

Analysis on the organizational management of Tsingtao Beer

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Abstract. At present, in China, the domestic beer market has turned to the stock market as a whole, and the market competition is fierce. Affected by the global pandemic, risks such as insufficient supply of raw materials and rising costs have increased, and traditional offline consumption scenarios and channels have also been impacted. These factors increase the management pressure of domestic beer enterprises. Tsingtao beer, as one of the leading beer enterprises, is obviously representative of the industry. The SWOT analysis method will be used as the main means to analyze the case of Tsingtao beer, including the internal and external environment, to identify the strengths, weaknesses, opportunities and threats, so as to find the problems such as insufficient use of funds and excessive reliance on government subsidies, and finally put forward suggestions such as enriching the product structure, focusing on the middle and high-end market, strengthening network marketing and extending brand value.

Keywords: Tsingtao Beer; SWOT analysis; Business management.

1. Introduction

China's beer enterprises are not only facing long-term fierce horizontal competition from domestic peers, but also continue to face competition from large foreign brewing companies that pour into China [1]. On the other hand, the market demand is also undergoing subtle changes. The domestic beer market consumption demand shows a diversified, high-end and personalized trend. The increase of diversified demand and the improvement of income level have a positive impact on the demand for differentiated and high-quality products [2]. From 2013 to 2019, the supply of non-alcoholic beer was increasing [3]. In addition, customer satisfaction and profit have decreased [4].

In China, in order to complete the transformation, many beer enterprises began to look for new profit growth points and strive to improve their operational capabilities. Among them, Qingdao Beer Co., Ltd. is a representative enterprise with a history of 100 years. This paper will use SWOT model to analyze relevant financial information and non-financial information to find out internal strengths and weaknesses, as well as external opportunities and threats.

2. Company situation

2.1 Introduction

The Company, the earliest brewery in China, can trace its root back to 1903 when its predecessor, the State-owned Tsingtao Brewery Factory, was established. The Company's business scope is production and sales of beer, and other related business.

At present, the Company occupies leading position in the domestic beer industry in terms of size and market share with 58 wholly-owned and controlling breweries, and 2 associated and joint-investment breweries in 20 provinces, municipalities and autonomous regions in China.

2.2 Management model

Tsingtao Beer adopts the brand strategy of "Tsingtao beer (main brand) + Laoshan beer" and the brand promotion mode of "four in one", that is, the combination of brand communication, fan interaction, product sales and consumer experience.

3. Internal and external environment

3.1 Strengths

3.1.1 Significant brand effect

Qingdao beer has a long history and high popularity. It is the most famous Chinese beer brand in the international market. On the one hand, based on its own brand, it has built a beer museum and an international beer festival to establish relations with consumers, and the fan economy has developed rapidly.

3.1.2 Strong innovation ability

Tsingtao beer has the only "State Key Laboratory of beer biological fermentation engineering" in the brewing industry, which has almost won all gold awards in beer quality evaluation since the founding of China. It also actively carries out product innovation and structural upgrading. For the high-end market, launch Aogute, Classic 1903; For young people, it has launched fashion products such as night owl beer.

3.1.3 Good and stable supply chain

Tsingtao beer has the only "State Key Laboratory of beer biological fermentation engineering" in the brewing industry, which has almost won all gold awards in beer quality evaluation since the founding of China.

3.2 Weaknesses

3.2.1 Ambiguous advertising

First, the overall brand image needs to be strengthened, especially in advertising. The advertising words of "snowflake braves the world" of China Resources Snow Breweries are popular among the people, but Tsingtao beer does not have enough popular brand advertising words.

Second, in the high-end market, although Tsingtao beer has continuously launched high-end products, it has not fully established a high-end brand image in the hearts of consumers. Compared with the high-end beer of Budweiser InBev, Tsingtao beer does not occupy the brand advantage.

