

China beer market and competitor analysis

Food & Diet



CHINA BEER MARKET & COMPETITOR ANALYSIS

Quick Overview:

Aire Breweries plc. Is UK based beer marketing company that been selling premium beers. The company is enjoying fairly good market share. The beer market has become saturated due to intensive competition and in-line pricing strategies. The Aire Breweries plc. as a part of logical extension decided to enter Chinese market, where beer market is largest in the world next to USA.

The Strategic Triangle- 3Cs:

The strategic triangle proposed by Kenichi Ohmae states that any company success in long run pivots around 3 factors: Corporation, Customers & Competition. In construction of Business strategy above factors must be examined thoroughly to arrive at marketing plan.

1. The Corporation: Aire Breweries is beer selling company selling beer brands like Hostenbech- European style lager beer, San Bernanardo Cameolet- British style dark bitter beer, Ark royal British style dark bitter beer, pot of gold- Irish style dark stout beer with premium price. The brands are promoted through super markets, fashionable markets, Up market city centre bars. The company has high cost structure and has efficiency as its strength.
2. The Customer: The proposed target market China is undoubtedly a large consumer market in the world and beer in particular. The vast spread of consumers with varied languages make MNCs experience the difficulty of convincing Chinese consumers.

3. The competitors: In china due to liberalisation policy many MNCs are trying to make a mark in China market. The competition in china Beer markets is very intensive. China market expects to come up with cost effective products where local sellers have an edge over MNCs. San Miguel is one of top three selling brands in china and largest selling brand in china. Sabmiller is the world second largest selling has 47 breweries and operating in 13 provinces of China. Bud Light beer has bottom line structure. Various players include CBR Brewing company inc. china Food beverage company, China resource enterprise ltd., Fomento Economico Mexicano SA de CV, Scottish new castle, Fujian Yanjing Huiquan Brewing group Kirin Brewery Company Ltd., etc.

Quick glance at China Economy:

China has recorded 11.9% GDP growth rate accounts for \$ US 3565 billion (USD 1 = RMB7) is a clear indication that Chinese have got fair standards of living and spending power of consumer has been remarkable

Economic Indicators	2007	2006
GDP (RMB trillion)	24.7	21.1
Per capita GDP (RMB)	2,200	16,084
Per capita disposable income of urban households	13,786	11,759

Per capita Net income for rural households	4, 140 3, 587
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Table: 1

Source: National Bureau of Statistics

Market Opportunities & threats in China:

Due to vast population China will offers great opportunities for potential marketers, provided the market is analyzed and a feasible program is developed. The barriers usually for any MNC's are inadequate market data, inappropriate entry strategy. Poor access to supply chain, vast spread of geographical market, cultural differences etc. It is advocated to distinguish the gap between the developed and less developed markets. Uniform marketing strategy is not suitable in view of large market. The beer market is not similar every where; it is more of localized driven by local tastes and preferences. It could be defined as pool of regional markets. Domestic players will play dominant role and take maximum market share. But their presence is limited to maximum of 2% of national market. Majority of market share i. e. 45% is controlled by 4 players.

Beer Market Scenario in China:

The high spending level of consumers in China has lead to growth of Beer market in manifolds and ignited by Foreign Direct investment. China has now became largest national beer market in the world crossing USA. There were 4 companies in china and has grown to 60 by 2007. McKinsey Global institute has thrown light on newly emerging segment in the recent past-

Urban Middle class who has been earning RMB 100000 (\$12000) a year became a hot button to every beer marketer.

Table 2

Year Million Liters Annual Growth (%)

2007 32035.83 10.04

2008 33459.42 4.44

2009 34904.69 4.32

2010 36,371.42 4.20

2011 37,860.59 4.09

Source: <http://www.globalbusinessinsights.com/content/rbaa0012m.pdf>

Growth of China Population & Trends:

It is a known fact that China is most populated country with 1321 millions as per 31 December 2007 comprise of 51% male & 49 percent female. The population size makes China a land of opportunities driven by advanced technology usage while producing.

