The global beer industry: decline and growth at the same time?[1]

Although beer is widely consumed around the world and is one of the oldest beverages, the beer industry is facing quite a few challenges. From 2010 to 2022, the industry has generally experienced reduced or even stagnant market growth. A combination of factors are to blame, including structural challenges, tighter regulation, more competition and a change in consumer purchasing habits.

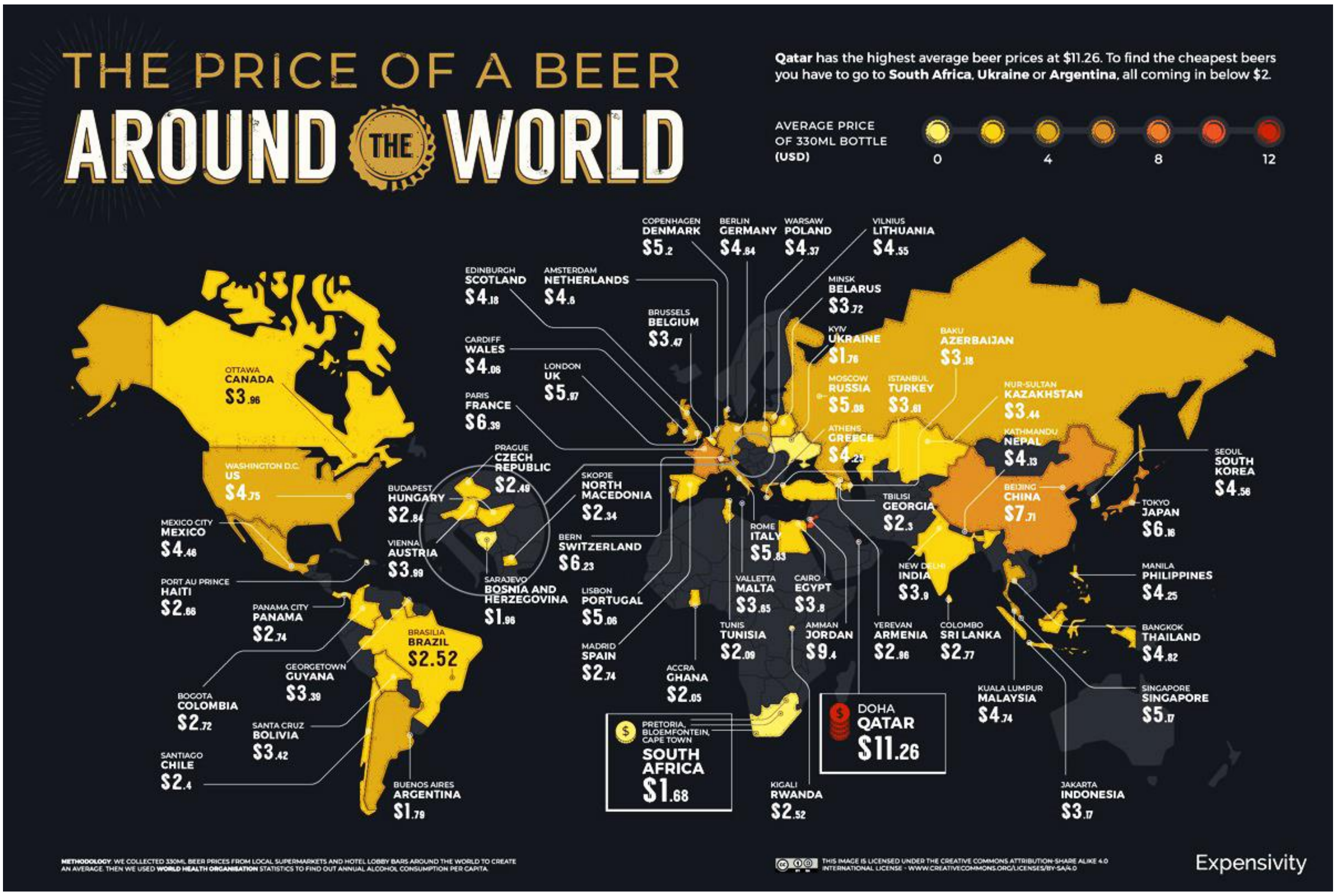
According to some reports, the global consumption levels of beer have reached a tipping point, but consumption patterns vary by region. North America, as well as other traditional beer markets, have generally observed little growth. Political factors have not helped the sales of beer in the US, which is the second largest beer market in the world after China. The US and China trade-war (see US–China trade war) first materialised when Trump placed tariffs on aluminium in 2018, which has not helped the growth of the beer industry in the USA. For instance, although 98 per cent of aluminium cans used in the USA were produced domestically, the materials used to make aluminium were actually purchased from other countries.

