Strategic Non-entry

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Mapa (da Apresentação / Outline):

- 0) Agradecimentos, background e disclaimers (L&E, PI, WIP, PNUD, CADE...)
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- 1) Visão geral do tema
- 2) Revisão da literatura
- 3) Modelo
- 4) Implicações

A não-entrada estratégica: visão geral

- "É um modelo teórico sobre empresas que deixam de entrar em mercados para ter facilitada a aprovação de um ato de concentração *a posteriori*, no qual compram a empresa incumbente."

- Ideia simples...
- Implicação simples: contra-factual...

(Análise) Dinâmica

- Empresa A deixa de entrar no mercado de B para mais adiante poder comprar B.
  - Caso A entre no mercado de B em t = 1 não mais poderá comprar B (A autoridade antitruste no território de B não permitirá ou imporá muitas restrições a A+B).
- Empresa A poderia entrar no mercado de B em t = 1, essa entrada é lucrativa.
- Consumidores em B se beneficiariam da entrada de A no mercado de B => mais concorrência no mercado de B, menores preços, melhor qualidade, mais inovação.
- Empresa A não entra e consumidores pagam preço alto (qualidade baixa, pouca inovação) antes e depois.

Generalidade

- Falaremos de mercado geográfico, mas a *rationale* é idêntica para mercado de produto.
- Falaremos de monopoly substitution mas a *rationale* é a mesma para estruturas de mercado menos concentradas.
- Falaremos de fusão ou aquisição, mas a *rationale* é a mesma para incorporação, contrato associativo, *joint-venture*, consórcio.

Fatos estilizados

- Em muitos setores de bens de consumo observa-se poucos *players* e cada vez menos *players*.
  - Há muitas aquisições e pouca entrada.
- Estes poucos players globais costumam ter pouca sobreposição horizontal mundo afora.
- Estes setores não apresentam custo fixo tão elevado nem efeitos de aprendizado que impliquem em custo médio decrescente, característica de economias de escala.

Stylized facts

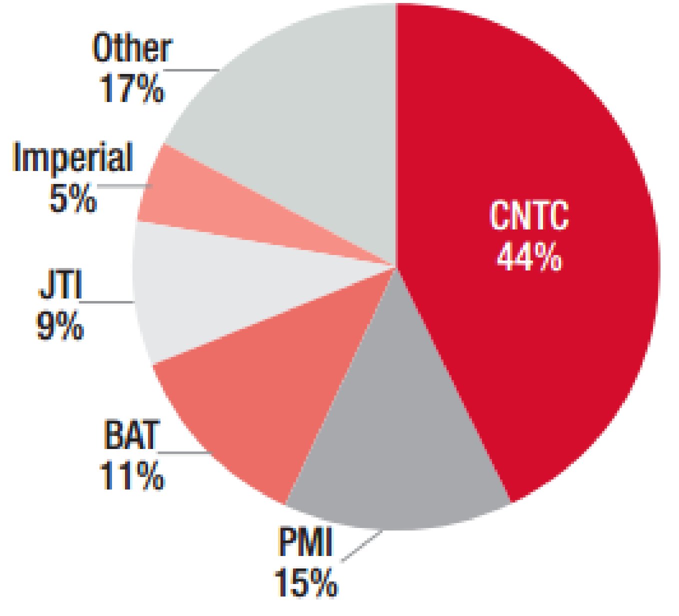
- According to Bloomberg, mergers and acquisitions reached a record number of nearly **4 trillion dollars in 2015**. **Consumer and retail companies** struck a record amount of deals that year, **totalling $457.5 billion**, the highest number in at least 12 years, remarkably in the following sectors:
- "The list of acquisitions this year sounds like the spread at a **barbecue**. The two biggest beer companies, Anheuser-Busch InBev NV and SABMiller Plc agreed to merge in an approximately $110 billion deal. Ketchup kingpin H.J. Heinz agreed to buy Oscar Mayer hot-dog maker Kraft Foods Group Inc. And in its biggest deal since 2007, Japan Tobacco Inc. bought the international rights to Reynolds American Inc.'s Natural American Spirit division for about $5 billion."
-
- One can not say those are the most competitive product markets in the world: **beer, brand food and cigarettes**. Neither that the **global players in these consistently compete against each other in the local markets**. Nor that concentration in those markets is justified by **high economies of scale (or scope) due to significant fixed costs or learning effects.**

Exemplo 1:

- Kraft e Heinz: “The proposed merger joins two firms that manufacture a wide variety of top selling processed foods, **but Kraft and Heinz do not produce many products that compete head-to-head**. **Unfortunately, federal antitrust authorities largely ignore these conglomerate mergers because of the lack of direct product rivalry**.” To give a striking example, the proposed merger will join Kraft’s Grey Poupon mustard and Heinz Ketchup.

