

You are invited to a presentation by Jay Gokhale

Date: Friday, January 13, 2012

Time: 2:30 PM

Location: Conference Room (Ballard 310)

Competition and Price Wars in the U.S. Brewing Industry

Abstract: The behavior of the macro or mass-producing segment of the U.S. brewing industry appears to be paradoxical. Since Prohibition, the number of independent brewers has continuously declined while the major national brewers such as Anheuser-Busch, Miller, and Coors gained market share. In spite of this decline in the number of competitors, profits and market power remained low in brewing. Iwasaki et al. (2008) explain this result by providing evidence that changes in marketing and production technologies favored larger brewers and forced the industry into a war of attrition where only a handful of firms were destined to survive. This led to fierce price and other forms of competition, especially from the 1970s through the early 1990s. In the last 16 years, the war appears to have subsided. Thus, the purpose of this study is to determine whether price competition has diminished since the mid 1990s. We find weak evidence that competition has diminished but not enough to substantially increase market power.