The Beer Industry
Agenda

- Choice of Industry
- Industry Structure
- Competitive Landscape
- Survey
- Regulation
- Pricing Strategies
- Analysis and Recommendation
WHY THE BEER INDUSTRY?

- Relevant topic for college students
  - Active purchasers and consumers
- Undergoing major transformations
  - Mergers and Acquisitions
- Perfect example for price examination
Industry Structure
Industry at a Glance

Revenue:

$156.5 BN

Growth 07-12: 1.8%

Growth 12-17: 3.64%

Wages:

$9.7 BN

Employment:

472,593

Enterprises:

5,216
Supply Chain

- Outsource non-core functions: logistics, warehousing

Industry Structure | Competitive Landscape | Major Players | Survey | Regulation | Pricing Strategies | Analysis and Recommendation
Main products

- Lager: 73%
- Dark Beer: 12%
- Premium Lager: 8%
- Stout: 2%
- Low- and Non-Alcoholic Beer: 5%
Sales via Market Segments - Globally

- Supermarkets and mass...
- Independent grocery stores
- Hospitality sector
- Liquor stores
- Convenience stores
- Other
- Households
- Discount stores

Share

| Industry Structure | Competitive Landscape | Major Players | Survey | Regulation | Pricing Strategies | Analysis and Recommendation |
International Trade

- 6.3% of industry revenue in 2011
- Exports → medium and increasing
- Imports → medium and increasing
  - Demand in developed and emerging markets for premium beers not produced in home country
- Differences in taste preferences
Cost Structure

- Purchases 35%
- Sales & Distribution 23.4%
- Wages 6.5%
- Depreciation 4.1%
- Utilities 1.5%
- Other 18.1%

Profit = 11.4% of EBIT
## Looking at the Global Scale

<table>
<thead>
<tr>
<th>Country</th>
<th>Consumption (L) Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>160</td>
</tr>
<tr>
<td>Ireland</td>
<td>127</td>
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<tr>
<td>Germany</td>
<td>109</td>
</tr>
<tr>
<td>Austria</td>
<td>105</td>
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<tr>
<td>Belgium</td>
<td>98</td>
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<tr>
<td>UK</td>
<td>95</td>
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<tr>
<td>Denmark</td>
<td>92</td>
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<tr>
<td>Slovakia</td>
<td>92</td>
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<tr>
<td>Australia</td>
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<tr>
<td>Venezuela</td>
<td>83</td>
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Revenue Performance

<table>
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<tr>
<th>Year</th>
<th>Rev. ($MM)</th>
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<tbody>
<tr>
<td>2002</td>
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<tr>
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<td>2008</td>
<td>160,000</td>
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<td>2009</td>
<td>170,000</td>
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<td>2010</td>
<td>180,000</td>
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<tr>
<td>2011</td>
<td>190,000</td>
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<tr>
<td>2012</td>
<td>200,000</td>
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<tr>
<td>2013</td>
<td>210,000</td>
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<tr>
<td>2014</td>
<td>220,000</td>
</tr>
<tr>
<td>2015</td>
<td>230,000</td>
</tr>
<tr>
<td>2016</td>
<td>240,000</td>
</tr>
</tbody>
</table>

Industry Structure | Competitive Landscape | Major Players | Survey | Regulation | Pricing Strategies | Analysis and Recommendation
Industry – At a Closer Look

### Y-O-Y % change

- **Revenue**
- **Establishments**
- **Employment**
- **Wages**

### Trends

- **2003**: Revenue starts at a positive trend, indicating growth.
- **2004**: A sharp decline in revenue, indicating a significant drop.
- **2005**: Revenue begins to recover, showing a upward trend.
- **2006**: Continued recovery, with revenue gaining momentum.
- **2007**: Revenue peaks, reaching a high point.
- **2008**: A slight decline, possibly due to economic factors.
- **2009**: Another decline, indicating further economic challenges.
- **2010**: Revenue starts to improve, showing signs of recovery.
- **2011**: Further improvement, with revenue continuing to increase.
- **2012**: Revenue stabilizes, maintaining a positive trend.
- **2013**: Continuation of the positive trend, with slight fluctuations.
- **2014**: Revenue grows, reflecting economic stability.
- **2015**: Further growth, with revenue reaching new highs.
- **2016**: Revenue stabilizes, maintaining high levels.

