

Business plan for entering chinese beer market marketing essay

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The Chinese beer market has grown at a strong rate between 2004 and 2008.

It has generated total revenues of \$ 42. 8 billion in 2008, representing a compound annual growth rate (CAGR) of 12% for the period spanning 2004-2008.

Market consumption volumes increased with a CAGR of 9. 2% for the period 2004-

2008, to reach a total of 38. 8 billion liters in 2008.

The market's volume is expected to rise to 53. 6 billion liters by the end of 2013, representing a CAGR of 6. 7% for the 2008-2013 period.

Standard lager sales proved the most lucrative for the Chinese beer market in 2008, generating total revenues of \$34. 7 billion, equivalent to 81. 2% of the market's overall value. In comparison, sales of premium lager generated revenues of \$7. 7 billion in 2008, equating to 18% of the market's aggregate revenues.

The performance of the market is forecast to decelerate, with an anticipated CAGR of

9. 4% for the five-year period 2008-2013, which is expected to lead the market to a

value of \$67 billion by the end of 2013.[1]

Market Value

The Chinese beer market grew by 14. 9% in 2008 to reach a value of \$42. 8 billion.

Market Value Forecast

In 2013, the Chinese beer market is forecast to have a value of \$67 billion, an

increase of 56. 7% since 2008.

Market Volume

The Chinese beer market grew by 12. 5% in 2008 to reach a volume of 38. 8 billion

liters.

Market Volume Forecast

In 2013, the Chinese beer market is forecast to have a volume of 53. 6 billion liters, an

increase of 38. 4% since 2008.

Market Segmentation I

Standard lager sales dominated the Chinese beer market, generating 81. 2% of the

market's overall revenues.

Market Segmentation II

China accounts for 42. 9% of the Asia-Pacific beer market's value.

Market Share

Anheuser-Busch InBev accounts for 24% share of the Chinese beer market's volume.

([www. euromonitor. com](http://www.euromonitor.com))

Distribution

Supermarkets and hypermarkets distribute 35. 7% of the Chinese beer market's

volume.

1. 2 Situation of Chinese beer industry

The Chinese beer market has grown at an astounding pace in recent years, spurred on by the massive levels of foreign investment in the market, along with the rise in the average levels of consumer spending in China, thanks to the economic reform policies of the government. China has now overtaken the US to become the largest national beer market in the world. However, per capita beer consumption in China remains very low relatively meaning that there remains great scope for development.[2]

In 2013, the Chinese beer market is forecast to have a volume of 53. 6 billion liters, an

increase of 38. 4% since 2008.

The compound annual growth rate of the market volume in the period 2008-2013 is

predicted to be 6.7%. [3]

Table 1 Source: Datamonitor

2. The strategic triangle (the 3Cs)

2.1 The Corporation

Aire Valley Breweries is a medium-scale brewery that is located in UK, it is an effective company with high cost structure but it sells its premium bottled product at premium prices so it is not a real problem.

Its current production includes:

Hostenbeck. European style lager beer, 5% abv, in 260 ml glass bottles

San Bernardo. European style lager beer, 5.5% abv, in 240 ml glass bottles

Camelot. British style dark bitter beer, 4.5% abv, in 500 ml glass bottles

Ark Royal. British style dark bitter beer, 5.6% abv, in 500 ml glass bottles

Pot of Gold. Irish style dark stout beer, 5.2% ABV, IN 500 ml glass bottles

2.2 The Customer

Aire Valley Breweries plc intends to provide the customer with more than just a traditional brew. We intend to distribute a high quality brew that will not only be refreshing and pleasurable, but also encourage gatherings and sharing of fun.

Our customers can be feel safe about the highest quality standards of all our products.

Looking at the consumer, there are some differences between the ways different alcoholic beverages are used in different occasions, but many product choice are a matter of personal taste - this makes beer vulnerable to the threat of other alcoholic beverages and many people are about the idea that wine can be more healthy.

Overall, there is a moderate threat from other type of alchoolic beverages.

Our target customer will be people of any ages and gender but our products are more suitable for over 20 years men and women.

2.3 The Competitors

We should identify competition in terms of companies already operating in the Chinese market that product similar type of beers.

Hence there will be a need to strongly differentiate ouselves from other already well-settled businesses. However after an accurate market analysis, our competition comes in several forms:

1. The biggest competitors are Anheuser-Busch InBev NV/SA, Tsingtao Brewery, Company Ltd., SABMiller Plc.

Been present on the market for a long period, they have a wide and established distribution network that they utilize to their advantage.

In order to compete with these leading companies we intend to strongly undertake new channel and distribution development in addition to adopting aggressive marketing strategies.

2. Other manufacturers of traditional brews including homes and local bars will also constitute our competitors. They often have access to the local and remote areas and knowledge of these areas. However their products are not of high standard, which we shall fully exploit.

Anheuser-Busch InBev accounts for 24% share of the Chinese beer market's volume.

In comparison, SABMiller accounts for 15.9% of the total market's volume.

[4]

Table 2 Source: Datamonitor

3. The market segmentation of the Chinese beer industry

The Chinese beer market is fragmented, with top three players holding 53.6% of the total market by volume.

