

Anheuser busch  
companies strategic  
thinking marketing  
essay



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## Company History

Anheuser-Busch Companies Inc. was developed through the collaboration of family and events. In 1852, Eberhard Anheuser saw an opportunity to revive a failing brewery from a Bavarian immigrant George Schneider (<http://www.fundinguniverse.com>). As a soap manufacturer Anheuser relied on his son-in-law, Adolphus Busch educated and experienced in brewing to stimulate the business. The partnership on Anheuser and Busch revitalized the brewery business and increased sales and distribution throughout the states. Anheuser Busch became well known with in the late 1800's and received final patent approval for their brand name Budweiser. This would not be the only groundbreaking experience for Anheuser-Busch.

Anheuser-Busch experienced numerous achievements throughout the 1900's continued on into the 21st century expanding their product and service base. The company's business is diversified in domestic and international beer, packaging, entertainment, and other non-alcoholic products. The company survived through prohibition and other critical times, but never succumbs to surrounding circumstances. Busch's keen vision, bold initiative, marketing savvy and passionate commitment to quality was his legacy to those who followed, and the high standards he established have been adhered to by each succeeding generation (<http://www.anheuser-busch.com>).

Most recently in 2008, InBev and Anheuser-Busch Agreed to combine,

creating the global leader in beer with Budweiser as its Flagship Brand

(<http://www.ab-inbev.com>). Anheuser-Busch has been able to maintain a

high level of success throughout history for the quality of the products they

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deliver and the company's strategic elements including the merging of companies (InBev). Assessing the company's history has allowed the Anheuser-Busch team to identify certain key tools which they believe will enable us to implement our corporate strategy, including ([http://www. ab-inbev. com](http://www.ab-inbev.com)):

An open innovation policy on all levels, aimed at revitalizing the beer category and increasing our market share.

A strong company culture, investing in people and maintaining a strong target-related compensation structure.

Best-in-class financial discipline spread throughout the whole organization.

## **Mission Statement**

The original mission statement was Anheuser-Busch's mission is to ensure the following three goals are met ([http://www. anheuser-busch. com](http://www.anheuser-busch.com)):

Be the World's beer company

Enrich and entertain a global audience

Deliver superior returns to our shareholders

The company's mission statement was short and to the point, addressing global position and their responsibility to the shareholders. The current mission statement lacks several key characteristics to make a strong mission statement. The overall goal of a mission statement is to identify what your

business is, lists the business' objectives, and gives insight to the future of the company.

David suggests that a mission statement is a fundamental ingredient of a company that needs to include a broad scope of the business outlaying the objectives and strategies in an inspirational message, and address social and economic responsibilities. According to David (2009) including the nine components (customer, products/services, markets, technology, concern for survival/growth/profits, philosophy, self-concept, concern for public image, and concern for employees) is essential for a good mission statement. The original mission statement lacked several elements that construct a good mission statement. After the merger of the company AB-InBev company profile provides all the key elements the original mission statement lacked; however, it is very lengthy. A recommended mission statement that would implement all the requirements above for a good mission statement for the fairly new merged company would be:

Anheuser-Busch InBev is a leading global brewery company. We are customer-centric, focusing on providing top quality products and services through innovative technology and packaging operations. We are committed to global consumers and providing higher returns to our stakeholders. We are advocates for responsible drinking, protecting the environment, and continuing to provide quality service and products.

## **Vision**

A well-defined vision statement provides customers and stakeholders a clear understanding of the company's expectations for the future. Agreed upon in

the buying of Anheuser Busch was that the company would still maintain their name and mark. The current vision of the company is based on the coming together of two companies and respecting the history and success of Anheuser Busch (<http://www.ab-inbev.com>):

The new Anheuser-Busch InBev identity reflects the vision of our new organization, with our guiding principles at the very heart of its conception. It is designed to represent drive, authenticity and friendship. It is also meant as a source of pride, which aims to motivate and inspire employees, engage with partners, and demonstrate our ambition to become The Best Beer Company in a Better World. Reflecting the rich heritage of both companies, the eagle represents strength, agility and focus, while at the same time looking forward and upwards to reflect our collective vision, drive and energy. The combination of rich golden colors captures what we know and do best: our expertise and heritage in brewing great beer, which is so often a part of enjoyable moments shared by friends. In summary, the new identity is meant as a beacon of a bright, vibrant future for employees, customers, consumers and the communities where we work and live.