### Key Insights

- **Revenue** has shown significant fluctuations, indicating a volatile market.
- **Employment** and **Wages** have followed a similar pattern, suggesting economic impacts.

### Analysis and Recommendations

- **Industry Structure**: Analysis of market structure and player positioning.
- **Competitive Landscape**: Overview of competition and market dynamics.
- **Major Players**: Focus on leading companies and their strategies.
- **Survey**: Data collection and analysis on market perceptions.
- **Regulation**: Examination of regulatory frameworks and their impacts.
- **Pricing Strategies**: Strategies employed by companies to optimize revenue.

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*Note: The image contains a graph illustrating the Y-O-Y % change in various industry metrics from 2003 to 2016.*
Industry – At a Closer Look

Y-O-Y % change

Revenue
Establishments
Employment
Wages

| Industry Structure | Competitive Landscape | Major Players | Survey | Regulation | Pricing Strategies | Analysis and Recommendation |
Industry – At a Closer Look

Year-over-Year % change

- Revenue
- Establishments
- Employment
- Wages

Industry – At a Closer Look

- Industry Structure
- Competitive Landscape
- Major Players
- Survey
- Regulation
- Pricing Strategies
- Analysis and Recommendation

Y-O-Y change

Revenue
Establishments
Employment
Wages
Drivers of the Market

- Age Group (15-34)
- Downstream Demand - Drinking Places
- Taxes and Duties on Substitutes
- Per Capita Disposable Income
- World Price of Aluminum
Competitive Landscape
Competition with other Industries

Sales by Industry

- Liquor
- Wine
- Beer
Decline Stage of its Life Cycle

- Value added growth is below global GDP growth
- Enterprise numbers are declining
  - M&A
- Only moderate technological advances
- Static per capita consumption
Operating Conditions - Global

- **HIGH** level of capital intensity
- **MEDIUM** level of technology change
- **MEDIUM** volatility of industry revenue
- **MEDIUM** level of regulation
  - Predicted to increase
- **MEDIUM** level of industry assistance
  - No tariffs

**HIGH BARRIERS TO ENTRY**
Barriers to Entry

**HIGH and STEADY**

- High sunk cost and capital requirements.
- Tight control over distribution channels by existing players.
- High levels of brand loyalty.
Major Players
# Industry Concentration

<table>
<thead>
<tr>
<th>Company</th>
<th>Proportion of Total Industry Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anheuser-Busch InBev</td>
<td>.188</td>
</tr>
<tr>
<td>SABMiller plc</td>
<td>.185</td>
</tr>
<tr>
<td>Heineken N.V.</td>
<td>.092</td>
</tr>
<tr>
<td>Carlsberg A/S</td>
<td>.058</td>
</tr>
<tr>
<td>Molson Coors Brewing Co.</td>
<td>.025</td>
</tr>
<tr>
<td>Asahi Breweries</td>
<td>.03</td>
</tr>
<tr>
<td>Kirin Group</td>
<td>.025</td>
</tr>
<tr>
<td>Other</td>
<td>.412</td>
</tr>
</tbody>
</table>

**Global HHI**

\[
HHI = 839
\]

**US HHI**

\[
HHI = 3629
\]

BUT
Anheuser-Busch InBev

- Brands: Beck’s, Brahma, Hoegaarden, Leffe, Skol, Stella Artois, Tennents, Budweiser
- InBev acquired Anheuser-Busch in 2008
- → World’s largest brewer

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (BN$)</th>
<th>Growth (%)</th>
<th>EBIT (BN$)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>23.6</td>
<td>4.6%</td>
<td>7.3</td>
<td>N/C</td>
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<tr>
<td>2009</td>
<td>33.9</td>
<td>43.6%</td>
<td>9.6</td>
<td>31.5%</td>
</tr>
<tr>
<td>2010</td>
<td>36.3</td>
<td>71.0%</td>
<td>11.2</td>
<td>16.7%</td>
</tr>
<tr>
<td>2011</td>
<td>39</td>
<td>74.0%</td>
<td>12.6</td>
<td>12.5%</td>
</tr>
</tbody>
</table>
**SABMiller plc**