Developing markets have experienced relatively healthy rates of growth in beer consumption during specific periods in the past. For instance, Latin America, which accounts for 17 per cent of the world beer market, saw demand grow at an annual rate of 1.2 per cent from 2011 to 2016. Mexico plays an important role in the growth of the industry in Latin America and it experienced a significant average annual growth rate of 3.4 per cent. It is important to note that beer prices dramatically vary around the world, with cheaper regions generally demonstrating higher levels of industry growth. In 2021, the cheapest place to purchase beer was in South Africa, Ukraine and Argentina (below $2). In contrast, the most expensive place to buy a pint of beer was Qatar at a cost of a staggering $11.26.

[1] Sources: Anheuser-Busch InBev, Annual Report, 2008, 2018; https://www.visualcapitalist.com/mapping-price-of-beer-around-world/; https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-perfect-storm-brewing-in-the-global-beer-business; https://www.jpmorgan.com/global/research/beer-market.

Case/Material taken from the book of Collinson et al 2024

The price of a beer around the world, 2021[2]



The rise of craft beer

Although consumers can purchase beer from various regions of the world, the industry is rather locally oriented. Beer is bulky and inevitably rather expensive to export. Given this, foreign producers often license their brand name products to local producers to gain a presence in different localities. In addition, imports of alcoholic beverages are traditionally subject to heavy taxation.

[2] The page shows the title on the top left the price of a beer around the world. The text on the top right of the page reads Qatar has the highest average beer prices at 11.26. dollars. To find the cheapest beers you have to go to South Africa, Ukraine or Argentina, all coming on below 2 dollars. Below the text, a scale labelled average price of 330-millilitre bottle (in U S dollars) is present. The scale ranges from 0 to 12 in increments of 4 units and with 7 circles with different colours. The price of beer for different countries are as follows: Ottawa, Canada: 3.96 dollars Washington D.C, United States: 4.75 dollars Mexico City, Mexico: 4.46 dollars Port AU Prince, Haiti: 2.66 dollars Panama City, Panama: 2.74 dollars Bocota, Colombia: 2.72 dollars Georgetown, Guyana: 3.39 dollars Santa Cruz, Bolivia: 3.42 dollars Santiago, Chile: 2.4 dollars Budapest, Hungary: 2.84 dollars Vienna, Austria: 3.99 dollars Brasilia, Brazil: 2.52 dollars Buenos Aires, Argentina: 1.79 dollars Edinburgh, Scotland: 4.18 dollars Paris, France: 6.39 dollars Prague, Czech Republic: 2.49 dollars Sarajevo, Bosnia and Herzegovina: 1.96 dollars Amsterdam, Netherlands: 4.6 dollars London, U K: 5.97 dollars Skopje, North Macedonia: 2.34 dollars Bern, Switzerland: 6.23 dollars Lisbon, Portugal: 5.06 dollars Madrid, Spain: 2.74 dollars Pretoria, Bloemfontein, Cape Town, South Africa: 1.68 dollars Copenhagen, Denmark: 5.2 dollars Brussels, Belgium: 3.47 dollars Accra, Ghana: 2.05 dollars Berlin, Germany: 4.64 dollars Tunis, Tunisia: 2.09 dollars Rome, Italy: 5.83 dollars Valleta, Malta: 3.65 dollars Warsaw, Poland: 4.37 dollars Vilnius, Lithuania: 4.55 dollars Minsk, Belarus: 3.72 dollars Kyiv, Ukraine: 1.76 dollars Moscow, Russia: 5.08 dollars Athens, Greece: 4.25 dollars Cairo, Egypt: 3.8 dollars Amman, Jordan: 9.4 dollars Doha, Qatar: 11.26 dollars Kigali, Rwanda: 2.52 dollars Istanbul, Turkey: 3.61 dollars Tbilisi, Georgia: 2.3 dollars New Delhi, India: 3.9 dollars Yerevan, Armenia: 2.86 dollars Baku, Azerbaijan: 3.18 dollars Colombo, Srilanka: 2.77 dollars Nur-Sultan, Kazakhstan: 3.44 dollars Kathmandu, Nepal: 4.13 dollars Beijing, China: 7.71 dollars Kualalumpur, Malaysia: 4.74 dollars Seoul, South Korea: 4.56 dollars Tokyo, Japan: 6.16 dollars Manila, Philippines: 4.25 dollars Bangkok, Thailand: 4.82 dollars Singapore, Singapore: 5.17 dollars Jakarta, Indonesia: 3.17 dollars.
https://www.visualcapitalist.com/how-much-does-a-beer-cost-in-your-country/