The market leaders are companies that own a strong well-known brand-image and operate within various segments of the market, which is possible due to the ease of increase in production capacity once a company is established and has already gained customers loyalty.

There is a waste differentiation of products in the market, as there are many varieties within the beer category, including: ales, stouts, low/no alcohol, standard and premium lager, and specialty beer.

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Entry into this market would be highly dependent on the growth prospects and also on the size of the existing players.

Furthermore, beer can be vulnerable to the threat from substitutes such as spirits and wine, due to low switching costs and consumption patterns in different geographies.

3. 1 Geographic

There are difference between Northerners and Southerners.

There are large numbers of beer consumers chose to drink at dinning and banquet in the 6 selected metropolitan consumer markets; namely Beijing, Shanghai, Shenyang, Chengdu, Wuhan and Guangzhou. A comparably distinct preference for drink-places was identified as frequenting at bar counters in Guangzhou (15. 7%).[5]

Table 3 Source: IMI Consumer Behavioural & Lifestyle Yearbook 2002-2003

3. 2 Demographic

In China, women population consume more beer beverage than men, almost 40% of consumers in Beijing are women.

Table 4 Source: IMI Consumer Behavioural & Lifestyle Yearbook 2002-2003

3. 3 Psychographic

Supermarket chains are often able to negotiate very strongly on price with beer producers, which fact boosts buyer power significantly. Switching costs for buyers are not particularly high, which increases buyer power in all markets. Beer producers can differentiate their products quite strongly, not

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only by the overall segment (lager or bitter, for example) but also by brand, ingredients, style, and so on.[6]

3. 4 Behavioural

The IMI survey classifies beer beverage consumers into heavy and non-heavy drinkers. Heavy consumers' drink habit ranges from daily drinking to a minimum of once or twice a week. Beijing beer beverage consumers are mostly heavy drinkers (67%). In Guangzhou, the heavy and non-heavy consumers are equally distributed in numbers.

Table 5 Source: IMI Consumer Behavioural & Lifestyle Yearbook 2002-2003

About 30% of the Beijing heavy drinkers are women, as compared to the other two metropolitan consumer markets in less than 20%. All the women consumer in the three selected metropolitan markets behave differently, ranging from frequency in drinking, preference for drinking-places, brand images, and personal lifestyles.[7]

Table 6 Source: IMI Consumer Behavioural & Lifestyle Yearbook 2002-2003

4. The 4Ps Marketing Mix

4. 1 Product

Aire Valley Brewwerie plc should produces products of high quality and impeccable taste.

Our products will be positioned very carefully. They will be of extremely high quality to ensure customer satisfaction, supported by impeccable service to our customers.

As high quality beers can be sold at premium prices, it is now possible to enter the

market on a small scale as a ‘microbrewery’. Investment in production equipment can

be recouped by adding a good margin to the price of the end-product.

Standard lager sales dominated the Chinese beer market, generating 81. 2% of the

market’s overall revenues.

Sales of premium lager generated 18% of the market’s aggregate revenues.

(Datamonitor)[8]

Table 7 Source: Datamonitor

4. 2 Pricing

We will ensure that our products’ prices take into consideration people’s budgets.

However these prices will also take into consideration the cost of production and distribution

4. 3 Distribution

These products will be extensively distributed to remote, yet extremely viable areas where the market is appreciative of readily available, good quality brew.

We intend to establish an brilliant network that will enable us to rapidly respond to customer's orders, and be available in remote areas our competitor has not yet exploited.

4. 4 Promotion

The marketing strategy we will adopt will convey the sense of quality and satisfaction in every picture, every promotion, and every publication. The promotion will involve integrating advertising, events, personal selling, public relations and direct marketing.

In the long term Internet marketing will also be undertaken, which will help to increase the knowledge of our products to the various market target segments.

Web presence is a natural objective in reaching the appropriate potential customers.

Well-done brochures, company profiles and business cards often has an attraction effect on clients contemplating on ordering our products. Hence this will undoubtedly generate increased sales of our products.

5. SWOT Analysis

In a rapidly growing economy market as the Chinese one we should focus on our strenghts to respond quickly to what the market dictates and to provide quality brew in such a highly lucrative market. We should also acknowledge our weakness of a medium-sized company without any international experience.

5. 1 Strenghts

Market segmentation strategies

Focused marketing campaign

Established company in UK with strong capital base

Different type of products for different tastes

5. 2 Weaknesses

Lack of reputation in the Chinese market

No knowledge about Chinese culture and behaviour

Chinese distribution channel different from UK one

Introduction of Chinese empòyees who have not previously worked in the company present a challenge to the company.

5. 3 Opportunities

The new generation are more interested in foreign brand and attractive packaging

Internet marketing and sales

Chinese beer market had a huge demand in the last years followed by population growth

5. 4 Threats

Existing competition in Chinese beer market

Marketing strategies and tactics by other established European companies

6. Conclusion

The brewing industry has been one of those quickest to modernise in China.

Despite its huge market size, there remains great scope for development, and many new opportunities are still available in China.

Per capita beer consumption in China has grown to near parity with other regional market, and so development in the market will in future rely much more on raising the average value of purchases, and persuading Chinese consumers to trade-up to premium products and brands.