

ANHEUSER-BUSCH (AB) COMPETITIVE MARKETING STRATEGIES IN THE GLOBAL BEER MARKET

Etienne Musonera¹

¹Professor of Marketing, School of Business, Mercer University-Atlanta, Georgia, USA

Abstract

Through their astute and effective marketing strategies, Anheuser-Busch (AB) has established a commanding presence in the global beer market with over 27% share and dominates the U.S. market with a staggering 40% share (Aswani, 2021), and is now one of the most recognizable trademarks worldwide. AB remains steadfast in maximizing shareholder value through operational efficiencies and its strategic focus is outlined in the 2022 Annual Report and revolves around the following key objectives (AB-inbev. n.d.-a): Increase per barrel profitability while maintaining or improving market share growth to endure long-term earnings; Expanding its international beer operations by leveraging its key brand names and investing strategically in its growth worldwide; Support profit growth in packaging, which drives efficiency and quality that contributes to the company's image and social responsibility endeavors. AB's Commitment to these critical objectives benefits the company and its shareholders by promising continued value creation and sustainable growth. Utilizing a balanced approach, AB will continue its success as the market leader.

Keywords

Anheuser-Bush, Marketing Strategies, Global, Beer, Competitive, Sustainability

Introduction

Anheuser Bush (AB) is a renowned American brewing company founded in 1952 by Adolphus Busch in Saint Louis, Missouri, and is best known for producing beers like Budweiser, Michelob, and Stella Artois. AB has now expanded both nationally and internationally, through mergers and acquisitions. AB introduced Budweiser in 1876 and developed pasteurization in 1788 and refrigerated railcars 1880. AB introduced Michelob in 1949 and Natural Light 1977.

Anheuser-Busch aims to be a global leader in the beer industry by controlling a sizable market share worldwide. The company also values having a diverse product line and efficient marketing strategies. AB focuses on being the leading company in its industry regarding sustainable practices in all aspects of its business. Anheuser-Busch faces constraints from high levels of competition worldwide. The growing Craft Beer Industry has drastically affected the available market share and continues to push AB to explore more market areas. AB also must remain focused on its commitment to reducing the harmful consumption of alcohol. The marketing strategy needs to remain the focus of their attention as the social climate changes.

Referencing the 2022 Annual Report of Anheuser-Busch shows that the company is currently financially stable in its market. AB's 2022 revenue topped \$57 million, with an organic growth of about 11% over the 2021 revenue of \$54 million. This increase in revenue is attributed to continued optimization and year-over-year solid revenue growth in the global market of wellknown brands such as Budweiser, Stella Artois, and Corona. On the downside of this growth, there was an increase in the cost of sales of 18.4% due to anticipated transactional foreign currency effects (AB-InBev., n.d.-a). Anheuser-Busch also saw a 10.1% increase in volume sold worldwide in 2022 over 2021. This significant growth is attributed to Middle and South America and Europe. AB experienced a 4% decrease in volume sold in North America (AB-inbev., n.d.-a).

Anheuser-Busch employs a standard corporate structure for a multinational company. A top CEO, CPO, and CFO run the company. Below these three are chief officers who oversee significant aspects of the business, such as communication, legal affairs, and growth. Because the business is spread worldwide, there are also CEOs for each region: Africa, Asia Pacific, Europe, Middle America, North America, and South America. Each CEO has

a similar structure of employees beneath them that help manage their zone. This structure allows AB to focus on considerable growth in each zone individually and then consolidate at the top (Home: Ab InBev, n.d).

Organizational Structure: The organizational structure of Anheuser-Busch comprises individual zones around the world that consolidate into one at the top. This is a beneficial business structure as it gives a whole management team to each AB area. This allows the company to understand the individual markets on a micro-scale and disseminate the information to the company leads on a macro scale. This also allows the teams to make informed decision-making at a speed that fits the area. An entire management team with a complete financial team works within each regional office. Each team is given the authority to make autonomous decisions if they align with AB's general mission and vision (Home: Ab InBev, n.d). v.