Craft, import and super premium segments accounted for 20.6 per cent of the beer market in 2005, but this grew to 35.1 per cent in 2015. Importantly, in these profitable sectors, economies of scale are seen to less important than innovation, explaining how these niche organisations are able compete successfully. The rise of these premium beer segments was also a global trend. For instance, in Europe from 2007 to 2012, Italy, Czech Republic, Spain and France witnessed eight, five, four and three times more new beer products on retailers' shelves. The UK beer market was slower to adapt to this trend, but from 2013–14 British retailers doubled the beer products on their shelves. Germany, home of the oldest active brewery, was also slow to adopt craft, import and super premium beer. This is because of Germany's 'Deutsches Reinheitsgebot', commonly known as the 'purity law'. Drafted in 1516, the purity law states that beer is only permitted to contain four ingredients, namely: malted barley, hops, water and yeast. However, similar to the UK, 2014 was an important year as beer consumers in Germany seemed to embrace products by several US craft beer makers and started to experiment with home-grown innovative products of their own.

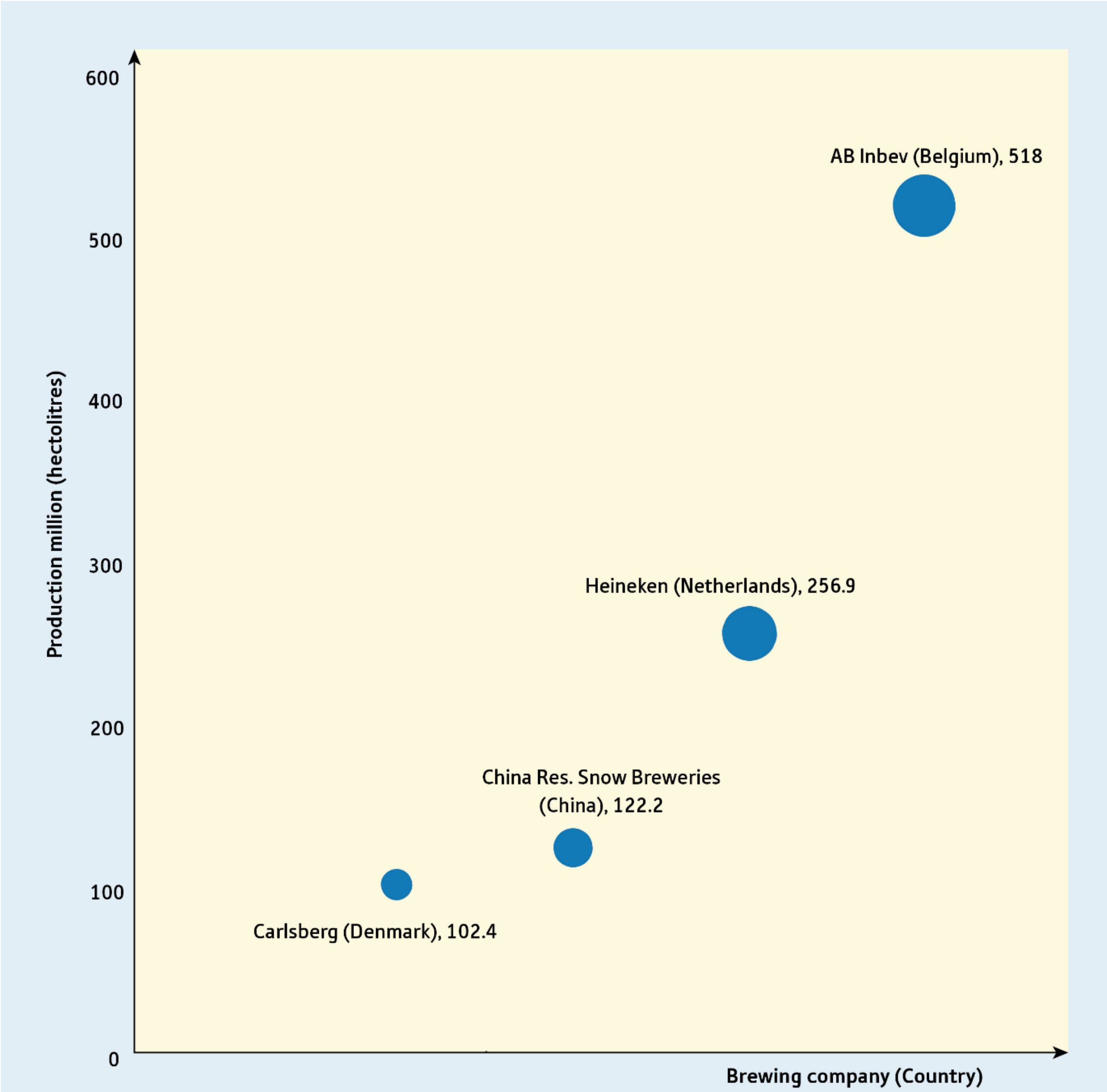
More recently, competitive pressures and higher materials costs have affected the craft and super premium segments globally. These trends have partly resulted in a resurgence of the largest global brewers, exploiting huge economies of scale to reduce input costs and further undercut the specialist craft houses.

Largest brewers