3.2.2 Market regionalization

Tsingtao Beer's market share is too concentrated in Shandong, and the company's performance is too dependent on the Shandong market, so there are certain market risks. The Laoshan series of "the second brand in China" under Tsingtao beer only has a market share in Shandong, Hebei and other places, which is hard to see in other places. With the continuous increase of Tsingtao beer product line, different products often crowd each other to occupy the market share in Shandong Province.

3.3 Opportunities

3.3.1 Policy encouragement

Since the 18th National Congress of the Communist Party of China, the Party Central Committee and the State Council have attached great importance to brand building, further optimized the policy and regulatory environment, and focused on solving outstanding problems that restrict brand development and the upgrading of supply and demand structure. Tsingtao beer has been deeply involved in the construction of a brand power and a manufacturing power with the spirit of "entrepreneurship + Craftsmanship", and has been selected into the "100 brands of China brand power ceremony in 2019" and the "100 list of China brand development index" of people's daily.

3.3.2 Medium and high-end market potential

The international and domestic beer industry generally tends to be mature and stable, but there is still a large growth space for some products and regional market segments. According to the data of the National Bureau of statistics, China's beer production has been shrinking, but in recent years, the per capita disposable income of Chinese residents has been growing, and the emerging middle class

has risen. Under the effect of the upgrading of consumer demand, economy beer still occupies the main position, but the proportion has decreased, and the sales volume of the middle and high-end markets has increased significantly.

3.4 Threats

3.4.1 Raw material safety

The products of Tsingtao beer is highly dependent on the high-quality supply chain, especially the high-quality imported barley. However, the source of barley import is relatively limited. There is certain interaction between the demand and price of the international and domestic barley markets. The cost of changing suppliers is high, and the supplier has strong bargaining power. Although the scale effect has brought a certain back-end bargaining space for Tsingtao beer, the dependence on imported barley has affected the raw material safety of Tsingtao beer to a certain extent.

3.4.2 Many potential alternatives

As a general alcoholic beverage and fast-moving consumer goods, traditional industrial beer may become a substitute for other beverages. With the change of population and consumption structure, the demand market for substitutes such as Baijiu, wine, craft beer, fruit beer, pre mixed wine, fruit juice beverage and soda water beverage is growing rapidly, which has shifted some traditional beer consumption and poses a certain threat.

3.4.3 Fierce competition

China's beer market is mainly composed of five brands: China Resources beer, Tsingtao beer, Budweiser Asia Pacific, Yanjing beer and Carlsberg, with a total market share of nearly 80%. The competition pattern is relatively stable, the industry concentration is high, and the competition among leading brands is fierce.

In addition, the beer competition presents regional characteristics. The small and medium-sized beer enterprises have unique advantages, and the product homogeneity in the mass beer consumption market is serious. However, Tsingtao Beer lacks low-cost products for the low-end market, and the market competition pressure is large.

4. Current problems

4.1 Poor asset operation capability

Table 1. Some financial indicators of Tsingtao Beer

Indicators	2017	2018	2019	China Resources Beer 2019	Anheuser-Busch InBev 2019
Net interest rate of total assets	4.53%	4.80%	5.19%	3.25%	3.90%
Return on net assets	7.55%	8.10%	9.97%	6.81%	13.08%

The return on net assets is an important financial indicator to measure the efficiency of the use of net assets. Net assets are a part of total assets. Therefore, the return on net assets is inevitably affected by the return on total assets. Under the same conditions such as debt interest rate and capital composition, the higher the net interest rate of total assets, the higher the return on net assets. It can be seen from table 1 that in recent years, Tsingtao beer has gradually integrated internal resources and achieved some results. The asset utilization efficiency is rising slightly year by year, and the asset profitability is gradually enhanced. But it is still less Anheuser-Busch InBev.

