Budweiser’s internal constraints

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Budweiser is produced by Anheuser-Busch Companies (Anheuser-Busch), one of the world's largest brewers best known for its Budweiser and Bud Light brands. The group is a leading brewer and operates 12 breweries in the United States (Company Website, 2007). As a company, Anheuser-Busch’s internal constraints are as follows: 1. High dependence on domestic beer division Although the company operates through four business segments including domestic beer, international beer, packaging and entertainment it is still dependant on the domestic beer segment for majority of its revenue.

During the fiscal year ending 2006, company generated approximately 74. 8% of its total revenue from the domestic beer segment. In contrast the other three segments accounted for only 25. 2 % of the total revenue during the same period. Strong dependence on a particular segment increases the business risk of the company thereby putting it in a competitive disadvantage (Anheuser-Busch Annual Report, 2006). This is why Anheuser-Busch is currently battling for a presence in China, the world’s largest beer market, as state owned breweries seek foreign help with privatization.

In 2004, Anheuser-Busch outbid Miller for the Harbin Brewing Group of China (Modern Brewery Age, Weekly News Edition, June 14, 2004). This year, Anheuser-Busch may acquire Scottish & Newcastle's 37. 5% stake in India-based United Breweries. 2.) Poor liquidity position Anheuser-Busch has substantial outstanding long-term debt. As of December 2006, the company had long term debt of approximately $7, 653. 5 million. The company's debt equity ratio is 2. 2 times which is quite high as compared to industry average of 1. 3 times.

The company's interest coverage ratio is 6. 2 as compared to industry average of 10. 1 times (Anheuser-Busch Annual Report, 2006). This ratio clearly signifies that the liquidity position of the company is bad and this would hamper company’s credibility in the market and would be difficult for them to raisemoneyfrom the market for their expansion plans. 3.) High dependence on wholesalers Anheuser-Busch sells substantially all of its beer to independent wholesalers for distribution to retailers and ultimately consumers.

During 2006, approximately 94% of the beer sold by the company, reached retail channels through more than 600 independent wholesalers (Anheuser-Busch Annual Report, 2006). In 2007, Anheuser-Busch was appointed as the United States importer for a number of the premium European brands of InBev (International Herald Tribune, 4 February 2008). Many of the wholesalers of these brands have not traditionally been wholesalers for Anheuser-Busch. As independent companies, wholesalers make their own business decisions that may not always align themselves with the company's interests.

Dependence of the company on the wholesalers may affect the bargaining power of the company in the market, thus affecting its financial performance. Works Cited Anheuser-Busch. About the Company. Anheuser-Busch Website. 7 Feb. 2007. http://www. anheuser-busch. com/Company. html. Anheuser-Busch. Anheuser-Busch Annual Report, 2006. 7 Feb. 2007. http://www. anheuser-busch. com/Stock/2006AR_Anheuser_Busch. pdf. International Herald Tribune. InBev Linked with Mergers, 4 February 2008.

Modern Brewery Age, Weekly News Edition. Anheuser is Victor in Harbin Bidding War, 14 June 2004.