

U.s domestic beer market analysis

[Business](#), [Industries](#)



The articles shed light upon the current situation of the domestic beer market in the United States. Essentially, we can clearly see that the domestic market is under dire threat from imported beer as well as the fact that consumers are now drastically cutting back on their carbohydrate intake. This basically means that consumers are shifting more towards 'light beer'. SAB and A-B are two of the 3 major beer producers in the United States and are currently fighting for the highest market share in the 'light beer' segment.

A-B, in light of the recent decrease in sales, lowered its price while SAB in comparison was slow to respond. SAB has claimed that price cuts are not the answer to the troubles faced by the beer market and that innovative and consistently good marketing techniques are needed in order to revive an already failing market. It stated that A-B acted irresponsibly when it lowered its price while they have always believed in a good marketing strategy to revitalize sales.

Both these companies are focused upon the 'light beer' segment because of the reasons mentioned at the start of this paragraph. A-B, being the market leader, has 50 percent market share while SAB comes second in line with 18 percent market share. Beer consumption in America has always been high in the sense that it has always been a market which has flourished. However, due to recent research consumers are now cutting back on their carbohydrate intake therefore they are shifting towards light beer. The amount of imported beer has also increased.

What we can see is that people with lower incomes consumer local beer while people with higher incomes consume local light beer as well as

imported beer. Analysis Upon the analyzing the above summary of the articles in question, we can shed some light upon a few important aspects. Firstly, we can clearly see that the domestic beer market is dropping and shifting towards a less carbo intake beer known as light beer. This decrease in sales has resulted in the 2 largest beer producers in the country to aggressively scramble for profits.

SAB has claimed that it does not believe in price cuts and that aggressive marketing is the key to success. However, after A-B cut its price, SAB followed suit almost instantaneously. Therefore, we can see that both companies have followed the economic principle of price cuts to stimulate supply as well as demand because as we know, the lower the price the more the quantity that is demanded. Essentially the domestic beer market of the United States adheres to an oligopolistic market.

We can clearly see that there are only two major brewers, A-B and SAB, who essentially control the entire market. Between them they control almost 70 percent of the beer industry and hence are able to collectively exert a measurable amount of control over total supply and hence market prices. Ponderings What we see is that A-B has followed a policy which would essentially guarantee an increase in sales while SAB has decided to maintain its dependence upon marketing strategies.

However the key lies in both cutting prices and initiating an aggressive marketing campaign. The main goal should be to produce high quality beer at a slightly lower price and to aggressively market it so that the affects of imported beer can be nullified. However, competition between the two top brewers should be strong and aggressive yet fair. Simply cutting the price is

essentially an irresponsible act because it will affect the entire market negatively and will result in a price war in which essentially the consumer and the entire economy will suffer.