

# **Consumer Behaviours in China Beer Market**

*(Sample Report)*

**January 2005**

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Researcher: Harry Zheng

Publisher: Publishing & Research Services, National Library Board,  
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# Consumer Behaviours in China Beer Market

## Overview

### Study Methods

This is a market segmentation study on the beer beverage consumer market in China. The study has targeted at 3 metropolitan beer consumer markets; namely, Beijing, Shanghai and Guangzhou. Findings of this study are based on a primary survey conducted by the Integrated Marketing Information Co., Ltd. The survey outcomes were published in its book "IMI Consumer Behaviour & Life Styles Yearbook 2002-2003". The findings of this study are also drawn from conclusive opinions of a few selected pieces of marketing literatures dealing with brewery segment markets and their branding strategies.

### Intents of Findings

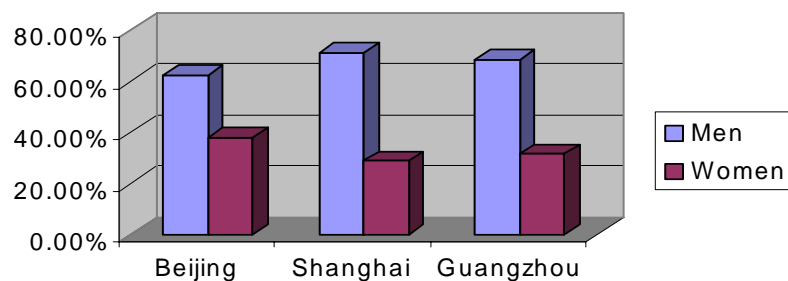
The study wishes to find out: (1) any large differences in terms of consuming behaviour between the northern and southern brewery markets in China; (2) level of brand loyalty and its comparison among the 3 selected metropolitan consumer markets; (3) the confirmation of a notion that brand essence is a key driver in building and sustaining a brand segment market, which characterizes the China's beer beverage consumer market; (4) why some foreign brewers are fighting a losing battle in the local brand segment markets in China?

## Consumer Demographic Characteristics

### Importance of Women Group

Generally, more men are consuming beer beverage than women. In China, women population is increasingly important to the beer beverage consumer market. More women are getting better discretionary income to spend at the consumer markets.

Consumers by Gender

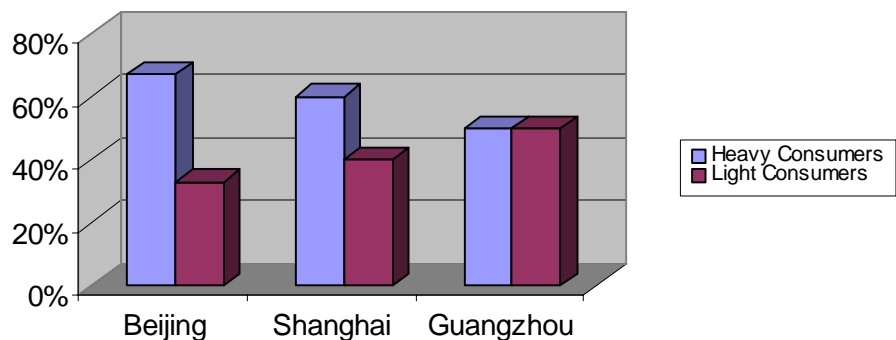


Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

Almost 40% of Beijing beer consumers are women, the highest among the women groups in the three selected metropolitan consumer markets.

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.

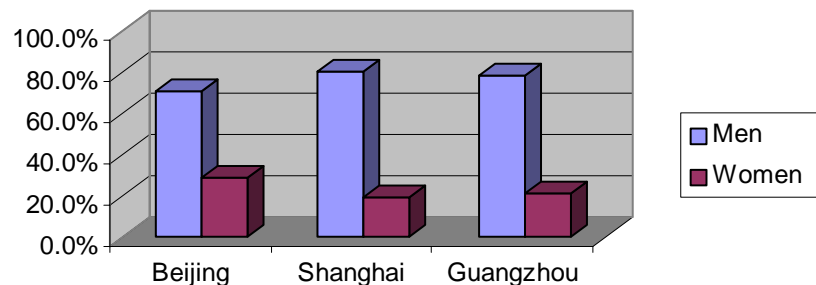
### Heavy & Light Consumers Distribution



Source: IMI Consumer Behaviour & Lifestyles 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.

