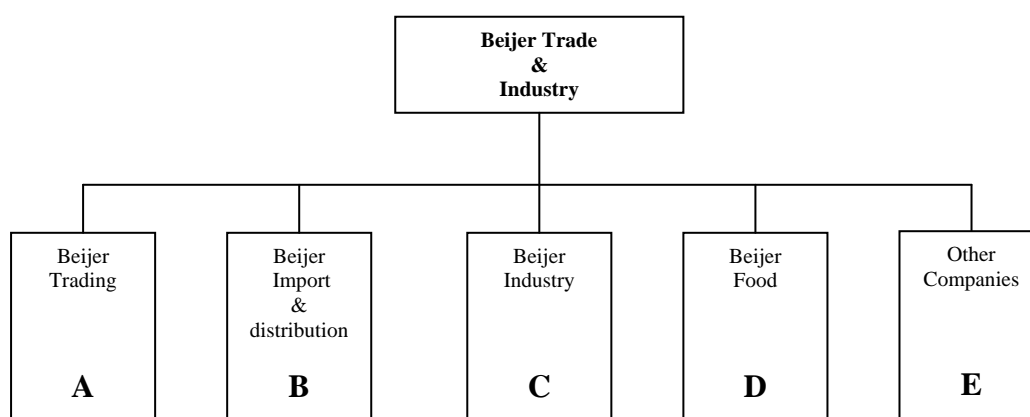
demand a complete take-over from the State before 1985.³⁵ But a further transfer in ownership was soon to follow.

After the creation of PRIBO in 1972, the diversification had continued as planned. From the management point of view PRIBO had the financial resources, knowledge about the food industry and the competence in structural rationalisations. But there was a lack of international experience and a need to expand outside Sweden and find investment opportunities in other branches. Only two months after the deal with the state was settled, a call for an extra meeting with the board was announced. The management of PRIBO informed the board that negotiation with the investment-trust *Beijerinvest AB* had taken place in November 1974. Under the leadership of Anders Wall, Beijerinvest had expanded during the late 1960s and had become one of the most important new investor in Swedish trade and industry. The discussions had only involved Nils Holgerson, Anders Risholm and Lars Wirström from PRIBO and Anders Wall from Beijerinvest. The main subject was a merger between the two investment companies and the positive fiscal effects this would lead to. The combination of PRIBO's financial strength and Beijerinvest ownership in different industrial sectors was also a strong argument for a merger.³⁶ From here on, things happened very fast and in December 1974 a deal was settled. PRIBO and Beijerinvest merged and became a large-scale holding company with a hierarchical structure.

³⁵ Prippts Bryggerier, written agreement between the Swedish State and PRIBO 19/11 1974 (appendix in the record of the meetings of the board 12/12 1974), A2 A: 40, C76: 1, GLA

³⁶ Sandberg, P. 2006, p. 309ff.

Figure 3. The Organisational Structure of Beijerinvest AB 1975



Source: Beijerinvest AB annual report 1975. The divisions include the following companies: **A:** G & L Beijer; Essve Produkter; Thorssons; Beijer Hamburg; Chemapol; Tjecko-Svea; och Import AB Månsson & Co. **B:** Gust Carlsson; Kebo-Grave; Sannes; SvedaKemi; Inter-Media; Statistikbyrån. **C:** Kockums Jernverk; Järnförädling; Centro-Maskin; Morgårdshammar; Crawford Door; Jungers Verkstad; Örebro Tekniska Gummifabrik. **D:** Sohlberg & Lithell; Primefood; Skåne Erik; Abba; Ramlösa; Frukus; Annerstedts och Beijer Food. **E:** Scandinavian Trading; Albin Marin; Beijer Fastighet; Beckers och Sonesson.

Nils Holgerson became chairman of the board, Anders Wall executive manager and Anders Risholm vice executive manager. The companies that belonged to PRIBO before the merger are placed in the divisions B, D and E in the figure above. Note that Pripps is not mentioned in Beijerinvest's organisational plan. The reason is that an ownership of lower than 90 percent was filed under the company's shareholdings.

The ownership of Pripps was split into two. The Swedish State owned a majority of 60 percent and Beijerinvest 40 percent. According to Pripps' executive manager Kurt Rydé, the changes in ownership threatened the final steps in the structural rationalisations that had been implemented in the mid-sixties.³⁷ Beijerinvest owned the majority of the shares in the Danish brewery Ceres, shares that would have significance for Pripps in the future.

The Deal with the Danes

As mentioned above, Pripps' structural rationalisations had gone as far as planned. Nineteen production plants were closed down between 1968 and 1975.³⁸ Two modern plants in Stockholm (Bromma) and Malmö were in place with six complementary breweries in other parts of Sweden. A large brewery in Göteborg (Västra Frölunda) was in production in 1976. However, the Danish

³⁷ Interview with Kurt Rydé 29/6 2005.