Understanding Chinese Market & Risk Element:

Small Medium enterprise like ABE breweries may need to mobilize resources to tap the potential of Chinese beer market. In this regard they have to analyse their strengths & weaknesses. Most of MNC's fail because of the poor distribution system and failure to identify a piggy back partner. More

over the law in china has been very stringent. Unless the marketer study the cultural aspects thoroughly it may lead to chaotic situation.

Cultural aspects of China Market:

Chinese consumers are very patriotic and do practice their culture meticulously. Due to strong socialistic approach they support local products. Foreign players may suffer from non-acceptance of their offering due to invisible influences of culture which cannot be demonstrated.

Law at China:

The china legal system is very complicated and frustrating to MNC's. The familiarity to china culture will facilitate the understanding of law. It is always better to have a local partner to promote the business and as a part of political risk (i. e. confiscation of assets or blockage of funds) handling mechanism

Geographical Segmentation:

It is wise to adapt Regio-centric approach or Multi Domestic approach to reach vast china market. Here subsidiary in each province of china has to devise their plan to suit the need & Preferences of that region. This approach demand to have varied marketing mix with coordinated efforts of other territories.

Demographic Profile of Consumers:

China population (1341 millions male female ratio 51: 49) has been multi-religious ranging from Buddhism, Taoism, Catholics, Protestantism, and Islam, interestingly deal business according to their religions and Socio-cultural values. Since ages Chinese companies have been transferring

ancestral values to present generation which establish relationships refer to term “guan xi”. Relations drive the businesses to offer extent of product mix.

Distribution of Population income wise:

Table 3

	Population (million)	Gross National Income (Billion)
Low Income	2512	10. 20
Middle Income	2667	49. 22
High Income	955	49. 22

Source: US census Bureau, World Bank group, McKinsey analysis

Marketing Mix:

Product:

China has been largest beer market but with different tastes across the nation. 500 ml and 750 ml are most preferred quantities served in bottles & cans. The per capita consumption 18 ltrs has not been impressive when compared with USA (84 ltrs) & UK (74 ltrs) per capita consumption. Airtel Breweries need to develop localized tastes along with their premium brands. The test marketing will help company to know the preferences.

Price:

The beer in china market is sold at pretty cheap. 750 ml beer costs 25 cents. Locally made MNC brands Carlsberg and Pabst blue are also sold at fairly

cheaper rates. Air beereries plc., has to adapt bottom line pricing or inline pricing to get access in the market

Promotion:

As many languages are used across China, Mandarin is widely used language, it is a difficult task to develop a theme while advertising. Few MNC's failed to translate the essence of ad copy lead to waste. It may be advocated to be cautious to understand cultural dimensions while developing ad copy to rural folks

Place (Distribution):

The mechanism of distribution of beer products in China takes place via Distributors appointed by Manufacturers in turn retailer & super markets. Distributor is focal point from which wholesalers supply the goods. Each distributor holds rights to sell one brand. Wholesalers will buy different brands from different distributors and dispense. Foreign players suffer from effective reach. Joint venture structure of distribution will help to overcome problems. Piggyback model of distribution will strengthen Distributor- retailer model. Multi channel mode of distribution will serve the purpose.

Marketing Planning:

International marketer need to deal with at least two level of uncontrollable uncertainties. The success of marketing program depends on optimal adjustment to business climate in which you are operating. After analyzing opportunities and select the province of China next step is to define the target market. Chinese are got enough disposable income and have been accepting beer as food beverage. Target market will give a direction to develop marketing mix and total number of potential consumers

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approximately. Aire Breweries should have good local partner to implement marketing strategy and extend support to reach target market. The price and promotion campaign need to be devised according to local practices.

Entry Strategy:

Once the market profiling is done, it is always good to enter in to the Chinese market through a joint venture. For many years, the Aire Valley Breweries plc, a UK company focused its marketing effort on premium-priced products. As beer market is growing at good rate, it is high time to get in to China market with constructive marketing strategy. A joint-venture with local partner will offer ease in operations procurement of resources, recruitment and handling bureaucratic issues. The local partner knowledge on competition, language, culture and business systems can influence the government policy.

Conclusion:

China is very potential because of vast population but high levels of risk has been demonstrated. Aire breweries may take assistance of local marketing research organisation to seek first hand information for political & socio-cultural aspects.

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