Exemplo 2:

FIGURE 3. **TOBACCO COMPANY SHARES OF GLOBAL CIGARETTE MARKET, 2014**



Source: Euromonitor International, 2014

- The peculiar feature of this market is the geographical segmentation of China, where the worldwide largest single producer operates. However, it is a **state-run firm selling 99% of its production domestically**. If one drops the Chinese National Tobacco Corporation (CNTC) from the picture above, the world market concentration is much more striking. **The history of all those other players include a whole series of international acquisitions.**

- According to CTFK (2015), **Philip Morris International (PMI) has been absent the USA market since 2008.** We shall, however, focus on the **Japan Tobacco Inc. (JTI)** since it is the one involved in the most recent merging activity. JTI gained international expression in 1999 when it purchased the non-US operations of the multinational R.J. Reynolds for 7.8 billion USD. In 2007, it purchased for 9.4 billion GBP the producer Gallaher, a FTSE 100 business. JTI also recently **acquired a tobacco company in Sudan**. Finally, in 2015, JTI bought the international rights of Reynolds. According to some analysts, JTI's next target shall be the Imperial Tobacco Group Plc – a British company worth US$ 49,6 billions **highly present in Africa and Middle East, entering by acquisitions other important geographical regions.**

Exemplo 3:

- Cerveja:

Year	CR 5	CR 10
2000	25.4%	37.3%
2004	36.2%	48.0%
2009	46.3%	59.3%

Note. The two concentration measures indicate the market share of the 5 or 10 largest company in the world wide industry.
Source: Euromonitor International (2010).

Table 2: Regional market shares above 5% for leading breweries in 2000 and 2009

%	Asia	Eastern Europe	Middle East/Africa	Western Europe	Latin America	North America
10 leading breweries in 2000						
Anh-busch						45
Amr. Bevr.					30	
Heineken		7	8	11		
Inbrew		11		8		
Miller						18
S. African		11	35			
Coors						11
Modelo					14	
Asahi	8					
Kirin	7					
4 leading breweries in 2009						
A-B InBev	8	17		11	35	50
SABMiller		15	39		12	16
Heineken		17	18	17		
Carlsberg		25		11		

Source: Euromonitor International (2010).

Group net producer revenue	Reported Sept 2014 US$m	Net acquisitions and disposals US$m	Currency translation US$m	Organic growth US$m	**Reported Sept 2015 US$m**	Organic, constant currency growth %	Reported growth %
Latin America	2,874	-	(532)	222	**2,564**	8	(11)
Africa	3,592	-	(628)	336	**3,300**	9	(8)
Asia Pacific	2,154	-	(177)	88	**2,065**	4	(4)
Europe	2,713	8	(483)	(11)	**2,227**	-	(18)
North America	2,553	-	-	(23)	**2,530**	(1)	(1)
Retained operations	13,886	8	(1,820)	612	**12,686**	4	(9)
South Africa: Hotels and Gaming	116	(116)	-	-	**-**		
Total	14,002	(108)	(1,820)	612	**12,686**	4	(9)

- Source: SABMiller Financial Report 2016.

- Previously to the recently proposed merger to SABMiller (announced in November 2015), AB Inbev had no production plant operating nor brand being sold in Africa. On the other hand, SABMiller has had in Africa its number one continent in net revenues in recent years (table below). Moreover, according to AB Inbev projections, beer consumption in Africa should triple between 2014 and 2025. So, the question to be answered is: why hasn't AB Inbev entered the African continent?!

Revisão da literatura

- 1) Classic Industrial Organization (IO) topic: entry, and the deterrence strategies by an incumbent firm.

- 2) Boundary of Economics (IO) and Management: multinationals' decision on how to enter a new foreign market: through greenfield investment or through acquisition.

- 3) Models where one of those two decisions – entering or not and how to enter – are intertwined with the concerns of antitrust (merger) approval.

1) Entry deterrence

- Bain (1956) and Sylos-Labini (1962) and the follow-on literature challenging their crucial assumption: Salop (1979), Dixit (1980), Bernheim (1984) etc.
  - Entry would occur whenever there is a perspective of economic profit (as opposed to accounting profit), given the current behaviour of the incumbent firm(s).
- Dixit (1980): overinvestment in capital accumulation by the incumbent as a way to make it more cost-efficient (i.e. reduce its marginal cost), which induces the potential entrant to stay out of the market. **Such capital accumulation is not profitable *per se*, it becomes rational as an entry deterrence strategy.**
- Wilson (1992): remarkable review of the entry deterrence literature. He segments entry deterrence models into three categories: **preemption, signalling and predation**.
  - "the hallmark is commitment, in the form of **(usually costly) actions that irreversibly strengthen the incumbent's options to exclude competitors**".