In 2008, Belgium-based InBev acquired Anheuser-Busch for $52 billion in equity. This acquisition created the world's largest beer company, namely, Anheuser-Busch InBev (ABI). With over 200 beer brands the giant has an extensive portfolio of products. Some of these brands include Budweiser, Stella Artois, Beck's, Leffe, Bud Light and Skol. ABI has consecutively held the title of the largest brewer in the world, with its closest rival Heineken producing less than half of ABI's beer output. In 2022, ABI's total sales were worth $74.8 billion, of which North America generates the highest amount of sales ($16.6 billion in 2022). ABI's Middle Americas region generated the second revenue ($14.2 billion in 2022). In terms of volume, the top five brewers acquired a market share of over 50 per cent around the world in 2022.

In conclusion, the global beer industry is generally experiencing a reduction in consumer demand, an increase in competition and tougher conditions for those seeking to enter the market. Generally, industry growth in developed economies has stagnated or declined, whereas growth in developing countries has been more positive. Although there have been some exceptional performers within the beer segment, namely craft beers, this has worked against the interests of large international brands who exploit economies of scale from more standardised global products, branding and marketing to achieve lower prices. Although the beer industry is rather saturated, given low levels of growth and considering the rise of craft beer, within the next few years it would not be surprising if the top brewers place a greater emphasis on acquiring more local providers, in turn consolidating the industry.