4.2 Inefficient use of funds

Table 2. Profitability indicators compared with other enterprises

Indicators	Tsingtao Beer	China Resources	Anheuser-Busch InBev
Net profit rate on sales	6.89%	3.95%	19.90%
Gross profit margin of sales	38.96%	36.84%	61.09%
Sales expense rate	18.24%	17.85%	14.04%
Financial expense rate	-1.73%	0.21%	6.64%

It can be seen from table 2 that Tsingtao Beer's net profit margin and gross profit margin are higher than that of China Resources, and it has certain advantages in the domestic market, but it is obviously lower than that of AB InBev, indicating that Tsingtao beer still has room for improvement in sales profit and its business profitability needs to be enhanced, and the company should increase its share in the craft beer market [5]. It is worth noting that the financial expense rate of Tsingtao beer is negative, because there is interest income brought by a large amount of monetary funds on its book. From the side, we can see that the financial situation is good, but there may also be a waste of funds.

4.3 Over reliance on government subsidies

Table 3. Comparison of profitability indicators in 2017-2019

Indicators	2017	2018	2019
Net profit rate on sales	5.26%	5.87%	6.89%
Gross profit margin of sales	40.55%	37.70%	38.96%
Sales expense rate	21.95%	18.32%	18.24%
Financial expense rate	-1.41%	-1.87%	-1.73%

It can be seen from table 3 that the net profit margin of Tsingtao beer increased year by year, but the gross profit margin just fluctuated slightly. And it is found that the increase of the net sales interest rate is mainly related to the income from changes in fair value, profit and loss from asset disposal and other income. Therefore, further trend analysis shows that the main factors are other income and income from asset disposal, of which other income is government subsidy, which indicates that the government has provided continuous and strong support for the development of the company, but attention should be paid to avoid the dependence of the company's profits on government subsidies.

5. Suggestion

5.1 Enrich the product structure

First, Tsingtao beer should increase R & D investment, give full play to its technical advantages, consider strategic cooperation with international beer giants, constantly launch the main products facing the middle and high-end market, maintain the high-end brand image, avoid price war, and improve the product profit space, so as to achieve sustained growth of performance. Second, Tsingtao beer can enable Laoshan brand focus on low-end market, so that the dual brand strategy can effectively complement each other. Third, Tsingtao beer should enrich other product lines and consider producing fruit beer. Fourth, Tsingtao beer can strengthen the Internet marketing mode, continue to carry out new retail, and provide consumers with a richer consumption experience.

5.2 Strengthen cooperation with domestic high-quality suppliers

The product quality of Tsingtao beer is highly dependent on high-quality imported barley, and there are certain raw material safety problems. The company should continue to carry out all-round and in-depth cooperation with suppliers in terms of capital, seed selection and breeding, R & D and testing, and wheat making technology, so as to support the development of domestic raw materials and enhance the company's sustainable development ability.

5.3 Appropriate use of financial leverage

Compared with China Resources China Snow Breweries and Anheuser-Busch InBev, Tsingtao Beer's capital structure strategy is relatively stable and conservative, its financial leverage is small, and there is interest income from a large amount of monetary capital on the book. From 2017 to 2019, the equity multiplier of Tsingtao beer was basically stable, and the financial expenses were all negative. The company can appropriately increase financial leverage, further improve the efficiency of capital use, and enhance the expansion ability of earnings per share.

5.4 Strengthen network marketing and extend brand value

Due to the great pressure of market competition, many enterprises tend to increase the brand publicity, which leads to the increase of its sales expenses. Compared with the traditional media, the cost of advertising in the new media is less and the dissemination is more extensive. Therefore, the company could adjust its marketing structure and strengthen the network marketing. In addition, it should carry out integrated marketing to make the overall communication effect clear and help consumers deepen understandings of the brand of Tsingtao beer, and strengthen the connection between "Tsingtao beer" and the Better Life to promote the further transformation of the brand image.

6. Conclusion

As one of the leading enterprises, Tsingtao beer has many advantages which makes it still have strong profitability even in the face of the global pandemic. According to the qualitative and quantitative information of Tsingtao Beer analyzed by methods, some suggestions are given to make use of advantages and opportunities to reduce weaknesses and threats, such as enriching product structure, focusing on the medium and high-end market, strengthening cooperation with domestic high-quality suppliers, properly using financial leverage.

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