

Tsingtao beer case study

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Consumer buying behavior Consumer behavior of purchasing beer is definitely emotional and of low involvement. The pleasure and gratification getting from drinking beer can be sensual but fleeting. When making purchase decisions, consumers hardly spend any time to recognize problems or to search information because when they feel like drinking, they will just buy some. Generally speaking, customers keep loyal to their favorite beer brand. In fact, many of my friends have told me that Yanjing Beer tastes the worst among all they have tried and even though it's relatively cheap, they are not likely to buy it after first try.

As you can see, among all the brand attributes of beer, the price is not a significant concern while taste, which can lead to brand value, matters much more. Once customers have recognized the nice taste of a certain beer brand, probably they are never going to switch brand and all the beer decisions they make later will be regular purchases. Beer market segmentation The bases I choose for segmenting the Chinese beer market include age, gender, income level, life style, user rate and geographic area. All these factors matter in that they determine the different consumer behavior of drinking beer, as concluded in Table 1.

Age From 18 to 60 Young customers at 20-35 have strong potential
Gender Men and women Women might drink beer less often than men or choose light flavor, out of concern of weight control
Income level From low to high-middle Income does not matter a lot due to beer's relatively low price compared with other alcohol
Lifestyle With leisure time and maybe some pressure
User rate Light drinker, medium drinker, heavy drinker
Geographic area Northeast, southeast, northwest, southwest and middle Some areas

have notable drinking habits such as northeast China. Besides, there is a tendency for people to choose their local beer brand.

Table 1. Competitive landscape and Tsingtao's status China is the largest beer producer throughout the world. Many local Chinese brands as well as foreign competitors are engaged in the competition. There are three main characteristics about the competitive landscape of Chinese beer market. First of all, price war is the main competitive tactic used by most local brewery brands. Not only small regional brands, but also large brands like Yanjing are entangled in price war. In general, price war does not lead to a favorable market position for any company because their profit margins will definitely be influenced.

And most importantly, as I have mentioned before, price is not a significant factor that people will consider when buying beer. If companies put too much emphasis on lowering price through lowering cost rather than improving taste and quality, it will not work to their advantage in the long run. Secondly, there is a trend of foreign companies buying local brewers' stock, meaning that foreign competitors are flooding into Chinese market in a more strategic way. Tsingtao's collaboration with Anheuser-Busch is a case in point. It facilitates mutual learning and internationalization.

The third characteristic might be a future trend that the consolidation and centralization level of Chinese beer market will become higher. With regard to Tsingtao Beer, it is one of the gigantic tiers of China beer brewers. Its competitive advantage is the superior quality due to unparalleled brewery techniques. According to the consumer survey results posted on its website, customers perceive Tsingtao beer as high quality and high price. In general,

the fierce competitive marketplace has influenced Tsingtao a little but I think its established brand image is still far from being hurt.

Positioning alternatives for Tsingtao Tsingtao's positioning alternatives are whether to get more low-price market or to adhere to the current "high quality, high price" strategy, especially when it penetrates into Beijing market and compete with the local giant Yanjing. In my opinion, Tsingtao can adopt a multibrand strategy to fulfill needs of different target markets. For people who have great concern about price, Tsingtao can lower the price as a response to the local price war. For other people, however, Tsingtao should never pursue more sales at the expense of quality.

To implement this strategy, Tsingtao has to do a complete consumer survey and then better segment the market. In the segmentation process, income level and geographic area might be the two most important bases. Besides, Tsingtao has to improve its advertising and packaging because beer is low-involvement and emotional product. As is mentioned in the case, nowadays the main reason for consumers to buy a certain brand of beer is brand image and the culture attached to the brand. I think Reeb beer, based in Shanghai, has done a great job in this part, although Reeb is just a small regional brand compared with Tsingtao.

I remember when I was a primary school student, Reeb's TV commercial was an interesting song. The lyrics were mainly saying that Reeb has witnessed the quick development of Shanghai and people's great change after the opening policy of Pudong District (See the appendix). And at the end of the commercial, it said "Reeb beer is the reason why you love Shanghai". Almost everyone from Shanghai of my age or older than me can sing this

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song and the attachment with this city definitely has enhanced Reeb's brand image. I think Tsingtao might learn from Reeb to improve its advertising.