³⁸ SIND 1976: &, p. 141.

competition was still a reality in 1975 and the import of beer from Denmark had risen from 26 million litres in 1970 to 40 million litres in 1975.³⁹ After the negotiations with DfB failed, relations with Pripps and PRIBO became restrained. If one looks at the rise of beer imported from Denmark, it is easy to imagine Pripps' feeling threatened. In the spring of 1975, Anders Risholm from Beijerinvest discussed the matter with DfD's manager of administration Poul Svanholm. Risholm explained his view concerning the future of the Swedish brewing industry and that it was very likely that further concentrations would emerge very soon. The reason, according to Risholm, was that the smaller independent breweries could not survive the increased competition and further restrictions in the official alcohol policy.⁴⁰

From here on, the events took an interesting turn. DfB suggested a licensing deal so that Pripps could produce the Carlsberg and Tuborg brands. When the management of Pripps got the information about the proposal, they reacted positively. Since the deal with the Swedish State had not been ratified by this stage, Pripps' executive manager Kurt Rydé informed the Minister of Finance about the proposal from DfB. The Minister had no objections and a 20-year licensing deal was worked out during the month of May 1975. The beer was to be produced in Sweden under Danish supervision. For DfB, the agreement guaranteed a Danish takeover of Ceres A/S and that Pripps would not export any beer, soft drinks or mineral water to Denmark for the duration of the agreement. The production and distribution started in 1976.⁴¹ In retrospect, both parties had something to win – Pripps' position on the domestic market was strengthened and DfB got a closer grip on the home market. The Danish combine also reduced its cost of production, marketing and distribution on a geographically vast Swedish market. The capacity previously used for the Swedish market could now be used in new foreign markets.⁴²

Conclusion

After the decartelisation process had started in the mid 1950s, most of the small breweries had difficulties surviving in a competitive market. Instead, it was the major combines in the two biggest cities that strengthened their positions – AB Stockholms Bryggerier (StB) in Stockholm and AB Pripp & Lyckholm (P & L) in Göteborg. It was these breweries that started to expand in the early fifties. During the inter-war years they had consolidated their regional market position, a process that now intensified. Dual agreements ensured that they did not intervene in each other's so-called "natural markets", an important factor that explains the smooth regional expansion. In the early sixties the two combines

³⁹ SIND 1976: 6, p. 45.

⁴⁰ Sandberg, P. 2006, p. 324.

⁴¹ Pripps Bryggerier, written agreement 28/5 1975, F7: 12, C76: 1, GLA.

⁴² Pripps Bryggerier, Danish press releases 23/6 1975, F7: 12, C76: 1, GLA.

had a total market share of over sixty percent of the beer market. P & L succeeded in expanding its shares most successfully, and in 1961 it bought and merged with Malmö Förenade Bryggerier, the third largest brewery combine in Sweden. This was an important acquisition when one considers the size of the market share. The mutual agreements between StB and P & L were actually more threatened by the acquisition of the smaller Eskilstuna Bryggeri, a brewery that was located in the heartland of StB's home market. This move was followed by a crisis and competition increased substantially between the two combines. During 1961 and until the summer of 1963 the so-called "beer war" threatened the former non-competition consensus, and in the end there were only two options – increased competition with high costs for all involved or merge into one big brewery combine. The latter option became the solution, and in 1963 AB Pripp-Bryggerierna (Pripps) was created. The new company had a total market share of 60 percent and became the single most important brewery in Sweden.

After the merger in 1963/64, Pripps started to plan future rationalisations in production and distribution. In 1965 it had 34 plants for brewing and malting. In a plan for future investments, it then announced its goals for the next ten years and it was made clear that the number of plants would be reduced to three large breweries. In the end, the plan was fulfilled, but a few smaller units were still in production in 1975. Even though Pripps lost market shares in the latter part of the sixties, the volume of production increased, especially after the introduction of a medium strong beer in 1965. An important quest for the combine was an expansion into foreign markets, which was necessary since the growth on the Swedish market was limited. This had to do with political and economical aspects, since the picture of Pripps as a monopolist had grown since the merger. The export of beer never became a reality, even though Pripps became part of an international cooperation called SKOL-International. A new strategy was introduced which meant that Pripps bought the majority of the stocks in a Danish brewery Ceres Bryggerier A/S during the latter part of the sixties. This move cannot be described as an economic success, but one good thing came out of it: it gave Pripps a stronger position in the negotiations with the Danish combine Carlsberg/Tuborg (De Forenade Bryggerier, DfB).

At the end of the sixties, it became obvious to the Pripps management that the company had difficulties in expanding in the domestic brewing market. When the expansion in more or less related areas such as the food industry became prominent, the company's old organisation was difficult to maintain. The solution was to reorganise the company into an investment trust in 1972 which became known as PRIBO. The structure of the new company became more or less identical with Alfred Chandlers model of a hierarchical organised and diversified company. At the same time, PRIBO's group executive board found the brewing division – now a subsidiary of PRIBO – more and

more difficult to manage. They started negotiations with both DfB and the Ministry of Finance for a sale of the brewing division. In the end, the Swedish government became the owner of sixty percent of Pripps. At the same time, PRIBO merged with another major investment trust called Beijer Invest. The negotiations with DfB, which continued even after the sale to the Swedish government, led to a licensing agreement in 1975 giving Pripps the exclusive right to produce and distribute both of DfB's internationally famous brands Carlsberg and Tuborg. It was also agreed that PRIBO should sell the Danish brewery Ceres to the Danish consortium led by DfB.

The development of Sweden's largest brewery, Pripps, followed the outlines predicted by Alfred Chandler and Herman Daems. Institutional changes were followed by structural rationalisation, which in the end led to a monopolistic market structure with economical and political implications. It must be pointed out that the findings in the examination cannot be generalised as such, since the brewery was imbedded in an institutional framework of very strict alcohol policy regulations. Anyway, the creation of big business in the Swedish brewing industry is an interesting case study for further understanding of the diversification process of industry in the western world after the Second World War. It gives us insight into the underlying dynamics of this process and on a theoretical level it lends credibility to Chandler's model of the creation of diversified and hierarchical structured combines or the creation of "big business".

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