The vision statement enhanced the original vision statement of A-B (“through all of our products, services and relationships, we will add to life’s enjoyment”) by combining both companies and expressing what the company wants to become “The Best Beer Company in a Better World”.

## **The External Assessment**

### **Opportunities and Threats**

As successful as AB InBev is, management is responsible to be vigilant of new and existing external opportunities and threats. The below chart highlights the company's current opportunities and threats:

#### **Opportunities**

#### **Threats**

1. High demand domestically and internationally
1. Highly regulated market
2. Untouched global markets
2. Increase in taxes on alcohol
3. Expansion of products and services
3. Change in consumer preference to wine consumption.

### **External Factor Evaluation (EFE Matrix)**

#### **Key External Factors**

#### **Weight**

#### **Rating Score**

#### **Weighted Score**

#### **Opportunities**

1. Government restriction in global market

0. 15

4

0. 6

2. Growing populations in developing international markets

0. 19

3

0. 57

3. Demand for American brews in Asia, Latin America, and Europe

0. 09

3

0. 27

4. Merging Anheuser-Busch and InBev

0. 2

3

0. 6

5. An expected increase in the domestic number of beer drinkers over 21

0. 05

2

0. 1

0

## **Threats**

0

1. Highly regulated in the US

0. 02

2

0. 04

2. Increase taxes on alcoholic beverages

0. 04

2

0. 08

3. Current economic state - less disposable income

0. 12

2

0. 24



4. US population is drinking wine, too – 57% in 2007, compared to 43% in 2000

0.09

3

0.27

5. Global Competitors

0.05

2

0.1

**Total**

**1**

**2.87**

Several external factors impact a company's position financially and strategically. External factors that can directly affect a company are economic, social, cultural, demographic, environmental, political, competitors, and technology. An External Factor Evaluation Matrix provides a synopsis of the company's above factors to enable managers to evaluate and create strategies. The above matrix was built using current external opportunities and threats AB-InBev is subject to and how their company strategies currently respond to them. AB-InBev total weighted score is a 2.87, well

above average. AB-InBev is able to successfully, strategically respond to current external opportunities and threats.

Anheuser-Busch InBev's ability to strategically place themselves in competitive markets while maintaining a high domestic volume creates more opportunities for the company. The matrix weight represents the importance of the opportunities and threats; the rating score defines how the company currently strategically responds; and the weighted score is the multiplication of the weight and the score to provide a total success/failure score.

Government, politics, and legal responsibilities play a huge role in how Anheuser-Busch operates. Anheuser-Busch prides themselves on promoting responsible drinking and abiding by the laws of the state and other government bodies. Anheuser-Busch Unveils New Alcohol Awareness Campaign: Spending on Responsibility Efforts over 20 Years to Exceed \$500,000,000 in 2004 (<http://www.anheuser-busch.com>). In addition to respecting and cohering with state laws and regulation, Anheuser-Busch has to provide the same amount of effort in global markets. Anheuser-Busch has been able to work with global market by strategically working with already established entities and producing products locally. Anheuser-Busch became one of the first international beer makers in China when the company bought the Wuhan brewery in 1995 and A-B also owns 27% of the Tsingtao Brewery, part of a key strategic alliance (Workmen, 2007). The Tsingtao Brewery is China's largest domestic brewery and beer exporter (Workmen, 2007). By aligning themselves with local markets already established Anheuser-Busch is able to transition over to the foreign markets laws and regulations.