### Heavy Consumers by Gender

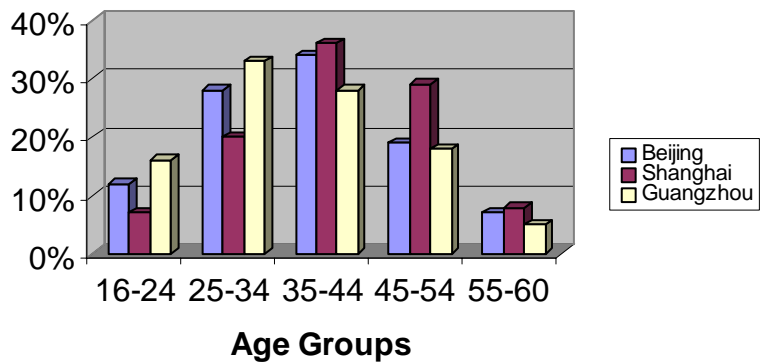


Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

Women drinkers also behave differently by age groups. Generally, both Shanghai and Guangzhou women drink less beer than their counterparts in

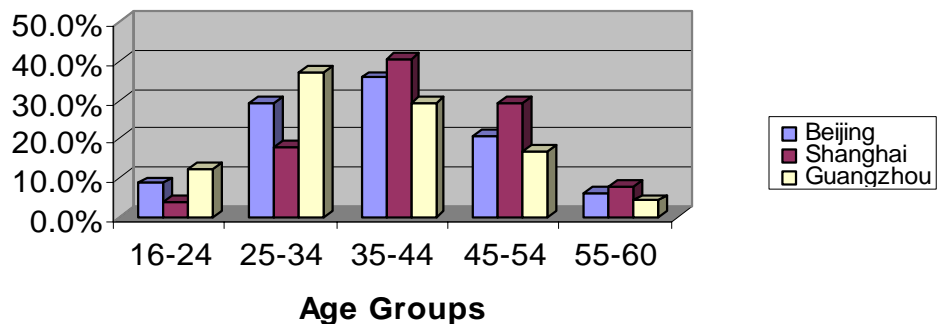
Beijing. The 30% women group of beer consumers in Shanghai is aged in 30 to 50 years old, frequenting at banquets and individual dining places for drinking. Women customers drinking at the bar counters of pubs and nightclubs in Shanghai are mostly aged between 16 and 24. It creates a contrast to the same age group of a larger number of young women bar-counter drinkers in Guangzhou. The contrast brings home a point that beer beverage consumer market in China is a segmentation market. A segmentation market is a market strongly driven by a set of values so closely attached to individual sets of personality traits and individual consuming beliefs.

## Consumers by Age



Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

## Heavy Consumers by Age



Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

## Different Preference for Drink-Places

### Difference between Northerners and Southerners

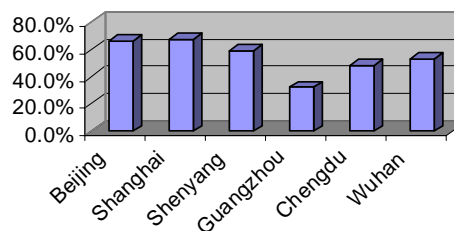
There are large numbers of beer consumers chose to drink at dining and banquet in the 6 selected metropolitan consumer markets; namely Beijing, Shanghai, Shenyang, Chengdu, Wuhan and Guangzhou. A comparably distinct preference for drink-places was identified as frequenting at bar counters in Guangzhou (15.7%).

	When Thirsty	At Dining	At Banquet	At Bar	Traveling	Others
Beijing	5.3	66.3	43.4	2.7	1.5	0.7
Shanghai	6.5	67.5	44.3	2.6	1.7	1.3
Guangzhou	13	32.4	59.9	15.7	4.2	1.9
Chengdu	10.8	48.4	55.8	7.2	4.8	0.5
Wuhan	3.8	53.4	51.8	3.6	2.0	1.4
Shenyang	4.6	59.0	51.4	4.2	2.7	0.7

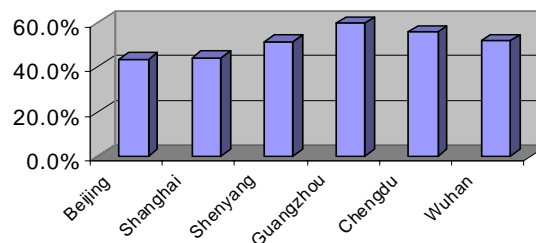
Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

The market segment study in the above table indicates that most Southerners & South-Westerners chose to drink beer at social gatherings; the Northerners prefer to drink at dining in homes / food courts.