Organizational Culture: The organizational culture of Anheuser-Busch can be evaluated through its proud heritage and global story. The first Budweiser lager was brewed by Adolphus Busch in 1876 in what would later become the Anheuser-Busch brewery located in St. Louis, Missouri. The company has a long history of generations of founders working for AB and helping it grow. AB also prides itself on the ten principles that it uses to influence its decisions and guide it in doing business. These core principles are (Home: Ab InBev, n.d): *1. We dream of Big. 2. We are owners who think long-term. 3. We are powered by great people and build diverse teams through inclusion and collaboration. 4. We lead change and innovation for our customers. 5. We grow when our customers grow. 6. We thrive when our communities thrive. 7. We believe in simplicity and scalable solutions. 8. We manage costs tightly and make choices to drive growth. 9. We create and share superior values. 10. We never take shortcuts.*

Anheuser-Busch's biggest organizational strength is its ability to position itself for continued and long-term growth. AB can analyze and understand new markets, allowing it to find a larger market share for its growth. This growth leads to more significant revenue growth. The company has also solidified its foundations within the market, which helps define its mission and vision for the future. Even with the strengths that have been mentioned, AB still has organizational weaknesses that they will have to work to overcome. AB has consistent organic growth in new markets but will be subject to the onslaught of new competition. New competitors are working to carve out their slice of the beer industry market. The increasing popularity of craft breweries increases this weakness as AB must work to find ways to innovate its product line to fit new and emerging tastes.

Environment

Economic Conditions and Trends:

Taxes are a significant concern for companies within the beer industry. Economic factors significantly affect federal, state, and local determination of tax rates. For AB, the impact of taxation, particularly the beer excise tax, is the biggest challenge that shapes its business model. Beer excise tax serves the purpose of regulating the market while generating revenue for the government. In the U.S., the current excise tax is \$3.50 per barrel for the first 60,000 barrels, then goes to \$16 per barrel for the next 6 million barrels, then changes to \$18 for each barrel afterward. These taxes escalate as the scale of operation increases, imposing the highest amount on large companies such as AB. This is noticed in the 2022 Annual Report, as the tax implications of the barrels produced amount to \$1.9 billion. This represents a marginal increase of \$700 million in 2021 (AB-inbev. n.d.-a). This incremental increase comes from the increased production AB has seen yearly. The economic challenge of high excise taxes significantly influences the company's overall production trajectory. Financial burdens from taxes are not the only part of the business reshaped by taxes; decision-making, pricing strategies, and market positioning are also affected.

Cultural and Social Values and Trends

AB and other companies operating in the beer industry do so in a social environment where promoting alcoholic beverages is subject to scrutiny and controversy. AB faces questions from stakeholders and advocacy groups like Mothers Against Drunk Driving (MADD), which actively lobbies for stricter alcohol regulations and targets large companies such as Anheuser-Busch for their advertising and marketing strategies (Home. MADD 2024). In the past, several marketing campaigns have been considered targeted at children, such as the Budweiser Frogs. Studies indicate that children recognize these types of characters and look for the products they show promoting underage drinking. Recently, a marketing campaign that partnered with the social media star Dylan Mulvaney caused controversy that made some consumers angry enough to boycott all AB products. In response to criticism received about some marketing strategies, AB has taken steps to address concerns by airing commercials during high-profile events like the Super Bowl that encourage parents to discuss responsible drinking with teens. Despite these challenges, AB's success stems from the popularity of its products, brought on by its marketing strategies. It remains essential for AB to stay vigilant and aware of the consequences of its actions regarding the social values of the communities it serves.