Anheuser-Busch's beer products are sold in more than 80 countries and U. S. territories, about 35% of its total beer volume outside the U. S. (Workmen, 2007). Anheuser-Busch's global presence has increased 9. 3% to 23 million barrels in 2006, while domestic only increase 1. 2%. International volume via partnerships with foreign brewers grew near 20% to 32 million barrels, principally due to sales of Tsingtao brand in China and Modelo beer in Mexico (Workmen, 2007). Another opportunity for A-B is the demand for product placement in Asia, Latin America, and Europe. Foreign markets are lessening their restrictions and government regulations on beer. The collaboration of established businesses, producing Anheuser-Busch products locally, and reduction in regulations with foreign markets has enabled global distribution to be Anheuser-Busch greatest strength.

InBev agreed to buy Anheuser-Busch Cos. for \$52 billion to become the world's biggest brewer and gain almost half the U. S. market for beer in 2008, the second-biggest acquisition of a consumer-goods company and ends a month of court fights and public disputes over the future of the 156-year-old maker of Budweiser (<http://articles.latimes.com>). The result of this transaction has proved to be a positive strategic move for Anheuser-Busch. The combination of Anheuser-Busch and InBev, the world's first and second largest brewery companies, will create a competitive force to be reckoned with. In conjunction of the merging companies, the continual innovative products produced from the company keep competitors at arms length.

Anheuser-Busch InBev main contributing threats are local. U. S. regulations on alcohol are stricter than those in some global markets. To add to the strict regulations, the current economic state of the U. S. has increase sales tax on <https://assignbuster.com/anheuser-busch-companies-strategic-thinking-marketing-essay/>

alcohol. With the country in a recession the lack of additional spending in the household has directly impacted the sales of Anheuser-Busch InBev. Another threat to Anheuser-Busch InBev is the increase in 20-30 year olds interest in drinking wine. As a result, wine consumption is up and beer consumption is down. Anheuser-Busch InBev has a high response to the decline in beer consumption factor and is providing other appealing products (Bud Light Lime).

### **Competitive Profile Matrix (CPM)**

A Competitive Profile Matrix is similar to and EFE in that it measures a company's strategic positions' strengths and weakness; however, CPM takes into consideration the competitors within the industry and is comprised of critical success factors. Critical success factors take into consideration a company's internal and external issues.

## **Anheuser-Busch InBev**

**SABMiller**

**Heineken**

**Critical Success Factors**

**Weight**

**Rating**

**Weighted Score**

**Rating**

**Weighted Score**

**Rating**

**Weighted Score**

Market Share

0.2

4

0.8

3

0.6

3

0.6

Global Expansion

0. 03

4

0. 12

2

0. 06

3

0. 09

Product Quality

0. 3

3

0. 9

3

0. 9

3

0. 9

Financial Position

0. 3

4

1. 2

2

0. 6

3

0. 9

Advertising

0. 07

3

0. 21

2

0. 14

2

0. 14

Business Mix

0. 1

4

0.4

2

0.2

2

0.2

**1****3.63****2.5****2.83**

Above is a CPM Matrix that displays AB-InBev and their industry competitors. AB-InBev's largest competitive market is in the beer industry; however, they have competitors in the packaging and non-alcoholic industries. The weight in the above matrix emphasizes the importance of the critical success factor; product quality and financial position are rated the highest because they are more relevant to the success of the company. AB-InBev strength in relation to its competitors is more profound, having the highest overall weighted score of 3.63. Critical success factors in product quality are overall weighted equally, but other factors such as market share, global expansion, financial position, advertising, and business mix is weighted higher than their competitors. AB-InBev's high rating compared to their competitors is a representation of several strategic initiatives to create a larger market share and global presence, than that of their competitors.