- Bernheim (1984): the incumbents invest resources to raise each potential entrant's cost of entry, to the expense of the incumbents' *a priori* (or static) profitability.
- These practices "include: (1) lobbying for legislative barriers to entry; (2) advertising to establish brand name identification; (3) choosing a nonoptimal production technology which changes the nature of the duopoly solution; (4) innovating constantly to keep entrants far down the learning curve; (5) holding excess production capacity as a threat against entrants; and (6) practicing limit pricing".

- Gilbert (1989) reviews what he calls the four schools of thought when it comes to entry models, namely limit pricing, dynamic limit pricing, the theory of contestable markets and the market efficiency hypothesis. Still, the focus of all of them is **on "reactions of existing competitors to the threat of new competition".**

- Berger et al. (2004): interesting empirical paper on the effects of M&As on entry in the banking sector. Their rationale lies on the reduced competition after mergers leading to a better perspective of profits to potential entrants. They thus deal with a market where there are many players and entry happens kind of frequently, though even so it is not a quite competitive market: the banking sector. Our focus here is on a potentially competitive market – as the one for consumer goods as beer – which is monopolized locally due to the lack of entry. Berger et al. (2004) focus is similar to that of the theoretical literature mentioned: the reactions of existing competitors to the threat of new competition, or, said the opposite way, the analysis of entry incentives in response to some activity of the incumbent market participants.

- **Our focus in this paper is a different one: the lack of incentives to enter at an early date, independent of any action by the incumbent. In our paper, although entry is profitable, prospective profits can be higher by not entering the market than by entering (due to a future merger), while in this preemption literature not entering typically yields zero profit for the potential entrant.**

Entry Mode Decision

- This more recent branch of literature – on the boundary between Economics and Management – deals with firms' choices on **how to enter a new market: by acquisition or by investment from scratch (greenfield)**. The focus usually lies on multinationals' decision on how to enter a foreign market – which is the the focus of interest to us, too.
- Baldwin and Gorecki (1987) uses a comprehensive data base on Canadian firms to show that entry by merger is as important as entry by plant creation, **while mergers are concentrated in industries where entry barriers are high**. Mata and Portugal (2004) cite Baldwin (1995, chapter 11) to state that "**acquisition should be the preferred method of entry by foreign firms, since in this way the foreign firm does not add capacity to the market**. Consequently... **acquisition entrants should be larger than foreign greenfield entrants**...". According to the authors, this should be **more so in markets with strong scale economies and in those having higher concentration ratio** – leading to an easiness of collusion among incumbents and more to lose to incumbents.

- Gilbert and Newbery (1992) is namely **the first IO paper to propose a game to deal with the entry mode decision**. Its focus, however, is on **defensive tactics by the potential target of a takeover in a build-or-buy decision by a potential entrant.** Its rationale is the following: “by repelling a potential acquirer, the firm can direct the acquirer to another established firm and gain from the elimination of a potential competitor”. In our paper the decision modelled is the same – the build-or-buy decision – but there is no defensive tactic possible**: it is a potential entrant himself who prefers to postpone entry in order to become a potential acquirer whose takeover is acceptable to the national antitrust agency**.
- Harzing (2002) reviews the management literature on entry mode decision, which traditionally **credits transaction costs for firms’ entry mode decision**, but focuses on the international strategy of the multinational as the key determinant of the mode, understood as **the decision to be multi-domestic *versus* global**. Lee and Lieberman (2010) follows a similar track but credits **the relatedness between the new product and the firm’s primary business domain.** In our paper, we focus on the decision of an international player to enter or not a foreign market, its timing and how to do so, as an entrant or an acquirer.
- As seen, this branch of literature does not focus on **antitrust acceptance** of a proposed merger, but rather the **cost-effectiveness** of a chosen entry mode. The strategic non-entry we study is on the other hand tied to antitrust approval.

Strategic Non-entry

- The economic literature, when it comes to entry, has always focused on barriers to entry and preemption. In the usual preemption models, in the first stage the incumbent can make a move – such as to build excess capacity, or create a reputation or signal it is a tough player – indicating that entry will not be profitable.
- As such, on one hand, the theoretical models dealing with the interaction of an incumbent firm and a potential entrant focus on strategies to deter that entry. **The literature deals with the established firm's pre-entry decisions and its impacts on the potential entrant's incentives to effectively challenge the incumbent in its market. Our focus in this paper is sort of an opposite one: what if the potential entrant prefers not to enter the market despite no entry deterrence move by the incumbent?**
- This would be so because **of the antitrust authority's behaviour: a merger from a duopoly to a monopoly is blocked while a merger leading to a monopolist substitution is typically cleared.** To the best of our knowledge there is no theoretical economic model dealing with such economic issue.