- **Brands:** Amstel Lager, Castle, Miller Genuine Draft, Miller Lite, Pilsner Lite, Nastro Azzurro, Pilner Urquell
- South African Breweries acquired Miller Brewing Co. in 2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (MM$)</th>
<th>Growth (%)</th>
<th>EBIT (MM$)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>21410</td>
<td>15</td>
<td>3264</td>
<td>73.3</td>
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<tr>
<td>2009</td>
<td>25302</td>
<td>18.2</td>
<td>4219</td>
<td>29.3</td>
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<tr>
<td>2010</td>
<td>26350</td>
<td>4.1</td>
<td>4381</td>
<td>3.8</td>
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<tr>
<td>2011</td>
<td>28311</td>
<td>7.4</td>
<td>5044</td>
<td>15.1</td>
</tr>
</tbody>
</table>
Heineken N.V.

- Brands: Heineken, Amstel, Murphy’s, Sagres, Maes, Birra Moretti, Cruzcampo, Ochota
- Sells more than 200 international premium, regional, local, and specialty beers and ciders

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (MM$)</th>
<th>Growth (%)</th>
<th>EBIT (MM$)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>20944</td>
<td>35.7</td>
<td>305.7</td>
<td>-80</td>
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<tr>
<td>2009</td>
<td>20445</td>
<td>-2.4</td>
<td>1415.8</td>
<td>363.1</td>
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<tr>
<td>2010</td>
<td>22424</td>
<td>9.7</td>
<td>1625.3</td>
<td>14.8</td>
</tr>
<tr>
<td>2011</td>
<td>23792</td>
<td>6.1</td>
<td>1743.2</td>
<td>7.3</td>
</tr>
</tbody>
</table>
Carlsberg A/S

- Brands: Carlsberg, Baltika, Elephant, Holsten, Okocim, Kronenbourg, Tuborg
- Several smaller brands within limited geographic regions

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (MM$)</th>
<th>Growth (%)</th>
<th>EBIT (MM$)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>11759</td>
<td>3.5</td>
<td>592.2</td>
<td>-63.5</td>
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<td>2009</td>
<td>11090.6</td>
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<td>1198</td>
<td>102.3</td>
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<td>11224.2</td>
<td>1.2</td>
<td>1819</td>
<td>51.8</td>
</tr>
<tr>
<td>2011</td>
<td>11759</td>
<td>3.5</td>
<td>592.2</td>
<td>-63.5</td>
</tr>
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</table>
Survey

What is your gender?
- Male
- Female
- Other

What year are you graduating?
- 2012
- 2013
- 2014
- 2015

Where do you buy beer? (Select all that apply)
- Wegmans
- Tops
- Walmart
- Finger Lakes Beverage Center
- Jasons
- Wilson Farms
- Other: [ ]

How often do you purchase beer?
- Never
- Once a week
- Twice a week
- 3+ times per week

How do you decide what brand of beer to buy?
- Price
- Taste
- Advertisements
- Other: [ ]

When you purchase beer, for how many people do you generally purchase?
- Myself
- Myself and a few friends/apartment (5-10 people)
- Large parties
- Other: [ ]
Sample Size

- 145 Respondents
  - 42% Male; 58% Female
- Graduating year
  - 26% in 2012
  - 24% in 2013
  - 31% in 2014
  - 19% in 2015
How often do you purchase beer?

- Never: 47%
- Once a week: 49%
- Twice a week: 20%
- 3+ times per week: 5%

Gender:
- Female: 49%
- Male: 51%
How many people do you generally purchase beer for?

- 0%
- 10%
- 20%
- 30%
- 40%
- 50%
- 60%
- 70%
- 80%
- 90%
- Myself
- Myself and a few friends/apartment (5-10 people)
- Large parties

![Graph showing the percentage of people who purchase beer for different scenarios, with bars for both females and males.](image-url)
Where do you buy beer?