#### Northerners prefer drinking at dining



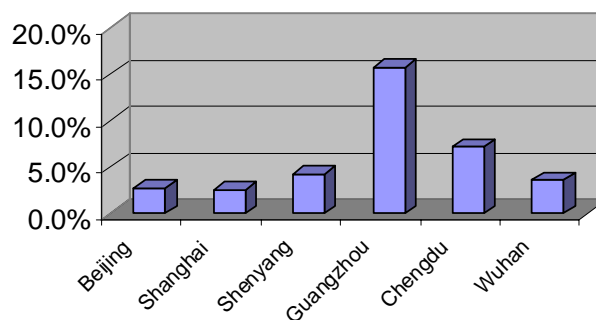
#### More Southerners drink at banquet



Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

The South- & South-Westerners' lifestyle sees importance to cheer their beer to friends and colleagues at pubs / bar counters or at banquets. Drinking beer is the best way to express their lifestyle with friends, colleagues and business partners. Unlike the Northerners, they do not see drinking beer as adding flavour to their dining, as part of the eating lifestyle in dinner or lunch as what the Northerners believe. As the weather in the south is dry and hot, drinking beer will definitely serve to meet the thirst of these people. There was a significant group in Chengdu (10.8%) and Guangzhou (13%) who had indicated to drink for quenching their thirst.

**Southerners prefer cheering at bar**



Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

## Consumer Purchasing Criteria

### What Drives Consumers to Purchase Beer

IMI has identified 14 purchasing criteria for a selected set of 7 metropolitan consumer markets. Its survey outcomes are collated into a table below: 100% of the surveyed population had ranked **Pleasant taste** as numbered one criterion; except the consumers in Shanghai, the peers in the other six metropolitan markets had ranked **Reasonable price** and **Famous brand** as numbered two & three criteria respectively.

IMI's survey outcomes gave all brewers in China market a surprise! Like many beer beverage markets in other world regions, the criterion of "looking for a famous brand" is driving a home market towards a one-brand single market. In China, each of its consumer markets by virtue is a huge single domestic market ideally possible for building one-brand single regional markets across the whole country. In reality, it is not the same formula that can be applied for the beer beverage consumer market in China.

Purchasing Criteria	Ranking by the Seven Metropolitan Consumer Markets						
	Beijing	Shanghai	Guangzhou	Chengdu	Wuhan	Xian	Shanyang
Pleasant taste	1	1	1	1	1	1	1
Reasonable price	2	3	2	2	2	2	2
Famous brand	3	2	3	3	3	3	3
Easy to buy	4	5	4	4	5	4	4
Date of manufacture	6	7	7	8	6	6	5
Out of habit	5	6	5	5	4	5	6
Place of production	7	8	9	7	7	7	7
By words-of-mouth	9	10	8	9	9	9	8
Gifts	8	12	12	11	12	14	9
Influenced by advertisement	10	4	6	6	8	8	10
Offered at the work place	11	12	13	12	14	10	11
Appealing package	11	9	10	10	10	10	12
Introduced by shop assistants	14	10	13	14	13	12	13
Special offers	13	14	11	13	10	13	13

Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

Direct and ease of access at local areas to breweries' products was ranked in the survey study as the 4<sup>th</sup> importance to beer consumers. As far as the brewers are concerned, accessibility made possible by retail chain outlets is more efficient than the wholesale suppliers. At the moments, distributions by retail chain outlets works comfortably well for beer segment markets in China.

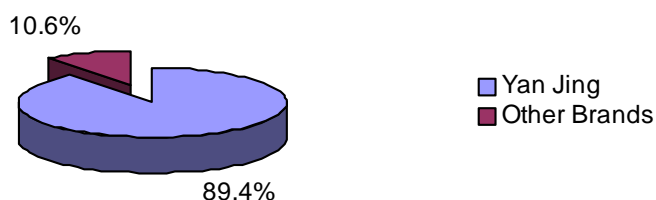
## Brands Segmentation Market

### Brand Royalty

Almost 80% in all age groups of Beijing beer drinkers have a stronger brand loyalty than drinkers in Shanghai and Guangzhou metropolitan markets. What upholds the Beijing beer drinkers' brand loyalty is the favourable taste the domain brand able to offer; its ease of access at an affordable price; and the symbolic values that are closely attached to the personal traits and beliefs of Beijing consumer segment markets. In 2001, 89.4% of beer consumers in Beijing drank only the brand of YanJing, which was numbered as second after the national leader brand TsingTao in China.



## Beijing's Domain Brand - Yan Jing



Brewers find themselves hard to control brand segments market in Guangzhou and Shanghai, as consumers of these two metropolitans have weaker brand loyalty, frequently switching brands of beer beverage product.