- A potential entrant can deliberately decide to not enter a market as a rational strategy even though the incumbent makes no explicit or implicit move – named by Salop (1979) as strategic entry barriers and innocent entry barriers – to deter entry. **This potential entrant – a multinational – might neither benefit from scale economies nor be concerned about the total capacity available in its economic sector.**
- Rasmussen (1988) analyzes **what could be called strategic entry**, as opposed to the title of this paper. He studies the possibility of a firm entering an industry with the objective of being acquired subsequently, in an extension of the Dixit (1980) model. Such possibility can undermine an incumbent's effort of entry deterrence.
- In this paper, we are mainly interested in firms expanding their activity in the same product market towards different geographical markets. This is also the focus of Perez-Saiz (2015), who studies the U.S. cement industry, assuming it is a homogeneous product whose geographical market can be limited to a U.S state boundary, due namely to high transportation costs as compared to product prices. Therefore entry into a new state would require building a brand new cement plant or acquiring an existing one, **if the antitrust authority allows it**. Similarly, Wagner (1980), while studying the metal can market, also claims that "the reason for the multiplicity of plants is to be found in the **high ratio of transport to production costs**".

- This is precisely the sort of entry we have in mind in this paper, but also on an international scale. The following extract illustrates Wagner (1980)'s and our sort of market: "the cans tend to be made locally because of heavy transport costs despite potential production economies of scale. The maximum delivery distance for cans is usually under 100 miles. There is a small amount of foreign trade of a specialized kind such as aerosols, heavily decorated boxes and exports to underdeveloped countries; but imports and exports of cans accounts for under 4% of turnover in all three countries and are not significant in considering the organizational structure of the industry". We also aim **at sectors where import/export, if feasible, is residual, while entering a local market through foreign direct investment or a merger are more profitable options.**
- Deneffe and Wakker (1996) is a paper closer to ours, linking the entry mode decision to antitrust toughness. Although they deal with horizontal mergers, their results mainly focus on non-horizontal – or conglomerate – outcomes and the substitutability between buying a competitor or a firm in a non-related product market. The authors claim their results justify "the absence of the phenomenon of (horizontal) buyout following entry" as a rational firms' decision, even if horizontal mergers control were lenient. In their model, the two firms A and B initially operate in distinct product markets.
- **In this paper we focus exclusively on horizontal mergers i.e. we prefer to deal only with one product market (and several geographic markets), although the rationale is exactly the same for a potential merger of A and B in different product markets. We also assume a stringent horizontal mergers control, ruling out the possibility of a buyout following entry, which provides the *rationale* for the strategic non-entry.**

