

ACCOUNTING in the headlines

How does shifting the sales mix from Budweiser macrobrew beer to Elysian and other craft beers affect Anheuser-Busch's break even sales volume?

Overall, there is flat demand in the beer industry. Anheuser-Busch InBev (NYSE: [BUD](#)), based in Leuven, Belgium, is pursuing a "premiumization" strategy in the alcohol market to more aggressively market higher-priced brands. It is working to expand its sales of regional and national craft brands, including Shock Top and Goose Island. It is also acquiring smaller craft beer brewers, such as Elysian Brewing Co. and 10 Barrel.

In January 2015, Anheuser-Busch announced it was buying the Elysian Brewing Co, which is based in Seattle. Elysian is a small craft brewer that has created popular beers such as Immortal, Loser, Dragonstooth, and Great Pumpkin.

The prices for a good craft beer are almost invariably higher than the prices of a mainstream macrobrew. For example, a 12-pack of Budweiser can cost \$8.99, while a 6-pack of Elysian The Immortal IPA was recently spotted for \$12.99. While more costly ingredients account for some of the higher prices of craft beers, some of the higher sales price is due to marketing.

Questions

1. Assume that Anheiser Busch sales revenue remains flat during 2015, yet its profits increase. How might this be possible, given Anheiser Busch's premiumization strategy?
2. Assume that the Elysian beer has a higher contribution margin than Budweiser. If Anheiser Busch sells more Elysian beer due to customers switching from its Budweiser brand, what is likely to happen to Anheiser Busch's break even sales volume? Will the replacement of the Budweiser beer sales with the Elysian beer increase or decrease the sales volume needed to achieve break even?
3. Is the trend towards smaller craft beers a positive trend for Anheiser-Busch? Explain your reasoning.