

Brewers behaving foolishly

The recent advertising brawl between Anheuser-Busch and Miller may be the inevitable by-product of a maturing beverage duopoly. Just as Coke and Pepsi once faced off ad nauseum, it seems we are condemned to a ringside seat as Anheuser-Busch and Miller trade barbs, and taste-tests, until consumers are thoroughly bored with it all.

If one is to descend to the level of the schoolyard, then it is true that SABMiller “started it,” when they ran TV spots encouraging consumers to ditch their fusty old Budweisers. If this seemed unstatesmanlike, beer ads have never been the province of statesmen.

Actually, SABMiller’s ads had seemed to be improving notch by notch over the past year. (However, we recently learned that A-B moles in Milwaukee have managed to rehire the geniuses who created the “Dick” campaign. They will soon to be working their magic on the Milwaukee’s Best franchise).

In fact, SABMiller’s decision to attack Budweiser may end up making the rehiring of the “Dick” authors look genius by comparison. Better to take the training wheels off before taking on the beer industry’s premier advertiser.

But the internecine sniping cannot conceal deeper problems. Namely, that beer sales should be going up smartly, but consumers are being siphoned off by other beverages.

Interestingly, it was Norman Adami of SABMiller who recently pointed out that consumers are in danger of becoming bored.

Is beer boring? No, it is not. But many of the mainstream brands are on the cusp. There are brands that need reinventing, and brands that could use reformulating. There are brands that could use some flavor.

Mass market U.S. beers have gradually evolved into very “drinkable” but often flavorless products. There are exceptions. The Coors products are light as can be, but still have a crisp maltiness. And you can have product innovation and low bitterness, as the success of Michelob Ultra proves (Ultra has roughly 3 IBUs).

The A-B/SABMiller ad brawl brings focus to an essential problem. Advertising has been the battleground for the top US brewers, allowing them to bludgeon their second-tier rivals into submission, but this came at a price. The top brewers have too often substituted advertising for real product innovation.

Imported beers have seized 11.5% of the market in the past decade by providing real beer brands that consumers identify with.

Craft beer is stuck at 3% share, but small brewers crank out more innovative beers in any given year than mainstream brewers have managed in the past decade.

Lately, beer execs have been bemoaning the impact of spirits and flavored malt beverages (FMBs). This is odd, because the big brewers have been their enablers. When beer becomes too light-bodied and flavorless, it is one easy step to an FMB. And these FMBs, many of them made by brewers, are brand extensions of the same spirits brands that are now doing so well.

Historians may one day identify FMBs as a Trojan Horse, built by distillers, and rolled within the brewery walls by a gullible and volume-hungry beer industry.

Imports and craft brews hold almost 15% of the U.S. beer market, a share that is based on innovation and differentiation in branding. Such innovation is less common among the big brewers that control the other 75% of the market, but necessary if they are to avoid committing the sin noted by Mr. Adami—boring the consumer.

The Miller/A-B advertising brawl is just a sideshow, but this kind of strife does not bespeak a healthy industry environment. It tears down brands that are pillars of the industry, while generating little productive energy.

As one industry observer noted as he watched the A-B/Miller skirmish unfold: “All the major brewers are now in dire need of adult supervision.”

One of the great elder statesmen of this industry, Henry King, comes to mind. Henry, the former head of the long defunct United States Brewers’ Association, is now gravely ill. But he was the adult who used to ride herd over fractious brewers, companies whose competitive instincts often drove themselves to cut their own throats. Men like Henry King are hard to find, but the beer industry needs them now more than ever.

Peter V. K. Reed