## **Internal Environment**

### **Financial Ratio**

Financial ratios are generated to provide a portrait of a firm's financial standings. Comparing past years with the present allows managers to pull statistical data to evaluate the strong and weak areas within the company. The evaluation of the data than can be used to make strategic decisions. Below is a three year financial ration table for AB-InBev. The data that can be pulled by managers is that in the past three years AB-InBev has seen fluctuation. In 2008, compared to 2007, is that the company ability to meet short-term obligations without relying on sale of it inventories, sales productivity and equipment use, and Earnings per share dropped considerably. However, in 2009 there was significant growth in the ability meet short-term obligations, a decrease in the balance between debt and equity, and a considerable jump in sales. The jump in sales and other areas that benefited financial is most likely a result of the InBev buying A-B in 2008.

### **Financial Ratio Analysis**

**2009**

**2008**

**2007**

### **Liquidity Ratios**

Current Ratio

0. 76

0. 47

0. 83

S

Quick Ratio

0. 60

0. 35

0. 66

S

## **Leverage Ratios**

Debt-to-Total-Assets

73%

80%

48%

S

Debt-to-Equity

30%

40%

10%

S

Long-Term Debt-to Equity

1. 62

2. 16

0. 00

W

Times-interest-earned

4. 3

2. 0

1. 2

S

## **Activity Ratios**

Inventory Turnover

15. 62

8. 10

12. 90

W

Fixed Assets Turnover

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2. 23

1. 19

2. 18

S

Total Assets Turnover

0. 33

0. 21

0. 50

## **Profitability Ratios**

Gross Profit Margin

0. 53

0. 56

0. 59

S

## **Financial Ratio Analysis**

**2009**

**2008**

**2007**

Operation Profit Margin

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0. 21

0. 16

0. 26

S

Net Profit Margin

0. 13

0. 08

0. 21

S

ROA

0. 04

0. 02

0. 55

W

ROE

0. 15

0. 09

0.22

N

EPS

2.88

1.20

2.78

N

## **Growth Ratios**

Sales

56%

11%

S

Net Income

53%

56%

59%

S

## **Financial Ratios – Competitors**

Financial ratios are also used to compare current financial standing with competitors. Two of the AB-InBev biggest competitors are SabMiller and Heineken. Below represents the 2009 financial ratios of Anheuser-Busch InBev, SabMiller, and Heineken. A great deal of data can be used from this data. A major difference between AB-InBev and their competitors is the percentage of sales. AB-InBev is significantly higher than their competitors; in fact SabMiller (previously the number one brewery in the world) took a 12% cut in sales from 2008 to 2009; whereas ABInBev had an increase of 56% and Heineken a low 5%. As AB-InBev sales are steady during a time of recession, their Return on Invest is lower than the competitors. Currently AB-InBev has high sales compared to competitors within the industry and a loyal customer following; therefore the low ROI may be a result in high advertising and marketing costs. Strategically advertising and marketing costs can be beneficial, but in this case it is proving to have an impact of ROI. AB-InBev and other companies benefit from the financial ratios, especially comparatively to industry and competitors.

## **Financial Ratio Analysis -Competitors**

### **AB-InBev**

### **SabMiller**

### **Heineken**

## **Liquidity Ratios**

Current Ratio

0.76

0. 65

0. 775404

Quick Ratio

0. 60

0. 42

0. 586764

## **Leverage Ratios**

Debt-to-Total-Assets

73%

51%

73%

## **Activity Ratios**

Inventory Turnover

15. 62

15. 28

14. 59

Total Assets Turnover

0. 33



0. 60

0. 73

## **Profitability Ratios**

Gross Profit Margin

0. 53

0. 73

0. 35

Net Profit Margin

0. 13

0. 11

0. 07

ROA

0. 04

0. 07

0. 05

ROE

0. 15

0. 14

0. 19

EPS

2. 88

1. 30

## **Growth Ratios**

Sales

56%

-12%

5%

## **Internal Factor Evaluation**

Internal Factor Evaluation Matrix is a great tool for managers to evaluate internal strengths and weakness of the company functional areas. Additional information can be drawn that can be drawn from the matrix is the assessment of the relationship between identified areas of the company. The key internal factors represented on the matrix below are strengths: diversification, world's leading brewer, price setter, benefits of packaging operations, and advertisement; and weaknesses: vertically integrated, dependent on regulations and laws, vulnerable to high tax increases, and responsible for providing drinking education.

