Global Beer Manufacturing

Katie Tretter, Cassie Wolcott, Mack O’Connell
Agenda

Industry Overview
Major Players
Primary Advertising Methods
Analysis
Recommendations
Industry Overview

HHI
692.01

Four Firm Concentration
48.7

Market Share

- Anheuser-Busch InBev: 48.3%
- SABMiller: 15.4%
- Heineken: 9.2%
- Carlsberg: 6.1%
- Asahi: 3%
- Other: 18.0%

IBISWorld.com
Barriers Include:

- *Economies of Scale
- *High sunk cost and capital requirements
- *Regulations
- *Tight control over distribution channels by existing players.
- *High levels of brand loyalty.

Mitigating Factors: 1) Improvements in technology have cut down on costs of establishing efficient breweries. 2) Propensity to purchase imported beer/trying new beers has led to alliances that cut down on competition.
Industry Overview

Technology & Systems

- Driver: Cost Reductions
- Combining technology and innovation to differentiate
  - Example: Heineken’s Draughtkeg

Level of Technology Change = Medium

Basic process is the same, but turning to more automation

Precision measurements enhance quality control

Utilizing new techniques developed by other food industries
Industry Overview

Industry Performance

Life Cycle Stage:

- Enterprise numbers are declining
- Industry value added growth
- Only moderate technological change occurring
- Static per capita consumption in key markets
Industry Overview

Competition

Industry Competition is:

- High competition within national borders
- Medium competition on a global scale
- Increasing

Key Means of Differentiation:

- Brands
- Price
- Distribution networks
- Taste
- External competition
Industry Overview

Globalization

- Definition
- Key multinational companies
- Cross country mergers
  - AmBev + Interbrew = InBev in 2004
  - South African Breweries + Miller Breweries = SABMiller in 2004
  - Anheuser Busch + InBev = Anheuser Busch InBev in 2008

Level of Globalization:
- Medium
- Increasing
Industry Overview

Key Success Factors

- Market research and understanding
- Using data to shape new product development, consumer targeting, and branding activity
- Global expansion
- Portfolio of brands
- Establishment of brand names
Industry Growth (2002-2008)

Beer Consumption 2002-2008

Millions of 2.25 Gallon Cases

Beer Handbook
Industry Growth (2006-2010)

Revenue Growth Chart

Revenue Growth Rate Chart

IBISWorld.com
Factors Affecting Beer Consumption Patterns

* Customs & Traditions
* Disposable Income
* Geography
* Demographics
* Regulations
* Special Events & Weather Conditions
* Advertising
Cultures

- Middle East – Less per capital alcohol consumption compared to Ireland
- Germany: Beer > Wine
- France: Wine > Beer
U.S. Consumers Spend More on Beer Than Any Other Drink

Retail Dollars by Beverage, 2008

- Beer
- Soft Drinks
- Distilled Spirits
- Wine
- Milk
- Juices
- Bottled Water
- Coffee
- Tea
- Powdered Drinks

Beer Handbook
Alcoholic Beverages

Share of Alcohol Beverage Consumption by Category

- Beer: 85%
- Wine: 6%
- Distilled Spirits: 9%

Chart Share of Total Alcohol Beverage Retail Dollar Sales

- Beer: 53%
- Wine: 14%
- Distilled Spirits: 33%
Beer Consumption by Category

Share of Total Beer Consumption by Category

- Light: 52%
- Imported: 8%
- Premium: 8%
- Super Premium, Craft & FMBs: 13%
- Popular: 13%
- Ice: 3%
- Malt Liquor: 3%

Beer Handbook
Frequency of Drinks

Frequency of Drinking Occasions

- 32% Everyday
- 29% A few times a week
- 13% About once a week
- 10% <once a week
- 7% Only on special occasions
- 9% Never

Average Number of Drinks Consumed in the Past Week

<table>
<thead>
<tr>
<th>Year</th>
<th># of Drinks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3</td>
</tr>
<tr>
<td>2001</td>
<td>4</td>
</tr>
<tr>
<td>2002</td>
<td>5</td>
</tr>
<tr>
<td>2003</td>
<td>6</td>
</tr>
<tr>
<td>2004</td>
<td>5</td>
</tr>
<tr>
<td>2005</td>
<td>4</td>
</tr>
<tr>
<td>2006</td>
<td>3</td>
</tr>
<tr>
<td>2007</td>
<td>2</td>
</tr>
<tr>
<td>2008</td>
<td>1</td>
</tr>
</tbody>
</table>
Geography

Graph 3-8
2007 Total Beer Per-Capita Consumption
(gallons per person — 21 & over)