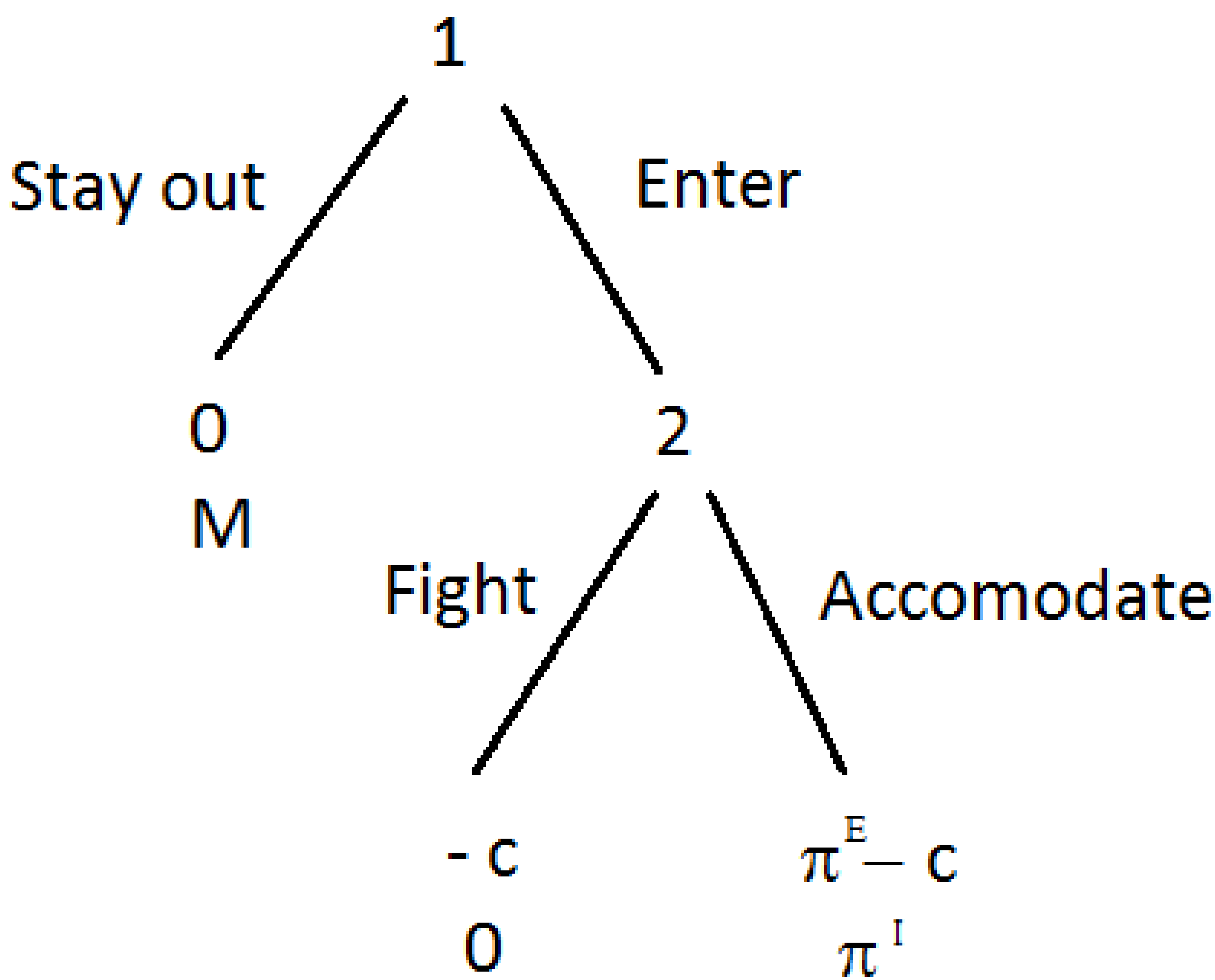
The Model

- Classic entry model:

- A complete and perfect information sequential game
  - A potential entrant has to decide in the first place if she enters or not a market.
  - An incumbent then decides if she fights or accomodates entry

- Entry = sunk cost c
- Fight = Bertrand

Classic Entry Model



Classic Entry Model

- No entry deterrence possibility by assumption.
- Violates the Bain-Sylos Postulate by assumption.
- (Enter, Accomodate) is the only SNPE.

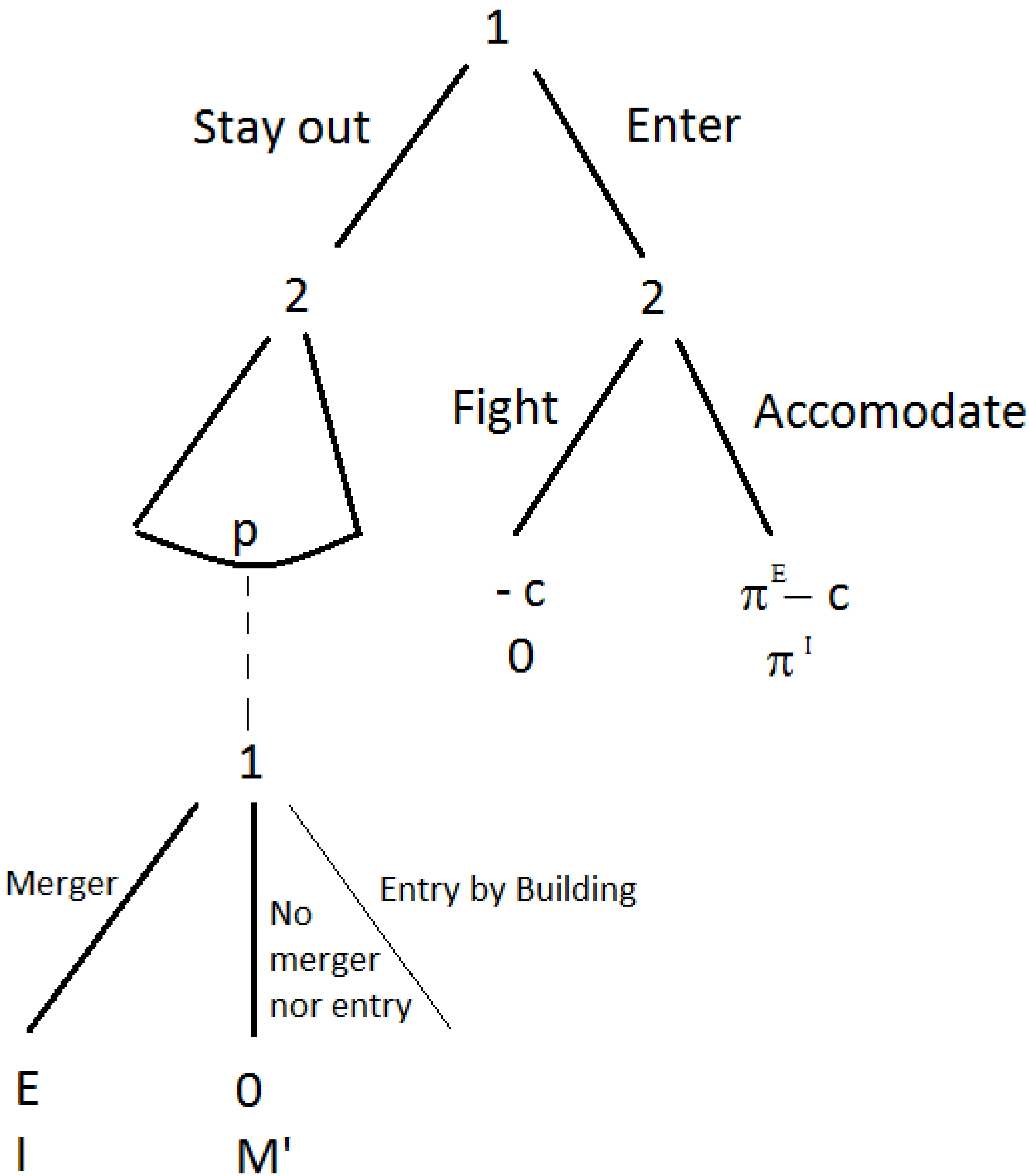
- The interesting feature is that the entrant knows monopoly pricing will not remain after entry, but also anticipates that fighting all the way to marginal pricing is not a best-response by the incumbent to entry.
- As such the potential entrant prefers to enter, as she anticipates the incumbent will accommodate entry and therefore leave positive profits to the entrant.
- There is, however, a crucial assumption in the above setting, which is that the outside option of staying out the market yields zero profit to the potential entrant. We should remember entry deterrence is left absent the model, contributing to make entry *a priori* profitable.