The world's leading 10 brewing groups in 2022, based on production volume (in million hectoliters)



Source: https://www.statista.com/statistics/227197/leading-10-brewing-groups-worldwide-based-on-production-volume[3]

[3] The vertical axis is labelled company (country) and has the following markings from top to bottom: A B InBev (Belgium), Heineken (Netherlands), China Res. Snow Breweries (China), Carlsberg (Denmark), Molson-Coors- (United States slash Canada), Tsingtao Brewery Group (China), Asahi (Japan), B G I slash Groupe Castel (France), Yanjing (China), and Efes Group (Turkey). The horizontal axis is labelled production volume in million hectoliters and ranges from 0 to 600 in increments of 100 units. The data for the 10 bars are as follows: A B InBev (Belgium): 518. Heineken (Netherlands): 256.9. China Res. Snow Breweries (China): 122.2. Carlsberg (Denmark): 102.4. Molson-Coors- (United States slash Canada): 82.3. Tsingtao Brewery Group (China): 79.6. Asahi (Japan): 59.3. B G I slash Groupe Castel (France): 43.7. Yanjing (China): 37.7. Efes Group (Turkey): 34. Note: All numerical values are approximated.

Questions for discussion

1. Discuss whether the beer industry is growing or declining.
2. Is the production and distribution of beer nationally responsive?
3. If beer is mainly local, why are there mergers and acquisitions of beer companies?
4. In the integration/responsiveness matrix, where would you position the world's largest brand-name beer companies and why?

Answer

1. Discuss whether the beer industry is growing or declining.

Global consumption levels of beer have reached a tipping point, but consumption patterns vary by region. North America, as well as other traditional beer markets, have generally observed little growth. In comparison, developing markets have experienced relatively healthy rates of growth in beer consumption. For instance, Latin America, which accounts for 17 per cent of the world beer market, saw demand grow at an annual rate of 1.2 per cent from 2011 to 2016. Mexico plays an important role in the growth of the industry in Latin America and it experienced a significant average annual growth rate of 3.4 per cent. It is important to note that beer prices dramatically vary around the world with cheaper regions generally demonstrating higher levels of industry growth. Moreover, competitive pressure has increased dramatically in the craft and super premium segments, which is a sector in the industry that has experienced strong growth. More specifically, craft, import and super premium segments accounted for 20.6 per cent of the beer market in 2005, but this grew to 35.1 per cent in 2015.

2. Is the production and distribution of beer nationally responsive?

The production and distribution of beer is nationally responsive in that it is generally done in the area in which the beer will be marketed and consumed. This production and distribution might be affected by government regulations regarding employment, health and safety, alcohol content and the environment. In addition, differences in transportation modes and customer habits (for instance, are customers more likely to drink beer at restaurants, bars, or at home?) force beer manufacturers and distributors to be nationally responsive. Not surprisingly, most foreign beers are not exported into local markets but are instead produced under license by manufacturers that are familiar with the local environment. A few designer beers (high-end beers that have been developed into global brands), however, are not nationally responsive and tend to be homogeneous across the world.

3. If beer is mainly local, why are there mergers and acquisitions of beer companies?

Since beer is mainly local, beer companies seeking to expand internationally must depend on purchasing local breweries with an established local clientele. The acquiring company can then assume management of the local operation and use it to market its domestic beers.

4. In the integration/responsiveness matrix, where would you position the world's largest brand-name beer companies and why?

Anheuser-Busch and Heineken are located in quadrant one, where there is high economic integration of a homogeneous product but very low national responsiveness. InBev's acquisition of Labatt has positioned the company in quadrant 2, where there is low economic integration and low national responsiveness (these are different product offerings, not adapted products).