Per-Capita Consumption Level
High — Over 32.7 gallons
Average — 26.7 - 32.7 gallons
Low — Under 26.7 gallons

Source: IMPACT Databank
Income Distribution of Beer Consumers

- 48% 75K & up
- 9% 60K-
- 8% 75K
- 60K-
- 8% 50K-
- 60K
- 8% 40K-
- 50K
- 8% 30K-
- 40K
- 8% 20K-
- 30K
- 8% Under 20K

Beer Handbook
Gender Distribution of Beer Consumers

- Male: 62%
- Female: 38%

CITATION
Education Level Distribution of Beer Consumers

- Graduate: 30%
- Graduated High School: 28%
- Graduated College: 17%
- Attended Graduate School: 11%
- Attended College: 11%
- Attended High School: 3%
Demographics - Age

Age Distribution of Beer Consumers

- 21-24: 20%
- 25-34: 23%
- 35-44: 13%
- 45-54: 20%
- 55-64: 15%
- 65+: 7%

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Demographics - Beer Consumption by Race

Race Distribution of Beer Consumers

- White: 76%
- Black: 9%
- Asian: 12%
- Hispanic: 3%

Beer Handbook
Seasonality/Weather

Share of Total Beer Sales by Month, 2008

- November
- September
- July
- May
- March
- January

Share of Sales (%)

Beer Handbook
Regulations

- Open States/Control States
- “Moderation” campaigns
- Bureau of Alcohol, Tobacco, Firearms, and Explosives
- Advertising and Marketing Code
  - Key Guidelines
Major Players
Global Scale

Anheuser Busch InBev
Heineken
SABMiller
Carlsberg
Asahi
18% Market Share

Belgian roots

Portfolio of over 300 brands

Commitment to innovation

Advertising success over the past 150 years

http://www.anheuser-busch.com/historyOfMarketing.html
Heineken N.V.

9.2% Market Share

Roots in the Netherlands

Over 200 international premium beer and ciders

Brand strategy focuses on building local and international brands

Also manufactures wines, spirits, and soft drinks

Beer accounts for approximately 75% of their revenue

http://www.heinekencollection.com/pages/content/S2/historytimeline_nl.aspx
15.4% Market Share

Portfolio of over 150 brands

Presence in 75 countries

Diversified: One of the largest bottlers of Coca-Cola in the world, makes wines, spirits, and juices

Competes mostly in the premium sector of beers

Brands International

• Grolsch Premium Lager - The Dutch premium quality lager

* Miller Genuine Draft – The original cold-filtered draft beer

* Peroni Nastro Azzurro – Italian style in a bottle

* Pilsner Urquell – The Pilsner from the original source

Carlsberg

6.10% Market Share

Sold in over 150 countries

Portfolio of over 500 brands

Roots in Denmark

Focuses on Western European, Eastern European, and Asian markets predominately

Strong revenue growth due to acquisitions of businesses previously owned by Scottish and Newcastle

The Old Brewery, 1847

http://www.carlsberggroup.com/Experience/Footprints/Valby/Pages/TheOldBrewery.aspx
Asahi Breweries

3% Market Share

Founded in 1889

Largest brewer by value in the North Asian region

Diversified into other liquor categories, though majority of revenue comes from beer sales

http://www.asahibeer.co.jp/english/companye/enterprise.html
Major Players
National Scale

Anheuser Busch In Bev
Heineken
SABMiller
Primary Advertising Methods
Humor Advertising

- Bud Bridge
Iconic Advertising
Sex Appeal
Sponsorship
“Bud light gets KO’d by Lesnar”
Sponsorship Continued
Public Relations/Events

Official Monster Truck for BUD CAMP
Events

UEFA CHAMPIONS LEAGUE TROPHY TOUR PRESENTED BY HEINEKEN

The fourth UEFA Champions League Trophy Tour presented by Heineken saw the much-admired icon of top club football fly across the Atlantic to be greeted by fans, football legends and stars of the silver screen. The tour took in three big cities: New York, Boston, Chicago and Los Angeles. As well as the bigger venues, the U.S. tour also stopped off at All-American Sports Bars, meaning the fans could get even closer to the trophy.
Events
Sweepstakes

YOU COULD WIN A TRIP TO THE FIFA WORLD CUP™!

