



A COMING BEER BOOM?

IN 2016 THE MERGER BETWEEN TWO GLOBAL GIANTS DOMINATED THE CONVERSATION IN THE BEER INDUSTRY.

To the casual observer, at least in North America, the purchase of SABMiller by Anheuser-Busch InBev would seem to reflect a consolidation of almost every familiar name among the brands people see on the shelf every day.

But (as events have since made clear) that same casual observer might not have anticipated one of ABI's most important objectives in pursuing the merger: a way to rebalance their portfolio toward the rapidly growing beer markets of Latin America, Africa, and Asia, and away from North America – where the beer category is well-developed but stagnant. The sell-off of North American assets mandated by the courts was neither unanticipated nor, in all likelihood, a cause of any particular unhappiness at ABI.

The seemingly unpromising situation for beer in North America is not simply the result of a market reaching maturity. The total beverage alcohol market continues to grow; it's just that beer has been losing share.

Beer's estimated share of total alcoholic drinks consumed in the United States peaked at 61% in 1998; as of 2016 it stood at 50%.

Of course viewing North American beer in the aggregate obscures some powerful dynamics happening within the category, most notably the continued vitality of craft beer and the renewed interest in imports. While the Brewers Association reports that overall beer sales in the United States extended their long flat trend in 2015 with a decline of 0.2%, craft grew 12.8% and imports grew 6.2%. This means that domestic mainstream beer declined 3.4%.

Since domestic mainstream still represents over 80% of U.S. beer sales, weakness in this segment amounts to weakness in the entire beer category. Even importers and craft brewers must be concerned about this, since eventually it will become difficult to grow by competing for a bigger slice of a shrinking pie. Those of us who care about beer as both a beverage and as the cultural institution it is must acknowledge that a vital North American beer industry requires vitality in all its segments.

What in fact are the prospects for growth in the North American beer market overall? And what, if anything, can be done to encourage that potential growth?

To begin to answer those questions, we have to look at the root causes of the current situation. And it seems a key cause may be a problem with the collective image and personality of the whole beer category.

As the culture changes, brands often find themselves with a dilemma.

The themes in their marketing and their brand presentation that resonated so powerfully over the decades may not be as relevant as they once were. Yet changing too quickly or too overtly might alienate existing drinkers. This may be a good description of the situation in which mainstream beer brands have found themselves over the past two decades. Today, wine or spirits drinkers on the fringe of the category are certainly aware of craft beer, however, when they think about beer their first and most vivid impressions are still largely shaped by their images of mainstream beers such as Budweiser, Miller, and Coors in the U.S., or Molson and Labatt's in Canada.

And what is the enduring image of beer? It's always been seen to one extent or another as an unpretentious, no-nonsense drink to be enjoyed by any adult, an alternative to wine and spirits and their images of greater sophistication and, to some extent, exclusivity. The American culture of the 1970s and 1980s embraced the egalitarian image of beer.

But every element of imagery can be framed as a positive or a negative, and as the culture began to change in the 1990s the staple elements of beer's image began to be seen through a negative lens. "Unpretentious" seemingly mutated into "unsophisticated." Beer's ubiquity, rather than an advantage, started to be seen as an indication that it wasn't special enough.

Meanwhile, wine and spirits brands stepped up to fill the void. The premiumization trend of the 1990s found growing numbers of drinkers happy to buy wine and spirits brands at price points that had once been seen as deal-breakers. And the marketing for many of these brands presented aspirational imagery, a Hero much more so than an Everyman. The culture was ready to embrace aspiration, and the drinker's brand of choice often served as a badge of that aspiration. It's no coincidence that the most successful beer advertising campaign of the 21st century, Dos Equis' "The Most Interesting Man in the World," presented unabashedly Heroic imagery.

So mainstream beer brands were often left in a quandary – attempt to evolve in ways that could strain drinker credibility and drinker loyalty, or stay the same and watch their pool of brand enthusiasts slowly shrink.