- Wegmans
- Tops
- Walmart
- Finger Lakes Beverage Center
- Jasons
- Wilson Farms
- Other

**Female**

- Wegmans: 40%
- Tops: 10%
- Walmart: 20%
- Finger Lakes Beverage Center: 10%
- Jasons: 60%
- Wilson Farms: 30%
- Other: 10%

**Male**

- Wegmans: 40%
- Tops: 10%
- Walmart: 20%
- Finger Lakes Beverage Center: 10%
- Jasons: 60%
- Wilson Farms: 30%
- Other: 10%
What brand of beer do you buy most often?
Shopping for Beer in Ithaca

<table>
<thead>
<tr>
<th>Price</th>
</tr>
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<tbody>
<tr>
<td>$0.00</td>
</tr>
<tr>
<td>$5.00</td>
</tr>
<tr>
<td>$10.00</td>
</tr>
<tr>
<td>$15.00</td>
</tr>
<tr>
<td>$20.00</td>
</tr>
<tr>
<td>$25.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brands of Beer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bud Light (30)</td>
</tr>
<tr>
<td>Coor's Light (30)</td>
</tr>
<tr>
<td>Keystone Light (30)</td>
</tr>
<tr>
<td>Heineken (12)</td>
</tr>
<tr>
<td>Heineken Light (12)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry Structure</th>
<th>Competitive Landscape</th>
<th>Major Players</th>
<th>Survey</th>
<th>Regulation</th>
<th>Pricing Strategies</th>
<th>Analysis and Recommendation</th>
</tr>
</thead>
</table>

- **Finger Lakes Bev. Center**
- **Wegmans**
- **Tops**
- **Jasons**
- **Wilson Farms**
How do you decide what type of beer to buy?

- Price: 72%
- Taste: 20%
- Advertisements: 10%
- Other: 8%

- Female: Price 58%, Taste 16%, Advertisements 26%
- Male: Price 78%, Taste 20%, Advertisements 2%

Survey Results
Other Reasons for Beer Choices

- “Habit”
- “Depends if I’m buying for a group or simple enjoyment. blue moon for just myself coors / keystone for parties.”
- “COUPONS”
- “Tradition”
- “It’s what my friends get”
Take a Look: Collegetown vs. Ithaca

- Collegetown
  - Jason’s
  - Wilson Farms

- Ithaca
  - Wegman’s
  - Tops
Shopping for Beer in Ithaca

Proximity Comparison - Wegmans and Tops

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>$0.00</td>
<td>$20.00</td>
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<td>$20.00</td>
<td>$15.00</td>
<td>$15.00</td>
<td>$15.00</td>
</tr>
</tbody>
</table>

Brands of Beer: Bud Light (30), Coor’s Light (30), Keystone Light (30), Heineken (12), Heineken Light (12)

Wegmans and Tops bars compare prices of different brands of beer from Wegmans and Tops stores in Ithaca.
Shopping for Beer in Collegetown

Proximity Comparison - Jasons and Wilson Farms

<table>
<thead>
<tr>
<th>Brands of Beer</th>
<th>Price</th>
</tr>
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<tbody>
<tr>
<td>Bud Light (30)</td>
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<td>Keystone Light (30)</td>
<td>$15.00</td>
</tr>
<tr>
<td>Heineken (12)</td>
<td>$10.00</td>
</tr>
</tbody>
</table>

- Jasons
- Wilson Farms
Regional Pricing

- Prices vary between urban and rural areas and within broad US regions
- Lower prices are found in neighborhoods with low to moderate income
- In general: The **larger** the store, the **lower** the beer prices
Regulatory Framework
Regulations - Distribution

- 3 tier system mandated by government
Regulations – U.S.

**HEAVY and STEADY**

- Vary from State to State
- Bureau of Alcohol, Tobacco Firearms and Explosives (ATF)
- Interstate movement of alcohol regulations
  - Tax and Trade Bureau (TTB)
Regulations - Taxes

- Federal excise tax
  - $18/barrel (31 gallons)
- NY State excise tax
  - $3.72/barrel
- NYC excise tax
  - $4.34/barrel

- ✔ $26.06 per barrel
- ✔ 84.1¢ per gallon
- ✔ 8¢ per 12 oz. can or bottle
STATE EXCISE TAX RATES ON BEER
As of January 1, 2009
(Dollars Per Gallon)
http://www.taxfoundation.org/taxdata/show/245.html

Notes: Tax rates are for 5% ABV beer. Some states have other tax rates for low-point beer.

One keg is 15.5 gallons; a six-pack is 0.5625 gallons. Taxes often expressed in terms of a 31-gallon barrel.