Strategic Non-entry Model

- 1st stage: The potential entrant (firm 1) decides to enter or to stay out of the market.
- 2nd stage: If there is entry, the incumbent (firm 2) has to decide to fight or to accommodate. If there is no entry, firm 2 remains the monopolist and prices accordingly, until firm 1 plays again in the game.
- 3rd stage: If there was no entry and firm 2 remained the monopolist, firm 1 chooses (after an elapse of time) to merge with firm 1 (entry by buying), to enter the market by building, or to neither merge nor enter from scratch.

- If entry occurs instead by buying, similarly to Gilbert and Newsbery (1992), the merging parties enter a **bargain** and their payoffs reflect the sharing of future profits due to the concentrated market structure. However, differently from their paper, here there is no possibility of subsequent entry here, capable of undermining the monopoly gains from entry by acquisition. The price agreed will reflect thus only the bargaining power of the parties and the pre-entry market structure. If there is monopoly substitution, the stream of future monopoly profits is discounted to the current date and shared in the form of the price paid for merging. If it is a hostile takeover, the acquirer would pay half of the value of that present discounted value, if the bargaining powers were equal.

- The **bargaining power** of each party – the incumbent and the potential entrant – depends on a series of factors. In particular, **they depend on supply and demand of those type of merger opportunities**. If there are loads of small national markets available for one single global player to enter by taking over the local producer, the global player has all the bargaining power and will pay the reserve price to the local producer, extracting all the rents and leaving her indifferent between selling or not her business. **The more global players competing to buy a local producer, the higher will be the bargaining power of the latter, and thus more rents will be left to her, and less attractive will be that merger to a global player – and thus lower incentives to strategic non-entry will exist.**



1
Stay out
Enter
2
2
Fight
Accomodate
p
- c
0
π^E – c
π^I
1
Merger
No
merger
nor entry
Entry by Building
E
I
0
M'

Results:

- *Coeteris paribus*, late entry by building is strictly dominated by early entry by building.
  - If entry does not happen early, when there are profits to be earned in a given market, it is because it is a strategic move with an eye at a later merger.

- Even if there is no entry cost ($c = 0$), strategic non-entry can pay off.
  - If E (discounted to date zero) happens to be smaller than $\pi^E - c$ than the potential entrant will prefer to enter in the first place and the incumbent will accommodate entry. If, on the other hand, E (discounted to date zero) is larger than $\pi^E - c$ what happens at equilibrium is strategic non-entry and a late merger.

Robustness:

- When he reviews the literature, Perez-Saiz (2015) endorses the claim – common in the Management literature – that the main reason for entering through acquisition would be comparative advantage, namely the entrants or global players holding **more efficient technologies**.
- Other reasons mentioned **include permissiveness of the antitrust enforcement and tax laws changes**. The first reason is a more fundamental one, having its roots in David Ricardo, while the other two would lead to merger waves, to be captured in empirical papers as that one. In our theoretical model we leave aside any such reason pushing for mergers in certain periods or fundamentally, leaving only the strategic non-entry motivation in the model.
- Any of those reasons would just **strengthen our result**, as they would make strategic non-entry plus a later takeover even more interesting for a potential entrant.

Implicações:

- Entrada de verdade está sendo desestimulada pelo tratamento “automatizado” de ACs onde só há transferência de poder de mercado.
  - HHI e C4 ficam intactos, mas os consumidores são lesados.

- O tratamento antitruste precisa mudar:
  - Contra-factual adequado é entrada efetiva (*greenfield*) e não a ausência de entrada (caso a entrada seja lucrativa).
  - Caberia à parte provar que a entrada não seria lucrativa (por conta de economias de escala, por exemplo, devidas a aprendizado, CF elevado ou outro). Ou usar outro argumento de eficiência válido, como failing firm.