HEINEKEN STAR EXPERIENCE

ENTER FOR A CHANCE TO WIN THE 4-DAY NASCAR WEEKEND
Going green and giving back

Wildlife & Habitat Conservation

Conservation Partners

Recycling

Renewable Energy
Going green and giving back

A Corporate Responsibility

Your texts & Budweiser keeping America Beautiful

You text "RECYCLE" to "BEERS" (23377)

Budweiser Donates to KEEP AMERICA BEAUTIFUL *
$50,000 total

TEXT TOTAL 89

*One text per person. Standard message and data rates apply.
Social responsibility
Drink Responsibly
Product Placement

Scary Movie 2
Internet Advertising: Online Video

Bud light Porn
Social Media
Mobile Advertising
Comparative Advertising

**MILLER LITE = TASTE. BUD LIGHT = DRINKABILITY**

Miller light vs bud light

TRIPLE HOPS BREWED FOR GREAT TASTE.
“My Beer is healthier than yours!”

**Bye-Bye, Beer Belly.**
“My Beer is healthier than yours!”

**THE LIGHTEST BEER IN THE WORLD.**
Introducing a light golden lager that delivers crisp refreshment without the guilt. SELECT 55.

<table>
<thead>
<tr>
<th>DRINK</th>
<th>CALORIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>SELECT 55</td>
<td>55</td>
</tr>
<tr>
<td>Coors Light</td>
<td>102</td>
</tr>
<tr>
<td>Miller Lite</td>
<td>96</td>
</tr>
<tr>
<td>MGD64</td>
<td>64</td>
</tr>
<tr>
<td>White Wine (4.1 oz)</td>
<td>113</td>
</tr>
<tr>
<td>Margarita (3.3 oz)</td>
<td>153</td>
</tr>
<tr>
<td>Martini (2.2 oz)</td>
<td>135</td>
</tr>
</tbody>
</table>

**WAYS TO BURN 55 CALORIES:**
- Bargain Shopping: 20 minutes
- Dancing with Friends: 11 minutes
- Mowing the Lawn: 9 minutes
- Watching Reality TV: 49 minutes
- Napping on the Couch: 54 minutes
- Painting a Room: 17 minutes
- Surfing the Web: 33 minutes

Source: caloriesperhour.com (based on a weight of 150 lbs.)

Source: caloricking.com
Chill vs. Lime

[Images of Miller Chill and BL Lime beverages]
Savor the Flavor
## Ad Expenditures (2005-2009)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AB InBev</td>
<td>4,992,000,000</td>
<td>3,350,000,000</td>
<td>3,140,000,000</td>
<td>2,792,000,000</td>
<td>2,307,000,000</td>
</tr>
<tr>
<td>SABMiller</td>
<td>2,281,000,000</td>
<td>3,350,760,000</td>
<td>2,262,000,000</td>
<td>1,797,000,000</td>
<td>1,521,000,000</td>
</tr>
<tr>
<td>Heineken</td>
<td>2,223,000,000</td>
<td>1,262,820,000</td>
<td>2,178,000,000</td>
<td>1,998,000,000</td>
<td>1,811,000,000</td>
</tr>
<tr>
<td>----------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td><strong>AB InBev</strong></td>
<td>4%</td>
<td>14%</td>
<td>15%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>SABMiller</strong></td>
<td>12%</td>
<td>16%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Heineken</strong></td>
<td>10%</td>
<td>6%</td>
<td>12%</td>
<td>13%</td>
<td>14%</td>
</tr>
</tbody>
</table>
Industry Ad Expenditure by Media Type

Beer Industry Advertising Expenditure by Media Per Year

- Magazines
- Newspapers
- Outdoor
- TV-Network
- TV-Spot
- TV-Cable
- Radio-Network
- Radio-Spot

Beer Handbook
Industry Wide Ad Expenditure by Media

Ad Expenditure by Media Type

- Total Print: 74%
- Total TV: 25%
- Total Radio: 1%

Beer Handbook
Company Specific Expenditure

% Expenditure by Media Type

- Anheuser-Busch
- Heineken USA
- Miller

Beer Handbook
Dollars Spent on Network TV Advertising

- Anheuser-Busch InBev: $500,000,000
- HEINEKEN NV: $200,000,000
- Sabmiller Plc: $300,000,000

TNS-Media Intelligence
Expenditure by Case

Ad Spending per Case of Beer

<table>
<thead>
<tr>
<th>Brand</th>
<th>Ad Spending Per Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB InBev</td>
<td>$0.30</td>
</tr>
<tr>
<td>MillerCoors</td>
<td>$0.40</td>
</tr>
<tr>
<td>Heineken USA</td>
<td>$0.80</td>
</tr>
</tbody>
</table>
Spent the Most Money on:

- Anheuser-Busch: Superbowl $6 million for 30 seconds
- Heineken: NFC Football Championship game $1 million
- Miller Light 1.2 million for NCAA basketball championship game
Network