Map does not include 58¢ per gallon federal tax or local taxes but includes statewide taxes collected for local purposes.

Source: Tax Foundation; State Revenue Departments; Beer Institute; Distilled Spirits Council of the United States (DISCUS).
Pricing Strategies
Main Pricing Strategies

- Tacit Collusion
- Advertising (point of purchase discounting)
- 2nd Degree Price Discrimination:
  - Versioning (premium, import, discount)
  - Volume - Based
- Regional pricing
- Long-tail/Niche Market
Tacit Collusion

- A spontaneous cooperation resulting from strongly perceived interdependence
- Seen in beer industry through price matching
Tacit Collusion

- Requires lack of significant product differentiation and similar production costs
Domestic Beer Industry dominated by 3 firms:
- Anheuser Busch In Bev
- SABMiller
- Molson Coors

80% of shipments attributed to these three breweries
Oligopoly

Successful collusion requires a small amount of firms in the market.
Tacit Collusion

- These three giants are known to simultaneously raise and lower prices
- In the last year domestic sub-premium brands had an average increase in price of $0.51/case
- Domestic premium brands’ prices have increased $0.27/case

Source: BevIndustry 2011: Another year of trading places in beer
Advertising

- Point of Purchase advertising can be found in 90% of stores that sell beer
- Promoted sales are seasonal (Q2 & Q3)
- Larger volume packages are associated with higher promotion
Second Degree Price Discrimination

- Create versions of a product to appeal to different types of buyers
- Key constraint: the inexpensive version cannot be too attractive to those willing to pay more
Second Degree Price Discrimination

- **Versioning:**
  - Premium & sub-premium brands
  - Trading up vs. trading down
- Induce customers to select into high and low price groups themselves
- The self selection process forces consumers to reveal their true types
Versioning

- Immense bifurcation in beer industry
  - Super premium and sub-premium growth
- Allows consumers to self-select and reveal true willingness to pay
  - Large difference in prices within brand categories (i.e. Budweiser Premium vs. Bud Light)
Versioning

**Sub-premium**
- 30-packs sales up 18.2% YoY
- 18-packs sales up 35.5% YoY

**Super premium**
- 30-packs sales up 6.4% YoY
- 36-packs sales up 15.8% YoY

Source: Fuhrman, 2010 Beer Report: Sub-premium, crafts lead the way
Versioning

- Emergence of sub-premium brands attributable to:
  - State of the economy
  - Effective and memorable advertising
    - "Keith Stone"
  - Sub-premium availability in bulk
Impact of Versioning on Prices

Bud Versioning - Wegmans

<table>
<thead>
<tr>
<th>Versions of Bud</th>
<th>Price (12 oz)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bud (30 cans, 12 oz)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Bud (24 bottles, 12 oz)</td>
<td>$0.20</td>
</tr>
<tr>
<td>Bud (18 cans, 12 oz)</td>
<td>$0.40</td>
</tr>
<tr>
<td>Bud (12 bottles, 12 oz)</td>
<td>$0.60</td>
</tr>
<tr>
<td>Bud Light (30 cans, 12 oz)</td>
<td>$0.80</td>
</tr>
<tr>
<td>Bud Light (24 bottles, 12 oz)</td>
<td>$1.00</td>
</tr>
<tr>
<td>Bud Light (18 cans, 12 oz)</td>
<td>$1.20</td>
</tr>
<tr>
<td>Bud Light (6 bottles, 12 oz)</td>
<td>$1.40</td>
</tr>
<tr>
<td>Bud Light Lime (12 cans)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Bud Light Lime (6 bottles, 12 oz)</td>
<td>$0.20</td>
</tr>
<tr>
<td>Bud Light Lime Select 55 (12 bottles, 12 oz)</td>
<td>$0.40</td>
</tr>
<tr>
<td>Bud Light Select 55 (6 bottles, 12 oz)</td>
<td>$0.60</td>
</tr>
<tr>
<td>Bud Light Select 6% (1 bottle, 24 oz)</td>
<td>$0.80</td>
</tr>
<tr>
<td>Bud Light Platinum (6 bottles, 12 oz)</td>
<td>$1.00</td>
</tr>
<tr>
<td>Bud Light Tall Boy (1 bottle, 24 oz)</td>
<td>$1.20</td>
</tr>
<tr>
<td>Bud Light Tall Boy (1 can, 24 oz)</td>
<td>$1.40</td>
</tr>
</tbody>
</table>

| Industry Structure | Competitive Landscape | Major Players | Survey | Regulation | Pricing Strategies | Analysis and Recommendation |
Variety of Bud

