While it is often said of a book that it has been a long time in coming, this is never more true than for this one; ours has in fact been in the pipeline for about a decade. At various times we have commented on the heady dealmaking that has been the dominant feature of the globalisation of the brewing industry, but have ultimately always refrained from publishing our thoughts. We feared that the window of opportunity for our book to make its appearance between two mega-deals would be brief. In fact, we had to wait until the endgame in the globalisation of the brewing industry, which was heralded in 2015 when the world's number one brewer, AB-InBev, made an offer for the world's number two, SABMiller.

With the disappearance of SABMiller the era of globalisation will be nearly over, simply because there are hardly any blank spots left in the world of beer where a heavyweight beer champion has not made its mark. All the major brewing companies appear to have settled into their seats, namely their dominant positions in their respective markets around the world.

Obviously, dealmaking in the brewing industry will continue as the spade of high-profile craft beer acquisitions in 2015 underlines. However, we forecast that on the global scene there will be a bit of a lull, which we hope will be long enough to prevent our observations from being overtaken by major events in the immediate future.

This book is called *The Beer Monopoly* in acknowledgement of Germain Hansmaennel's theory of the Beer World Monopoly which argues that there are certain analogies between the well-known Monopoly board game and the globalisation of the brewing industry. Whoever buys certain streets (i.e. gains market dominance in certain markets), and whoever builds hotels (i.e. brands) has the best chance of erecting an empire which spans the globe.

Being an expert Monopoly player, he confidently predicted in 2006 that the globalisation of the brewing industry had reached the semi-finals and that we would next witness several mega-mergers. Two leading trans-continental groups – InBev (the precursor of AB-InBev) and SABMiller – would be fighting over the lead position. As he said: 'US brewer Anheuser-Busch, as well as the European brewers Heineken, Carlsberg and Scottish & Newcastle, are lagging behind by a large margin because they have stuck to their original markets. I am sure that SABMiller will be a finalist because the South Africans have grasped the rules of the game sooner than their competitors. … The other finalist will be the brewer who takes over Anheuser-Busch – InBev or Heineken. Without a large-scale takeover, no single brewer can obtain critical mass in the beer business worldwide which is in excess of 20 percent of the global market share. … On the other hand, there is also the possibility that the CEOs of SABMiller and InBev will agree to merge their companies. In this case there will be no final match but a friendly game of InBev/SABMiller against the rest of the world.'[1] His prognosis proved astute. In 2008 InBev bought the US brewer Anheuser-Busch and set its eyes on acquiring SABMiller.

By calling our book *The Beer Monopoly* we advance the argument that it was through dealmaking and by following the roadmap outlined in Mr Hansmaennel's model that several groups became global players. As these costly acquisitions needed outside financing, the globalisation of the brewing industry fundamentally revolved around money. After each deal brewers had to deliver, meaning they had to produce consistent, dramatic upsurges in profitability.

Of course, there were rival models, such as the often-extolled tactic that brewers need to buy into politically stable markets with low per-capita beer consumption, a youthful population, growing GDP and few competitors, and they would reap the benefits of rising beer consumption.[2] But, in our opinion, this only applies to emerging markets and cannot explain why brewers in mature markets with flat or even declining beer consumption became takeover targets too.

While Mr Hansmaennel's strategy model lies at the heart of our analyses, it was only a means to an end: empire building. Our slogan, 'buy and build', captures the essence of globalisation. It proved a quicker and more profitable route to empires than the old strategy of 'build and brew' (also known as the Heineken Model), which characterised the previous era of internationalisation, and which in turn had superseded beer exports. The term 'build' appears in both, but its meaning has changed. When going 'international' brewers literally built a brewery and started selling locally produced beer. When going 'global' their goal was to build empires, with one takeover being the precondition for the next. It was SABMiller's late CEO Graham Mackay who pointed out that transactions needed to create ‘more value’ than merely demonstrating 1+1=2. Our formula for dealmaking, 1+1=3, reflects this principle. Sizeable profit growth was the main trajectory as the whole ‘buy and build’ process followed a deeper rationale, whereby successful deals would help fund the next transaction. It was through taking on and paying down debt that brewers turned themselves into global groups and reliable debtors, thus making their investors very happy indeed.

The rapid globalisation of the brewing industry from the 1990s onwards benefitted from two external factors: politics and finance capital. It was the liberalisation of markets and a world awash with money that helped kick-start the takeover frenzy. What helped too was an industry-specific feature: precisely demarcated territories. Unlike other industries, for example soft drinks and spirits, which revolve around brands, the brewing industry tended to deal in national markets, each with their own players, dominant brands and beer styles, which were the manifestations of their respective beer cultures. This particular feature played into the hands of acquisitive brewers. If they bought the leading brewer in a country, they controlled that market.

Our analyses of the top four global brewers are preceded by a chapter which looks in some detail at dealmaking in the brewing industry since the early 1990s. As there are, and have been, many players in Beer Monopoly, we have included a useful reference list of them at the back of the book. In this chapter we will explain the principles of Mr Hansmaennel’s empirical model in contrast with the

Monopoly board game. The differences are significant, most evidently when it comes to winning. The board game only has one winner, whereas the Beer Monopoly has several – meaning several empires. There were also different ways to play Beer Monopoly successfully. You could play it to become number two worldwide or to realise a lucrative sale. You could even play it so that you stalled a rival.

Globalisation began in earnest when brewers did trans-continental deals. The first such deal was Belgium's brewer Interbrew buying the Canadian brewer Labatt in 1995. This transaction marks the game-changer, although export-driven strategies persist to this day.

In the end, though, dealmaking proved a faster path to profit growth than any hike in beer sales could have accomplished. In 1990, US brewer Anheuser-Busch was the world's major brewer, although focused on its home turf, with an output of 108 million hl beer and a profit of \$2.1 billion. In 2015, AB-InBev's volume was almost four times larger (410 million hl beer), yet its profit eight times bigger (\$16.8 billion), which goes to show that raw size (Anheuser-Busch in the 1990s) is not the same as global clout … or longevity, for that matter.

For investors the growth in the financial numbers alone has been enough to give brewers the thumbs up. By following the beer drinkers and buying into profitable markets, both mature and emerging, brewers managed to grow their bottom lines and succeeded in driving up their share prices. This is reflected in their market capitalisations – the total dollar market value of all of a company's outstanding shares. In 1990 Anheuser-Busch's