The strengths and weaknesses are than weighted. The weight signifies the importance of the factor and the impact the factor has on the company's

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success. The company strengths are in the diversification of their products. AB-InBev product market is primarily in beer. AB-InBev has a diversified portfolio that consists of several beers for different customers. Another strong internal factor is the benefit of owning packaging operations. The ability AB-InBev has to meet the needs of a variety of customer is strength. As the world's leading brewer, AB-InBev has more influence on price setting. Finally, AB-InBev has a large advertising influence. As a sponsor of the 2010 World Cup, AB-InBev was able to better market themselves. An internal weakness is the investment in their own packaging company this can cause a negative impact of a vertically integrated organization and ultimately monopolizing the market. Another weakness that AB-InBev and other alcoholic companies must be concerned with is the regulations and laws that are associated with their business. AB-InBev is highly invested in educating and promoting "responsible drinking". Their investment is in drunk driving prevention, under-age drinking prevention, and responsible drinking prevention. Lastly, the alcohol business is usually more scrutinized with taxes; this is unavoidable.

The rating specifies the intensity of the strength and weakness and the weighted score is calculated by multiplying the weight and the rating. The total weighted score represents the position in regards to strength/weakness of the company. AB-InBev's most important strengths in the company are product diversification and being the worlds leading brewery. On the other hand, their biggest weakness is that they are vertically integrated and dependent on laws and regulations. Overall AB-InBev scored a 2.75 a direct reflection of the strategic ratings. The ratings indicated AB-InBev's internal

strengths are very high and their internal weaknesses are not detrimental to the company's overall internal strengths.

## **Key Internal Factors**

### **Weight**

### **Rating**

### **Weighted Score**

### **Strengths**

Diversification

0.1

4

0.4

World's Leading Brewer

0.3

4

1.2

Price Setter

0.05

3

0.15

## Benefits of Packaging Operations

0. 05

3

0. 15

Advertisement

0. 06

3

0. 18

0

## **Weaknesses**

0

Vertically Integrated

0. 07

2

0. 14

Dependent of regulations and laws

0. 2

1

0. 2

Vulnerable to high tax increases

0. 09

1

0. 09

Responsible for providing drinking education

0. 08

3

0. 24

**Total**

**1**

**2. 75**

## **Strategies in Action**

### **Current Strategy**

Strategic planning is essential for a company to identify where the organization wants to be in the future and how it is going to get there.

Strategically the company needs to consider all factors affecting the industry. As a company grows, such as ABInBev, strategy formulation is necessary to continue developing the company.

ABInBev's strategy is comprised of four pillars of strategy with three critical enablers. Winning brand portfolio, winning at the point of connection, developing world-class efficiency, and target external growth are the four pillars of the company's strategy supported by innovation, people/culture, and financial discipline (<http://www.ab-inbev.com>). The company's strategies are customer centric, cost effectively conscious, and globally driven. ABInBev is focused on continuing to build relationships with consumers by focusing on brands. The company creates the "connection" with consumers by building sales and merchandising capabilities, achieving preferred supplier partnerships with customers, and consistently building the equity of our brands (<http://www.ab-inbev.com>). In addition to vertical integration and providing competitive prices with high quality products, the company is determined to build up their position in developing markets and exploit possibilities in oversaturated markets.

## **Alternative Strategies**

Currently the current economic state and high unemployment is impacting the company's overall beer consumption. The two external factors do not discriminate against the type of industry or the size of the company.