Beer Type Comparison (6 Bottles)

<table>
<thead>
<tr>
<th>Industry Structure</th>
<th>Competitive Landscape</th>
<th>Major Players</th>
<th>Survey</th>
<th>Regulation</th>
<th>Pricing Strategies</th>
<th>Analysis and Recommendation</th>
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<tbody>
<tr>
<td>Bud Light Lime</td>
<td>Bud Light Select 55</td>
<td>Bud Light Platinum</td>
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Versions of Bud

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<th>Price (12 oz)</th>
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<th>Bud Light</th>
<th>Bud Light Lime</th>
<th>Bud Light Select 55</th>
<th>Bud Light Platinum</th>
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</thead>
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</table>
Second Degree Price Discrimination

- Volume-based or Bulk pricing
  - Buy more volume
  - Pay less per unit
  - Enables large quantities to be sold for more “attractive” prices
Volume – Based/Bulk Pricing

- Discount from buying 12-pack over 6-pack is 7.5% per oz.

- Discount from buying 24-pack over 12-pack is 14.8% per oz.

Source: Bray, Loomis, and Engelen, 2008: You Save Money When You Buy in Bulk: Does Volume-Based Pricing Cause People to Buy More Beer?
Looking at Packaging and Price

Pack Size vs. Price

R² = 0.2369

Bud Light Lime, Bud Light Platinum

| Industry Structure | Competitive Landscape | Major Players | Survey | Regulation | Pricing Strategies | Analysis and Recommendation |
Own Price Elasticity

- Pricing is so important in this industry because beer is incredibly elastic.
- Price elasticity of demand for:
  - 6-pack: -5.07
  - 12-pack: -5.008
  - 24-pack: -4.543
## Cross-Price Elasticity

<table>
<thead>
<tr>
<th></th>
<th>72 oz.</th>
<th>144 oz.</th>
<th>288 oz.</th>
</tr>
</thead>
<tbody>
<tr>
<td>72 oz.</td>
<td>-5.07</td>
<td>1.902</td>
<td>0.406</td>
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<tr>
<td>144 oz.</td>
<td>1.173</td>
<td>-5.008</td>
<td>1.496</td>
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<tr>
<td>288 oz.</td>
<td>1.232</td>
<td>0.244</td>
<td>-4.543</td>
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</tbody>
</table>

Source: Bray, Loomis, and Engelen, 2008: *You Save Money When You Buy in Bulk: Does Volume-Based Pricing Cause People to Buy More Beer?*
Long-tail/Niche Market

- Emergence of craft beers
- Struggle of imports
- Rise of the Private Label
Long-tail/Niche Market

- Emergence of craft beers
  - Craft sales up 12%
  - 6-pack sales up 9% YoY
  - 12-pack sales up 11% YoY

- More than 2,000 craft breweries in operation in US
Long-tail/Niche Market

- Struggle of imports sector in US
  - High-end market being taken over by craft beers and domestic super premiums
  - Corona sales down 8%, Heineken down 11%
  - Dos equis breaking the mold
Long-tail/Niche Market

- Private Label
  - 7-Eleven’s Game Day Beer
  - Walgreens’ Big Flats 1901
  - Supervalu’s Buck Range Light

- Cost consciousness continues to be a consumer trend
Pricing Strategies

• Tacit Collusion
• Advertising (point of purchase discounting)
• 2nd Degree Price Discrimination
• Long-tail/Niche Market
Recommendations
Recommendations

- Greater opportunity for retailer partnerships
- Increase promotions of craft beers
- Target untapped markets
  - Women
  - Elderly
- Advertise as a way of life, integral part of culture
- Find ways to further differentiate
Trends for the Future

- Focus on emerging markets
- Consolidation
- Product differentiation
- Retailers and Private labels
- Taxation and Regulation
Questions?