Channel

Count

ABC  CBS  FOX  NBC

- Anheuser-Busch InBev
- HEINEKEN NV
- SABMiller Plc

TNS-Media Intelligence
Time of Day

- Daytime
- Early
- Night
- Prime

Count

- Anheuser-Busch InBev
- HEINEKEN NV
- SABMiller PLC

TNS-Media Intelligence
Days of the Week

- Anheuser-Busch InBev
- HEINEKEN NV
- Sabmiller Plc

TNS-Media Intelligence
Weekend/Weekday

<table>
<thead>
<tr>
<th>Company</th>
<th>Weekend Count</th>
<th>Weekday Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anheuser-Busch InBev</td>
<td>2300</td>
<td>1100</td>
</tr>
<tr>
<td>HEINEKEN NV</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Sabmiller Plc</td>
<td>2100</td>
<td>1100</td>
</tr>
</tbody>
</table>

TNS-Media Intelligence
Most Popular Times

- Anheuser-Busch InBev
- Heineken NV
- SABMiller Plc

TNS-Media Intelligence
### Brand Loyalty

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>21-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>I usually drink one of a few different brands of beer</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>I am very loyal to a favorite brand of beer</td>
<td></td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I drink a wide variety of beer brands</td>
<td></td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 21-24 & 65+ Are least loyal
- Most loyal: 45-54 year olds. Retention!
## Brand Equity

- **Recent Merger**

<table>
<thead>
<tr>
<th></th>
<th>Anheuser-Busch</th>
<th>Heineken</th>
<th>SABMiller</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>52125 Million</td>
<td>8610 Million</td>
<td>8734 Million</td>
</tr>
</tbody>
</table>

Mergent
Investment and Advertising
Recommendations
Investment - Anheuser-Busch InBev

- Net Income of 3.1 Billion in 2009
Investment – SAB Miller

- Net Income of 1.9 Billion in 2009

<table>
<thead>
<tr>
<th>Analyst Recommendations and Revisions</th>
<th>Current</th>
<th>1 month ago</th>
<th>2 months ago</th>
<th>3 months ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUY</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>OUTPERFORM</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>UNDERPERFORM</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>SELL</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Yahoo Finance & Reuters
Investment - Heineken

- Net Income of 1.3 Billion in 2009

<table>
<thead>
<tr>
<th>Analyst Recommendations and Revisions</th>
<th>Current</th>
<th>1 Month Ago</th>
<th>2 Month Ago</th>
<th>3 Month Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUY</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>OUTPERFORM</td>
<td>5</td>
<td>7</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>UNDERPERFORM</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SELL</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Euroinvestor & Reuters
Recommendation: Online

US Online Advertising Spending, 2001-2011 (billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending (billions)</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>$7.1</td>
</tr>
<tr>
<td>2002</td>
<td>$6.0</td>
</tr>
<tr>
<td>2003</td>
<td>$7.3</td>
</tr>
<tr>
<td>2004</td>
<td>$9.6</td>
</tr>
<tr>
<td>2005</td>
<td>$12.5</td>
</tr>
<tr>
<td>2006</td>
<td>$16.9</td>
</tr>
<tr>
<td>2007</td>
<td>$21.4</td>
</tr>
<tr>
<td>2008</td>
<td>$27.5</td>
</tr>
<tr>
<td>2009</td>
<td>$32.5</td>
</tr>
<tr>
<td>2010</td>
<td>$37.5</td>
</tr>
<tr>
<td>2011</td>
<td>$42.0</td>
</tr>
</tbody>
</table>

Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2006; online ad data includes categories as defined by IAB/PwC benchmark—display ads (such as banners), paid search ads (including contextual text links), rich media (including video), classified ads, sponsorships, referrals (lead generation) and e-mail (embedded ads only); excludes mobile ad spending.

Source: eMarketer, October 2007
Social Networking

US Online Social Network Advertising Spending, 2006-2011 (millions and % change)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending (millions)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$350</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$920 (163%)</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$1,560 (70%)</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$2,020 (29%)</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$2,400 (19%)</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$2,700 (13%)</td>
<td></td>
</tr>
</tbody>
</table>

Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube

Source: eMarketer, December 2007

Top 10 Social-Networking Websites & Forums

by US Market Share of Visits (%)

March 2010

- Facebook: 51.61%
- YouTube: 15.35%
- MySpace: 14.34%
- Tagged: 1.14%
- Twitter: 1.13%
- Yahoo! Answers: 0.94%
- Yahoo! Profiles: 0.77%
- myYearbook: 0.61%
- Windows Live Home: 0.53%
- MocoSpace: 0.32%

Source: Hitwise
Online Video

- Recall
  - for online and 46% for TV

- Likability
  - 26% online and 14% on TV.

Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2006; online video includes in-page and streaming video. Source: eMarketer, June 2007.