ABInBev's strategic planning for building their global position has proven beneficial in Brazil during the global economic crisis. Surprisingly Brazil has seen the opposite economic factors contributing to ABInBev 15.9% beer-volume growth in Brazil in the first quarter, whereas, North America, the brewer's volumes decreased by 6.1% in the first quarter compared to the year-earlier period (Hjelmgaard, 2009). The strategic planning of

the company to increase their growth in developed countries has kept their growth above water.

Notably AB InBev has been and continues to be successful from their strategic planning; however, the company, like many others, has seen decreases in growth due to the economic state of the world. In saying this, an alternative strategy that can benefit the company's long term mission is expanding the company's advertising market. Recently ABInBev was a sponsor to the 2010 World Cup and proved successful. The company should look into providing sponsorship for more female sports ie. LPGA. Investing in advertising can be costly but very beneficial to a company such as ABInBev. Though the company is number one and it is important for the company to maintain competitive marketing strategies.

## **Strategy Analysis and Choice**

### **SWOT**

The purpose of the Strengths, Weaknesses, Opportunities, and Threats (SWOT) Matrix is to enable managers the ability to analyze the company's competitive position. The matrix consists of internal and external factors of conducting business. Strengths and Weaknesses are internal factors of the company that can also impact external factors of the company; Opportunities and Threats. Below is a SWOT Matrix for ABInBev:

### **Strengths**

Largest Beer Brewer

Diversified (Domestic Beer, International Beer, and Packaging)



Environmentally conscious.

High quality products and services

Own packaging operations

Competitive pricing

Strategically positioned breweries

## **Weaknesses**

Diversified

Pricing for target consumers (21 – 25 largest beer consumer)

Declining sales of domestic beer

## **Opportunities**

Expanding further into Chinese and other foreign markets

Growing internet advertisement

Sponsorship in sporting industry

Partnerships with distributors

Increase in craft beers

## **SO Strategies**

Increase market share in international markets

Penetrate aggressively in online advertising and sporting sponsorships

Work with companies such as Wal-Mart to increase sales in domestic and international markets

## **WO Strategies**

Streamline businesses to ensure lean management and operations inside divisions.

Increase awareness of production line through advertisement

Research and Development to produce lower calorie/carb beers craft beers

Partnering with distributors to increase domestic sales

## **Threats**

High level of competitors

Health conscious consumers

Amount of disposable income in households

Law and regulations on alcohol

## **ST Strategies**

Leverage current market share and pursue taking over smaller competitors.

Improve technology and product quality

Invest in R&D to decrease overhead costs and unit costs to consumers

Increase international market share

## **WT Strategies**

Increase advertising of non-alcoholic products

R&D to reduce alcohol content

Increase low calorie/carb advertisements and product line

## **SWOT Analysis**

As the number one brewery in the world, ABInBev has several advantages over the market industry. Internal strengths that the company capitalizes off of are from years of experience. ABInBev has strength in the company high quality products that are internally packaged and environmentally conscious. The company's weaknesses are sometimes driven from their strength, such as the company's diversification. Another weakness ABInBev experiences is the decrease in beer sales, especially domestic beer.

External factors, opportunities and threats, ABInBev are impacted by the above internal factors. The company's opportunities consist of global expansion, especially in China and Brazil, forming a partnership with distributors, and creating more craft beers. Threats that affect the company are the high number of competitors, and increasingly health conscious culture, the decrease in disposable income, and inevitably changes in laws and regulations.

ABInBev's advantage of the market and competitors does not create an immune environment; in fact managers must work harder to provide up-to-date strategic plans to continue the success of the company. Based on the

above matrix managers strategically plan utilizing all the given factors.

Utilizing the strengths of being the largest company, it would behoove ABInBev to continue to be aggressive in international markets and partner up with distributors to reduce costs. To improve the company's weaknesses it is imperative that the managers invest in research and development in improving production methods as well as leaning the companies operations and increase the quality of product output. Finally, ABInbev's consciousness to threats and utilizing the company's strengths and weaknesses to strategically plan is fundamental. Again, the high threat of competitors makes investing in R&D for product improvement,