By Percentage

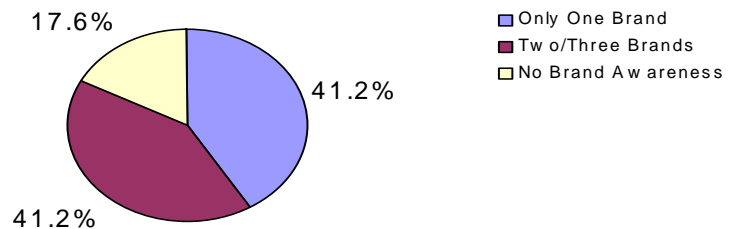
Types of Consuming Habits	Compared by three Cities	16-24	25-34	35-44	45-54	55-60
Habit 1: Consume only one brand	Beijing	74.3	77.4	85.1	77.2	85.7
	Shanghai	41.2	37.4	47.6	55.2	36.1
	Guangzhou	36.7	37.6	29.6	40.8	59.3
Habit 2: Consume two / three brands	Beijing	14.9	17.8	13.4	17.5	11.9
	Shanghai	41.2	52.7	43	33.6	41.7
	Guangzhou	43.3	43.4	48.4	35.9	29.6
Having no brand awareness at all	Beijing	10.8	4.8	1.5	5.3	2.4
	Shanghai	17.6	9.9	9.4	11.2	22.2
	Guangzhou	20	19.1	22	23.3	11.1

Source: IMI Consumer Behaviour & Lifestyles Yearbook 2002-2003

## Brand Awareness

Almost half of the group aged between 16 and 44 living in Guangzhou and Shanghai switch brands when consuming beer. In Guangzhou, only a third of its beer consumers have loyal to a brand; a fifth of the group has no brand awareness at all. The age groups between 16-24 year old living in Shanghai and Beijing also have no brand awareness.

## Brand Awareness of group aged 16-24 in Shanghai



Internal emigration has diversified cultural traits and changed the behavioural patterns of beer consumers in all segment markets in China. More and younger age populations are migrating into the urban areas. About 20% of consumers in the age of 16-24 expressed having no brand awareness at all when consuming beer. The emigration has changed the consumer demographics and produced a new consumer mix. It will destroy the brand essence and upset brand segment markets of some of the leading brewery companies in a near future. Business opportunities are promising for new brands' entrance to the local segment markets in China.

## Domain Brand Segments in the Three Metropolitans

Among the consumer products in China, beer beverage product is one of the unique consumer products that are strongly driven by a brand essence, which contains a set of local values that are personalized to consumers of a segment market. In 2003, Yan Jing commands a brand loyalty on a market segment of 92% in Beijing beer beverage consumer market. So did Suntory (57.8%) in Shanghai and Zhu Pi (28.8%) in Guangzhou metropolitan markets. Other successful domain brands included Tsing Tao, Chinese Resources, Harbin, and Zhu Jiang. A domain brand may hold more than one segment market in local areas. For example, the successful Yan Jing in Beijing also built a strong hold in Guangxi (75%).

Yan Jing	Tsing Tao	Harbin	China Resources	Zhu Jiang
Beijing 92%	Qingdao 70%	Heilongjiang 59%	Jilin 40%	Guangzhou 45%
Guangxi 75%	Shaanxi 75%		Anhui 70%	
	Shenzhen 70%			

Source: Yan Jing Beer (燕京啤酒). China Security Research (华夏证券研究所). 2004.

Brand awareness never help support a domain brand segment market. About 80-90% of the Chinese beer consumers have brand awareness. A successful domain brand is built on a good local brand essence. It is the ability of Yan Jing brand to bring forward a set of local values so closely attached to the personal traits and beliefs of segment beer consumers living in Beijing (92%) or in Guangxi (75%). The same set of values is rejected in other market places. The brand share of Yan Jing in the whole country market registered only at 8.43%.

The weak brand share across a national market also exhibits in Suntory brand (6.57%) of Shanghai and Zhu Pi (1.67%) of Guangzhou. It explains a notion that beer consumer market is a brand segmentation market, which is strongly driven by a successful brand essence that is closely belonged to a segment market. It also explains why many successful foreign brand brewers are fighting for a losing battle with local segment brands in China consumer markets.

The most recent corporate takeover lesson to learn was that the Australian brewer of Lion Nathan brand in China was bought over by the Snowflake of China Resources Brewery at a price tag of US\$153m, out beating its foreign rivals such as Anheuser-Busch (AB), Suntory, and Heineken. The Lion Nathan made a lost of US\$83m in China market. Why Lion Nathan was not able to sustain its premium markets? In fact, Lion Nathan belonged to a group of pioneer foreign brewers successfully captured the beer beverage market in China in the late 1980s. However, there are lessons to learn from successful experiences of foreign brewers launching hostile takeover or merger with local brewery companies in China. They striped off their preys' administration vanguard but kept the preys' brands intact to sustain the symbolic values to local segment markets. The case of Lion Nathan was a good lesson to learn!

## Conclusion

Beer beverage consumer market in China is characterized by brands segmentation. Consumers generally have brand awareness. Brand loyalty of the successful domain brands is built on a set of local values closely attached to the segment markets. Women consumer group is increasingly important to China's beer consumer market. More and younger age populations are migrating into China's urban areas. The emigration has changed the consumer demographics and produced a new consumer mix. This may destroy the brand essence and upset brand segment markets of some leading brewery companies in a near future. It also brings golden opportunities for promising new brands to enter the local beer segment markets in China.

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