

# The Death of Premium

**W**hat exactly is “premium beer?” As we watch the decline of so-called “premium” brands across the board, it makes you wonder whether the sub-premium/premium/super-premium categorization of the beer industry still makes sense.

Premium beers are the megabrands. Some were the old flagships—brands that had dominated the beer market for decades, like Budweiser. Or those that rose on their merits, or the merits of their advertising, like Miller Lite.

Super-premiums were a notch above. Family-owned brewers always liked to brew special beers, so it was natural that those proud families would create products like Michelob and Herman Josephs.

And there has always been a need for something cheaper, something at the margins. In past centuries, this was “small beer”—something dilute, or something from the dregs. In modern times, sub-premiums served as weapons in the beer wars. As the old regional breweries were pushed to the wall, they tried to make beer that would compete with Budweiser, only cheaper. And sub-premiums became key in the A-B drive to push companies like Stroh and Heileman out of the business.

The first chink in the old sub-premium/premium/super-premium structure was the rise of the imports. Many of these brands fit neatly into the structure as super premium. But quite a few were so differentiated that they had to be called ultra premium.

And when the crafts arrived on the scene, the higher cost of production and higher ingredient costs meant they had to be priced at those ultra premium levels. That caught up to craft in the later 1990s, when some brands couldn't live up to the ultra premium tag. They were priced high enough, but too many were made by inexperienced brewers, in rudimentary breweries, with spotty, far-flung distribution.

Now, of course, the great majority of

craft beers are truly ultra premium, made by skilled brewers, in super-modern small breweries, and distributed carefully.

In fact, there is now a need for some category above ultra premium to comprise the extraordinary, highly-differentiated beers that craft brewers are producing—Beers aged in ancient whiskey barrels, beers fermented with exotic and multiple yeasts, beers packaged with elaborate corks and cages.

This flowering at the top is one of the most obvious problems for the old sub-premium/premium/super-premium structure. Because if you've got ultra premiums, and ultra-ultra premiums and super premiums, where does that put “premium?” It puts it one notch above the bottom tier, one notch above the sub-premium brands.

Initially, the ultra premiums got the blame as premiums stagnated. But in the last couple of years, it has become clear that the real dagger pointed at the heart of the premium category comes from within. Et tu Busch? Et tu Natural Light? Et tu Keystone? These sub-premiums are the volume winners in the story of premium decline.

One problem is that the premium and sub-premium brands are differentiated in name only. All are very light American lagers, with very similar taste profiles. Adjuncts are universally used, albeit in varying proportions. And hopping levels are so low, only a connoisseur could detect which hops are employed.

Another problem is that sub-premium beers are just too good. The sub-premium beers that are coming out of Anheuser-Busch and MillerCoors are made from the same quality grains, the same clean yeast strains; are brewed by the same highly trained professional brewmasters; and produced in the same ultra high-tech breweries and running on the same super-efficient packaging lines as their premium brethren. As a result, the sub-premium brands are just as good as the premium beers. In some cases, they are better.

This poses a problem for the big brewers. Why would someone pay more for a Budweiser than a Busch? They would pay

more because Budweiser is ostensibly an iconic brand. They would pay more for that great Blue and Red brand iconography. But how would they know about that stuff? They would know because the advertising communicated it.

The dearth of good beer advertising has been one nail in the coffin for premium. The mainstream megabrands were driven to the top by good advertising, and when you take that away, what have you got?

Bob Lachky of A-B, and his great unsung collaborator, August Busch IV, recognized this keenly. You can see it in their later advertising, as they promoted Budweiser as the great American lager, and mixed in serious messaging about beer quality with all the humor.

Of course, premium may not be dying. The declining premium brands may well bounce back as the Great Recession ends. People who have been drinking Natural Light may go back to Bud Light. People who have been drinking Busch may go back to Budweiser.

But why should they? What compelling reason can brewers give—other than preserving their own profit margins—to ask consumers to return to buying premium brands?

When Modern Brewery Age recently conducted blind tastings of sub-premiums versus premiums, the results were illuminating. A-B should be pleased that the tasting panel preferred premium Bud Light over an assortment of premium and sub-premium lights. They said it tasted better, and had more beer flavor than other lights.

The tasting panel also enjoyed Budweiser—noting apple esters and sweet malt in the nose, and a little bite from bittering hops—but in one blind tasting after another, sub-premium brands bested the King. In one flight, the plebeian Pabst Blue Ribbon bested Bud! And in the most recent blind tasting we conducted, Budweiser also came in second. The brand that came in first? Busch. ■

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