

Market structure of the Hungarian beer industry

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In this research we examined the market structure of the Hungarian beer industry which is an oligopolistic market with three main producers. The analysis and the methodology can be interesting for marketing researchers because a better knowledge of the exact market situation can help to find the most efficient marketing tools to increase revenue and profit (e.g. pricing strategy is highly influenced by market structure).

Reviewed literature provides that market structure can be analyzed by cost increase shifting to consumers. We analyzed excise tax shifting to consumer prices. According to our regression model, there is a significant tax overshifting in the market.

We used the theoretical framework of double marginalization to explain tax overshifting, because beer industry is a vertically separated industry. For the downstream market (retail shops) we thought that differentiated product Bertrand competition is an adequate market structure. For the beer producers (upstream market) we assumed three different types of competition: Cournot oligopoly, Bertrand oligopoly and full collusion. Using these models we theoretically determined upstream and downstream market shifting parameters.

We used an empirical study of Hungarian retail markups made by Research Institute of Agricultural Economics to determine retailer's markup on beer. After that we calculated and compared the actual tax shifting parameter with the theoretical ones. According to that analysis Bertrand competition is the best fitted model.

Our results imply that we can reject the hypothesis of collusion in the Hungarian beer market. Furthermore, beer manufacturers are competing in price and not in quantity.