Political and Legal Issues

The beer and brewing industry operates in a legal landscape shaped by governmental policies and societal concerns that significantly impact business operations and marketing strategies. Political lobbyists work for groups such as MADD to leverage their influence with government officials to push for tighter regulations on alcohol sales and consumption. This will often result in increased taxes and stricter controls on marketing practices. Anheuser-Busch acknowledges the impact of political pressures and adopts a proactive stance in addressing social issues related to alcohol abuse, underage drinking, and drunk driving. Through extensive community programs nationwide, they position themselves as leaders in promoting alcohol awareness and education, aligning their brand image with responsible consumption. The legal environment presents different challenges for the beer industry, particularly concerning regulations. AB and other beer companies face scrutiny over their marketing practices, prompting the need to adapt their marketing approaches to comply with evolving legal regulations. Adaptability and a commitment to responsible practices are essential for success in this environment.

Summary of Environmental Opportunities and Threats

Before embarking on any new venture, a comprehensive understanding of the market landscape is essential. One valuable tool in this pursuit is the SWOT analysis, which assesses the strengths, weaknesses, opportunities, and threats pertinent to the endeavor. In the case of Anheuser-Busch, a thorough SWOT analysis unveils critical insights into their potential foray into new markets.

Strengths: AB boasts the formidable ability to position itself favorably for expansion. The company's continued financial growth is punctuated by its flagship brand, Budweiser, which has a 70% market share of the domestic beer market, a testament to its dominance (Statista n.d). AB can also leverage advanced manufacturing technology and strategic distribution networks to operate efficiently and stay on the cutting edge of competition. AB's esteemed brand recognition further solidifies its global market position.

Weaknesses: AB's stature in the beer industry comes with challenges that could impede its growth. Effective management and short-sided decision-making could undermine the company's ability to capitalize on market growth. Talent gaps pose a significant hurdle for AB in achieving optimal production outputs. Concerns regarding research and development and potential equipment failures remain at the forefront of challenges that need proactive mitigation measures.

Opportunities: Anheuser-Busch stands poised to capitalize on abundant opportunities for global expansion. International markets present higher growth potential than domestic markets, and AB is poised to penetrate new areas and diversify its product offerings. Enhanced market access and higher growth rates in international markets offer fertile ground for Anheuser-Busch to drive revenue growth and bolster its global presence.

Threats: Anheuser-Busch faces formidable threats as it ventures into new markets. Intense competition from established companies poses a significant risk, potentially stalling the company's market entry efforts. Escalating costs associated with international operations could erode profitability. Volatility in foreign exchange rates and regulatory constraints may intensify operational challenges, leading to profit margin pressures and market entry barriers.

Analysis of Industry: Michael Porter's Five Force

Classification and Definition of Industry

The beer industry is a prominent sector within the economy characterized by a conglomerate of commercial entities dedicated to producing and promoting beverages derived from malt and hops. These beverages, including beer, ale, and their variants, undergo steeping, boiling, and fermentation, resulting in various products catering to consumer preferences. Anheuser-Busch is the largest multinational company in the industry.

Competitors

As a global brewing giant, Anheuser-Busch contends with formidable competition from key industry players, each wielding significant market presence and brand power (Anheuser-Busch InBev, 2023).

- (1) **Heineken N.V.**, a Dutch brewing conglomerate, is a formidable rival with expansive reach across more than 190 countries. Leveraging a diverse portfolio featuring iconic brands like Heineken, Amstel, and Dos Equis, Heineken poses a substantial threat to Anheuser-Busch InBev's global market share.

- (2) **Molson Coors Beverage Company**, a multinational brewing entity operating primarily in the United States and Canada, commands a formidable position in the North American market. With a robust lineup of well-established brands, including Coors, Miller, and Blue Moon, Molson Coors presents stiff competition to Anheuser-Busch InBev, particularly in its core markets.
- (3) **Carlsberg Group**, a Danish brewing powerhouse, extends its influence across more than 150 markets worldwide. Renowned for its flagship brand, Carlsberg, alongside other popular labels such as Tuborg and Kronenbourg 1664, Carlsberg competes vigorously with Anheuser-Busch InBev globally, intensifying the competitive landscape.
- (4) **Constellation Brands**, an American alcoholic beverage producer and marketer, presents a multifaceted challenge to Anheuser-Busch InBev. With a diverse portfolio encompassing wine, spirits, and beer, Constellation Brands has solidified its position in the United States market with popular beer labels like Corona, Modelo, and Pacifico, directly challenging Anheuser-Busch InBev's regional dominance.