MUITO OBRIGADO!

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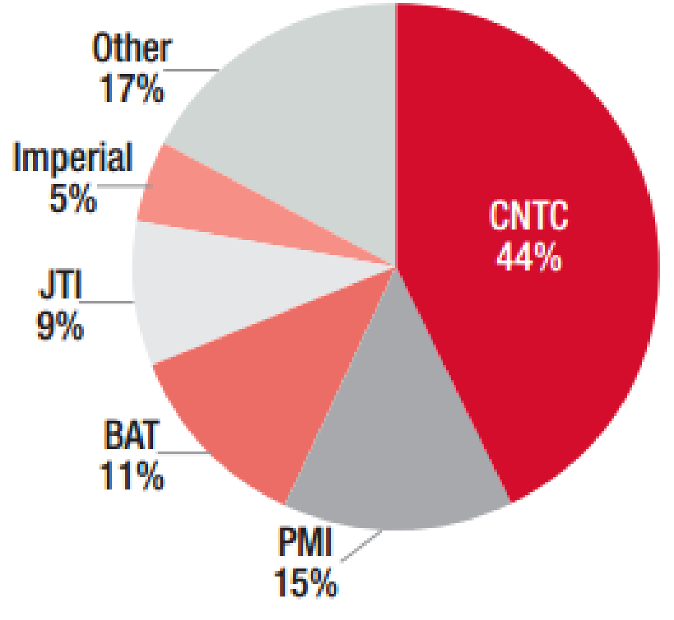
Kraft and Heinz

- In the processed food market, the merger of Kraft Foods and Heinz was worth around **US$ 40 billion and resulted in the 5th largest food and beverage company in the world and the 3rd in the USA, in market value.** The new company annual revenue will pass US$ 22 billion a year.
- In the USA, **Kraft holds around 80% of the macaroni and cheese market while Heinz detains 60% of the ketchup market**, but their activities go way beyond those products. **Kraft figures among the four largest US producers of mayonnaise, cottage cheese, pickles, bacon, cream, salad sauces, while Heiz does the same as concerns frozen snacks, sauces for meats and for pasta**, according to a Food & Water Watch report. They also state that: "The proposed merger joins two firms that manufacture a wide variety of top selling processed foods, **but Kraft and Heinz do not produce many products that compete head-to-head**. **Unfortunately, federal antitrust authorities largely ignore these conglomerate mergers because of the lack of direct product rivalry**." To give a striking example, the proposed merger will join Kraft's Grey Poupon mustard and Heinz Ketchup.
- That report is more concerned about the bargaining power the merged entity will acquire in negotiations with supermarkets, and the probable exclusion of smaller producers, to the harm of consumers who face less and less choice. **The merging firms based their claims on lower transaction costs for the supermarket when dealing with a conglomerate and lower advertising costs** for the merged entity when promoting mustard and ketchup together, for example. All their claims seem reasonable and reinforce our rationale in this paper. The perspective of high profitability of this merger may have induced each of the so-far two independent firms **not to enter** the market of the other one, in order to keep such a merger as an option acceptable in the eyes of the antitrust authorities.

Cigarettes

FIGURE 3. **TOBACCO COMPANY SHARES OF GLOBAL CIGARETTE MARKET, 2014**



Source: Euromonitor International, 2014

- The peculiar feature of this market is the geographical segmentation of China, where the worldwide largest single producer operates. However, it is a **state-run firm selling 99% of its production domestically**. If one drops the Chinese National Tobacco Corporation (CNTC) from the picture above, the world market concentration is much more striking. **The history of all those other players include a whole series of international acquisitions.**

- According to CTFK (2015), **Philip Morris International (PMI) has been absent the USA market since 2008.** We shall, however, focus on the **Japan Tobacco Inc. (JTI)** since it is the one involved in the most recent merging activity. JTI gained international expression in 1999 when it purchased the non-US operations of the multinational R.J. Reynolds for 7.8 billion USD. In 2007, it purchased for 9.4 billion GBP the producer Gallaher, a FTSE 100 business. JTI also recently **acquired a tobacco company in Sudan**. Finally, in 2015, JTI bought the international rights of Reynolds. According to some analysts, JTI's next target shall be the Imperial Tobacco Group Plc – a British company worth US$ 49,6 billions **highly present in Africa and Middle East, entering by acquisitions other important geographical regions.**

The beer market

- The beer market has experienced significant changes since 1997, leading to a global market highly concentrated in the hands of four big players. From 1997 to 2010 those four players were involved in 57 acquisitions, amounting to 82 billions of euros in transations.

