

Driving forces of beer industry essay sample

[Media](#), [Advertising](#)



Driving Forces of Beer Industry Brand Equity A strong brand name is key to maintaining a strong competitive advantage. Brand equity creates consumer loyalty thus giving the company above-average returns. Focusing on quality and taste are the main ways in building a brand name. In the era of slow growth within the industry, the only way for companies to gain market share is to take a piece of their competitors. A company's success hinges on how well they are able to bring their name in the hearts and minds of the consumers. Unlike tobacco, the beer industry still has permission to advertise. The strongest leader in brand recognition in the industry has to be Anheuser-Busch. By reinventing their marketing campaigns every other year, they have captivated the public. Not only does the company have "cute commercials", but they are actually effective on consumer purchase behavior.

Market Positioning A high market position endows a company with economies of scale. Companies with economies of scale reap tremendous benefits over competitors such as better efficiency. New entrants to the market have difficulty competing with these companies. Competing on a small-scale places the new entrant at a disadvantage because of cost differences.

Government regulation in advertising also makes it difficult for new products to enter the market. So a company with strong market positioning will be able to introduce a new product and make consumers familiar with a new brand. Other smaller companies do not have the luxury of "trying out" a product on a full scale and risking the threat of failure and total economic

destruction. A bigger company can also demand shelf space for a new product, thus enhancing a consumer's probability of trying the new brand.

Finally a high market position inevitably leads to a deep market penetration. Being everywhere at all times ensures that consumers become familiar with the brand names of a company. High market penetration is directly correlated to brand equity.

Diversification Any successful, mature company has already recognized that in order to continue future prosperity, diversification is mandatory. As growth in the beer industry levels off, companies must find a way to maintain and increase their profits. One of the primary ways to grow is through diversification. Amusement parks or family attractions have been one of the key areas that the major beer companies have diversified their interests.

Consolidation Another avenue that companies are using to achieve growth is through consolidation. This is a primary way that major companies have begun to further their interests in globalization. By acquiring a smaller company in another country, one of the Big Three are able to gain knowledge of regional tastes, preferences, as well as distribution channels and ways of getting the product into the minds of the consumer. In 1999, Miller acquired brands from Pabst and Stroh Breweries. This certainly provided the company with increased market share and improvements on the brand image of their brands. The company is poised to further globalize now.