Potential New Entrants

In the dynamic beer industry landscape, Anheuser-Busch is not only contending with traditional competitors but also facing a formidable challenge from the craft beer industry. Craft breweries, characterized by their emphasis on quality, distinct flavors, and local production, have captured the attention and loyalty of discerning beer enthusiasts (Anheuser-Busch InBev, 2023).

- (1) **The Boston Beer Company**, renowned as one of the largest craft breweries in the United States, has solidified its position with its flagship brand, Samuel Adams. Additionally, its diverse portfolio includes a spectrum of craft beer brands, hard ciders, and flavored malt beverages, catering to varied consumer preferences.
- (2) **Sierra Nevada Brewing Company**, a trailblazer in the craft beer movement, has earned accolades for its steadfast commitment to traditional brewing techniques and its iconic Sierra Nevada Pale Ale. Continuously innovating, Sierra Nevada offers a wide array of craft beers, sustaining its appeal to a diverse consumer base.
- (3) **Stone Brewing**, an independent craft brewery headquartered in California, distinguishes itself with its bold and flavorful beers. These reflect a dedication to sustainability and a penchant for pushing industry boundaries. With a global footprint, Stone Brewing maintains its reputation as a vanguard of innovation within the craft beer sphere.
- (4) **Dogfish Head Brewery**, situated in Delaware, epitomizes creativity and experimentation. It crafts distinctive beer styles, such as the acclaimed 90-minute IPA and an array of off-centered ales. Through its inventive approach, Dogfish Head captivates consumers seeking novel taste experiences. These craft breweries, among others, have carved out a remarkable niche in the market, posing a significant challenge to AB. Craft breweries continue to reshape the beer landscape with their innovative products and passionate consumer base, underscoring the industry's imperative for strategic adaptation and differentiation.

Substitute Products

Two industries that offer substitute alcoholic products are the wine and distillery industries. Both offer products that consumers enjoy in similar ways and fight for space in the same markets. The wine industry encompasses diverse products, including grapes, champagne, cognac, and fruit-berry wines, with grapes, fruits, and berries serving as primary raw materials. Wine, an alcoholic beverage derived from fermented grape juice, undergoes segmentation based on product type, color, distribution channel, and geography. Product types include still, sparkling, fortified, and vermouth, while colors are categorized into red, rose, and white wine. The distillery industry focuses on producing spirits through processes such as clarification, flavoring, blending, and aging of alcohol. In the United States alone, approximately 1,800 distillery establishments contribute an annual revenue of approximately \$26 billion (Statista, n.d). Demand within this industry is intricately linked to trends in alcohol consumption and personal income levels, reflecting the dynamic interplay between economic factors and consumer behavior.

Suppliers

The beer industry relies heavily on a diverse network of suppliers who provide essential components such as bottles, cans, packaging materials, brewing equipment, and marketing displays. This ecosystem contributes significantly to the economy, generating approximately \$102 billion in economic activity and sustaining nearly

447,300 jobs (Anheuser-Busch InBev, 2023). Beer supply chains involve various channel members, from growers and brewers to distributors and retailers. Traditionally, these supply chains operated through conventional distribution channels, but contemporary trends indicate a shift towards the direct-to-consumer model facilitated by the rapid growth of eCommerce platforms. This transition has been accelerated by the challenges posed by the COVID-19 pandemic, highlighting the need for more efficient and resilient supply chain strategies.

Buyers

The beer industry operates within a dual customer landscape, catering to individual consumers and corporate clients. Individual buyers typically purchase in small quantities, diminishing their bargaining power in influencing pricing. These buyers are consumers purchasing from stores, bars, and restaurants. Corporate customers are the stores, bars, and restaurants purchasing products directly from the producing company.