- Of all 57, the largest was the acquisition of Anheuser-Busch by Interbrew-Ambev in 2008, resulting in the larger global player in volume sold: Anheuser-Busch Inbev. Of the 57, 21 involved AB Inbev, in a total of 56 billion euros. SABMiller and Heineken performed 15 acquisitions each in the period, in a total of 10 billion euros for the first and 9 billion for the later, while Carlsberg acquired 7 firms, spending 7 billion euros. The most relevant acquisitions of those players were: Bavaria by SABMiller in 2005, Baltic by Carlsberg in 2008, and FEMSA by Heineken in 2010. The following table illustrates those figures.

		A-B InBev	SABMiller	Heineken	Carlsberg	Total
Acquiring year						
	1997				152	152
	1998			119		119
	1999			877		877
	2000	2,915			563	3,479
	2001	3,810		169		3,979
	2002	491	223	1,164		1,878
	2003	1,210	350	1,541		3,101
	2004	4,301	814		510	5,624
	2005	1,827	6,262	567		8,656
	2006	575	262			837
	2007		529			529
	2008	41,173	816	182	5,466	47,638
	2009		837			837
	2010			4,434	292	4,726
Acquiring regions						
	Asia	786	199		397	1,382
	M. East		718	228		947
	EEU	1,861	837	1,879	5,361	9,938
	WEU	7,614	1,543	1,828	1,225	12,210
	Latin A.	4,867	6,628	4,881		16,377
	North A.	41,174	167	237		41,578
Total		56,303	10,094	9,053	6,982	82,432

Notes: The figures are all deal value in mill EURO. Only deals above ½mill EURO are included.

Source: The Orbis company database covering more than 8000 breweries worldwide.

- It was mainly through those acquisitions that those four global actors entered markets where they were absent, many times to perform a monopolist or quasi-monopolist role. When SABMiller acquired Bavaria, for example, that was the dominant producer in Colombia, Peru and Ecuador, being the second largest producer in South America. The Danish Carlsberg, on the other hand, focused its acquisition activities in Asia and Western and Eastern Europe.
- The following table illustrates the move towards a much more concentrated market in less than a decade.

Year	CR 5	CR 10
2000	25.4%	37.3%
2004	36.2%	48.0%
2009	46.3%	59.3%

Note. The two concentration measures indicate the market share of the 5 or 10 largest company in the world wide industry.
Source: Euromonitor International (2010).

- More strikingly for the purposes of this paper is the coming table and the observation that there was no true global player in 2000: only one brewery (Heineken) was present in 3 continents, and still holding low market shares in them. This means that there was a high potential for entry by building for any player in other continents but the main players preferred to go global by buying, after choosing the strategic non-entry option discussed in this paper.

Table 2: Regional market shares above 5% for leading breweries in 2000 and 2009

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Coors						11
Modelo					14	
Asahi	8					
Kirin	7					
4 leading breweries in 2009						
A-B InBev	8	17		11	35	50
SABMiller		15	39		12	16
Heineken		17	18	17		
Carlsberg		25		11		

Source: Euromonitor International (2010).

- Nevertheless, it should be emphasized that the relevant geographic market for beer is not a continent, but usually smaller, like each country. The numbers in the table above thus can at first sight be misleading. The 35% market share of AB Inbev in Latin America in 2009 was concentrated in Brazil and Mexico, while SABMiller was absent Brazil but dominated markets where AB Inbev was absent like Colombia and Peru.

- The main brands of Anheuser-Busch Inbev and SABMiller still do not compete globally, as they are sold in distinct geographic spaces, too. Budweiser is the main brand of AB Inbev; it is the 3rd most sold in the world and highly focused in the US and Canada markets. SABMiller's main brand Snow Beer is number 1 in the world and focused in Asia, China in particular.

Group net producer revenue	Reported Sept 2014 US$m	Net acquisitions and disposals US$m	Currency translation US$m	Organic growth US$m	**Reported Sept 2015 US$m**	Organic, constant currency growth %	Reported growth %
Latin America	2,874	-	(532)	222	**2,564**	8	(11)
Africa	3,592	-	(628)	336	**3,300**	9	(8)
Asia Pacific	2,154	-	(177)	88	**2,065**	4	(4)
Europe	2,713	8	(483)	(11)	**2,227**	-	(18)
North America	2,553	-	-	(23)	**2,530**	(1)	(1)
Retained operations	13,886	8	(1,820)	612	**12,686**	4	(9)
South Africa: Hotels and Gaming	116	(116)	-	-	**-**		
Total	14,002	(108)	(1,820)	612	**12,686**	4	(9)

- Source: SABMiller Financial Report 2016.

- Previously to the recently proposed merger to SABMiller (announced in November 2015), AB Inbev had no production plant operating nor brand being sold in Africa. On the other hand, SABMiller has had in Africa its number one continent in net revenues in recent years (table below). Moreover, according to AB Inbev projections, beer consumption in Africa should triple between 2014 and 2025. So, the question to be answered is: why hasn't AB Inbev entered the African continent?!