Most mainstream brands not only chose the latter course, they reaffirmed their commitment to unpretentious, Everyman values. In more than a few cases it could be argued that they even overcompensated, with sophomoric humor and "frat guy" attitudes that gave even more credence to the notion that beer was just too unsophisticated for many.

For any individual brand that chose this course, this is certainly a viable strategy and therefore not a decision that outsiders can criticize. However, when essentially the entire mainstream beer category marched more or less in lockstep down this path, the results were somewhat predictable. Today, mainstream brands are still passionately embraced by their drinker bases. But those drinker bases are shrinking, while a seemingly still-expanding group looks at beer and sees not lack of pretense but lack of sophistication; not Everyman values, but mundane values.



When discussing cultural change the metaphor of a pendulum is certainly over-used, but it has its uses. Some cultural trends do swing back and forth.

For example, the beverage alcohol landscape had been very different in the 1950s, when the Silent Generation was still in their 20s and 30s. Cocktails were the cool choice, based in part on their association with the Rat Pack – Frank Sinatra, Dean Martin, et al. Sophistication, not unpretentiousness, was the aim for most drinkers.

Then in the 1960s, fueled by the coming of age of the Baby Boom generation, beer began a long run of strong growth, attracting the lion's share of new drinkers but also stealing share from spirits and wine in the process. Working-class values were embraced by young adults of all social classes, and products associated with the working class (like beer, or jeans) became seen as cool. And while Generation X was very different from the Baby Boom generation in many ways, they did share an affinity for the unpretentiousness of beer, sustaining the growth of the category at the expense of wine and spirits well into the 1990s, until the Millennial Generation started taking their turn on the young adult stage.

But “Millennial” no longer connotes “newly adult.” Depending on which source used, the oldest Millennials are now almost 38 years old. Generational cycles tend to last 15-20 years. A new, post-Millennial Generation[1] is about to take the adult stage, and they may well be as different from Millennials as Millennials were from the Gen Xers who preceded them.

But here's one thing we know for sure: the post-Millennials have never known a beer market in which craft beer wasn't thriving. Craft beer began its current long boom in 2004, when the oldest post-Millennials were toddlers. Going forward, as craft continues to take share from mainstream beer (and even from spirits and wine), the meaning of beer will be shaped by craft beer far more so than by mainstream beer, despite the enormous advertising budgets wielded by the latter.



Oddly enough, this may ultimately be a good thing for big beer brands. Those wine and spirits drinkers on the fringes of the beer category will start to see all beer through the lens of craft. “Beer” may well begin to connote a beverage that’s sophisticated without being pretentious, and broadly appealing without being boring. In fact, the much-discussed idea that we should stop dividing beer into “craft” and “mainstream” will more than likely happen as a bottom-up, drinker-led trend rather than a top-down, brewer-led initiative.

So, assuming this line of reasoning has some validity, what can individual brewers do to encourage this potential beer boom?

For craft brewers, the current message is right, but those who are able should consider doing more to ensure it’s heard far and wide. Is more television advertising in craft’s future? Television is often seen as anathema to craft’s authentic, independent image, but if done well TV ads can definitely reinforce that image. Efforts from Samuel Adams and Fat Tire and more recently Goose Island are prime examples. But there are many other ways, less expensive and perhaps more suited to craft’s sensibilities, to get the word out.

For big brewers, to borrow from the Hippocratic Oath: first, do no harm. An individual brand can be as relentlessly unpretentious as it chooses as long as it doesn’t veer into unsophisticated territory. But brands choosing this option should be as tough on themselves as possible when it comes to deciding where that borderline lies.

All of this reasoning may be pie in the sky, or it may represent a valid path forward for beer’s role in North American alcoholic beverage culture. But there are parallels to what the spirits and wine industries accomplished in the 1990s, which ultimately led to a renaissance for both that was bigger than any individual brand. Why not envision a future for the alcoholic beverage category in which beer, wine, and spirits are all thriving?

[1] Generations seldom develop a widely accepted name until they’ve been around for a few years. At this point, the post-Millennials have gone by names such as Generation We, Pluralists, or Centennials. One of these, or maybe a completely different moniker, will likely become part of the vernacular in the coming decade.