Summary of Industry Opportunities and Threats

The beer industry faced significant challenges during 2020, primarily due to the impact of Covid-19. This was exacerbated by several factors, including its heavy reliance on on-trade channels, increasing competition from alternative beverages like RTDs (Ready-to-Drink), and limited presence in e-commerce. Before the pandemic, the beer market had already shown signs of stagnation in volume growth, driven by long-standing consumption declines in key markets such as China, the US, and Russia. These changes to the market show the importance for beer companies to diversify their distribution channels, adapt marketing strategies to digital platforms, and innovate with product offerings, particularly in response to changing consumer preferences and behaviors accelerated by the pandemic.

Marketing Strategy

Objective and Constraints

The marketing objective of Anheuser-Busch is to continue growing revenue by increasing the company's market share globally. Outside of growth objectives, the marketing goal is to expand the brand recognition of all products available. The marketing strategy also includes informing consumers of the company's efforts to remain sustainable in the production and distribution of its products. The marketing strategy faces constraints presented by competitors within the beer industry market. AB's marketing works to stay agile enough to stay on the leading edge of products that the customer wants. The introduction of craft breweries also presents the marketing with the challenge of overcoming regional small beers on the market.

Analysis of Sales, Profits, and Market Share

Anheuser-Busch has benefited from year-over-year sales increases globally, except for a few occurrences. During COVID-19, AB saw little to no growth in sales. This was due to supply chain issues, including shipping issues and customers being closed during standard business times. AB also had a minor drop in sales in 2023 after a failed advertising campaign. Even with fluctuations in sales, AB has continued to post positive profit growth numbers. From 2021 to 2022, profit growth equaled \$1.3 million, or 7.2% year over year. This continued positive profit growth allows AB to dominate the beer industry (AB-inbev. n.d.-a). In 1998, the global beer production equaled 1.3 hectoliters, and by the end of 2022, it had risen to 1.89 hectoliters. AB produced 518 hectoliters in 2022, accounting for one-quarter of the total market share. (Statista n.d.).

Analysis of Target Markets

Anheuser-Busch creates an age-restricted product and, in doing so, works to ensure that it is marketed and consumed by people of age in the local market. Anheuser-Busch is a global giant in the beer industry and can target multiple markets with various products they offer. For each global zone AB has designated for its business model, it takes time to understand the community it operates and offer a specialized product for the market. Domestically, we see Budweiser in the US, but the global megabrand is different in other countries. In Mexico, there is Victoria; in South Korea, there is Cass; and in Brazil, there is SKOL (Home: Ab InBev, n.d). Each product has undergone rigorous testing to ensure that it appeals to most of the local market.

Analysis of Marketing Mix Variables

Price: Anheuser-Busch employs a competitive pricing strategy to align its products with its major competitors. This helps the company maintain its market share and customer base. AB also utilizes a market segmentation strategy, pricing different products at different levels within the same market.

Product: Anheuser-Busch has a wide range of products specialized for each market in which it is present. Domestically, we have the brand Budweiser. Other AB products from other markets are considered imports and are given a different pricing level.

Promotion: Anheuser-Busch uses a mix of marketing strategies to get customers' attention. The company is well known for using animals and celebrities in its commercials, but it also advertises at significant events through sponsorships.

Place: AB is a multinational company with locations throughout the world. The company's US headquarters are in St. Louis, Missouri, where it started. Now, products and locations vary in location and product line.

Summary and Conclusion

AB's strength in marketing strategy lies in its ability to adapt to the market it is entering. This allows the company to stay profitable and meet its vision goals as it expands. However, this strength comes at a cost, and the company's size can present trouble. The main weakness the company will need to watch is its total cost of operations. Prices and currency fluctuate globally and can come at a heavy cost. Anheuser-Busch's global impact can be felt through its marketing strategies. Domestically, the brand name Budweiser is the most recognizable beer name. Consumers can easily recognize and buy the product at nearly every location that sells alcohol. This analysis gave an insight into the financial and social inter-workings of the company. We can see that the company continues to grow, overcome, and adapt to a growing and changing globalized economy.

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