

# Free essay on strategic perspectives of the top six firms in the industry

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## **Introduction**

This paper looks at the competitive environment of beer by examining different factors that affect the competitive strategy of the beer industry. Major determinants of competition and biggest competitors in the beer industry are clear indicators of the competition in the industry. The study will look at the key indicators of performance such as sales, profits, capacity and assets of the major competitors in the industry. Competitive attacks and tactics the players use to gain market share in the market. To be able to understand the competitiveness of beer industry, it will be important to focus on the fundamental dynamic of the industry.

Beer industry just like any other is dynamic and keeps on changing with time. This calls for a company to have strategies that will ensure it remains in the market. Remaining versatile and have clear business plan that ensures a company has competitive strategy is key to success in this industry. The key concept of meeting a dynamic environment is adaptability. Adaptability in beer industry comes in different forms such as pricing and production lines to strategic goals and dealing with strengths and weaknesses. There are many brewers in the market and each sets up a competitive strategy that gives them competitive advantages.

Looking at the brewing companies in US they are divided into two main strategic groups. The first group is called major brewers which are Anheuser-Busch and MillerCoors which enjoy 50% and 29% of the market share respectively. The major brewers produce premium and sub-premium beer products. The second strategic group is called "better beer" brewers and comprises companies with small market share. They produce premium and

super-premium beer that are of high retail price and unique characteristics. The better beer market is further classified as import and craft brewers. The import brewers have their headquarters outside the US. These groups have similar market share and normally sale small shares compared to major brewers.

Craft brewers according to the law produce less than 2 million barrel in a year. They have gained popularity in the market with 1, 595 companies into the market by 2009 which produces 3, 000 different beers. This has introduced new completion in the market for the major brewers forcing MillerCoors and Anheuser-Busch to come up with their on craft brewers to compete with others.

The US beer industry is highly concentrated which a 98. 5% market share of the top ten companies. Anheuser-Bush has an average lead of 46. 2% followed by Millercoors at 29%. The two companies have been commanding a large market share for over years now but their share has been threatened by new entrance into the market.

The top six brewers in US have developed different strategies that enable them to compete effectively with one another. The discussion below will look at each of the companies;

### **Anheuser-Bush**

The company operates 13 breweries located in different locations of the US. The company has strong supply of raw materials from reliable companies. The company has a product policy of always being ahead of the competitors this has been ensured by coming up with strong brand portfolio. They have

brands that appeal to all consumers in the market. The company has several production line of beers which include; super premium, premium, light, malt, non-alcoholic and imported brands.

Internal present is visible for Anheuser-Busch company which has been on the market since 1981 and has sales to more than 50 markets worldwide. The distribution network of the company has been growing with increase relationship between distributors and the company.

### **MillerCoor**

This is a company that merged from Miller brewing company and Coors brewing company. The merger was to ensure that the companies compete with Anheuser-Bush in the major brewing strategic group. This merger improved their market share to 29%. They have also combined the international marketing presence to a wider range.

### **Other competitors in the market include;**

- Stroh brewery company which has several brands which represent all price and tastes segment. They include; super premium, premium, popular, light, malt, non-alcoholic and imported brands.
- G. Heileman brewing company. This company has the best selling brands in malt and liquor segment.
- S & P industries is another brewing company which was formerly known as Pabst Brewing company. The company's brands have been on the rising trend during the market crisis of beer. The brands of the company include; popular, light, malt liquor, non-alcoholic and low alcohol.

## **Brand completion**

The most popular beer brand in US is Budweiser from Anheuser-Bush which has a 21% market share. Other top brands include Miller Lite, Bud Light and Coors Light with a less than 10% market share. There has been high completion in the brands for the market by the two major brewers. To understand the brand market completion it will be important to consider the seven brands on the market.

Super premium beer is highly priced than premium beers, they include seasonal and specialty beer with a 2.5% market share. Premium beer is produced by the major strategic group companies. They are priced and distributed in the mainstream consumer and are characterized by high prices than popular beers and a larger market share of 35.4%. Light beers is another brand which is characterized by low calories and less filling with 3.2% - 3.4% alcohol content. They are brewed by the major strategic groups with a market share of 31.6%.

Popular beers based on the market price are the lowest priced products on the market. They are priced below the premium beer price and have a market share of 21.7%. Imports beer are the highest price products on the market with only 4.4% market share. The high prices can be attributed to the fact that they are imported or have their headquarters outside US. Malts have a 4.3% market share and contain high levels of alcohol and are characterized by unique taste. Low alcohol is another brand that has almost half of the alcoholic content while non alcohol brands which contains less than 0.5% alcohol legally has a 0.1% market share.

The above brand analysis shows that beer industry has taken competition

strategically into the brands. The most popular brands are given high marketing and strong branding strategies.

## **Geographical markets**

The US beer market can be categorized into the following regions; Northeast, South, East Central, West central, southwest, and Pacific market. Northeast has been the leading market and South region.

## **Price war**

The role of price in the beer industry is a critical success factor for the brewers. Although the beer price gap has been narrowing down significantly, Anheuser-Busch's products in each segment have been high compared to other brands. Anheuser-Busch has used its quality and large market share to have high prices on the market. Other breweries, both new entrants and existing ones, have to reduce their prices in order to stay in the market. To ensure that these companies stay in business, they require a price increase to support their bottom lines, something that Anheuser-Busch is not planning to do soon. Being a price leader in the market is what each brewer wants to achieve, but Anheuser-Busch does not want to let this role slip away from them.

## **Distribution**

Distribution of beer is another competitive strategy that beer industries have developed to compete favorably. Beer in the US and many other countries is distributed through a wholesaler system. Distributors are assigned to specific geographical locations where they are supposed to respect the location boundaries of each other. The profit margins of the distributors and the

brewers are very critical in the distribution channel. It is worth pointing out that high priced brands have high profit margins for distributors. Anheuser-Busch distributor not only has largest market share but also a most profitable product mix. The company also has strong financial systems of the distribution systems compared to its competitors. Distributors want to be associated with a brand that has large profit margins. In the US market, a distributor for MillerCoor is likely to carrying brands for Anheuser-Busch in order to increase their sales. This means that the distributor will be less focused on their primary products brands.

## **Advertising**

Price promotions are very important in marketing, but strategically having a national advertising improves the market share of a company hence gaining market dominance. Advertising also enables companies to scale up their sales not based on the taste but the impression build in their consumers' mind. It has been observed that the top brewers are the top spenders on ads making a 93% share of the advertising industry.

## **Conclusion**

Beer competition has become even more strive with the introduction more international brands into the local market. Brewing and distribution remain to be the most important boundaries between different companies. A company that realize their potential strengths and choose to implement them allows them to stay ahead of others in the market. Strong financial position, several production infrastructure, proprietary formulas and desire to innovation are the key to the success and growth of brewing industries.

Capitalizing on a company's strength alone does not guarantee success but dealing with weakness of the company ensure that the company has a competitive advantage.

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