

Golden Lucky Beer

Golden Lucky Beer is a new brand of Chinese beer. It is being created to compete with famous brands of Chinese beer such as Tsingtao, Zhujiang, and Yanjing. Creating this new brand is Chao Zhang, a Chinese-American living in California. Chao had noticed that Chinese beers are not very popular yet in North America. He sees an opportunity for a new Chinese beer brand to enter the North American market.

Chao first discovered the opportunity when he was in a Chinese restaurant in Los Angeles. At that time his parents and some aunts and uncles were visiting him. They lived in China and were on a two week holiday in America. In the restaurant Chao and his family sat around a large round table, which is a typical seating arrangement in China. His father asked the server what kind of beers the restaurant offered. This was an unusual request because no-one in the family knew he liked to drink beer. The server in the restaurant noted that they had local American brands available and one Chinese brand beer, Tsingtao. Chao's father preferred the Yanjing brand, but it was not available, so he ordered a Tsingtao beer. Much conversation followed the family's discovery that he enjoyed beer. They pushed him to explain his revelation. The family fell silent as Chao's father said this:

"It is time for us to express our pride in our country and the many wonderful original products we create, not just those designed and engineered by Westerners. Our beer, for example, is as good as the rest of the world's. I now drink Chinese beer wherever I go in the world."

Again, much conversation followed this pronouncement. While the family spoke, Chao looked around the restaurant. Of the 20 tables with customers at them, some 5 were being occupied by non-Chinese guests. 4 tables had typical Caucasian (white) people, and 1 had an Indian family, as evidenced by the fact that Chao could hear them speaking Hindi at their table.

The rest of the tables were being occupied by Chinese or Chinese-American guests.

At only 2 other tables was someone drinking beer: Those of two Caucasian families. At one



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table a man was drinking an American beer brand called Coors. At the other, both a man and woman were drinking Tsingtao beer.

At all the other tables, whether they were occupied by Chinese or non-Chinese guests, tea, soft drinks, or another type of alcohol had been ordered.

The Opportunity

Chao wondered why Chinese beer was not as popular in this restaurant as the famous Mexican brand, Corona, might be in a Mexican restaurant. Or the Indian beer brand, Kingfisher, might be in an Indian restaurant.

Later that week, Chao visited two more Chinese restaurants and noted the same pattern: People did not drink much beer in a Chinese restaurant. When they did drink beer, it was an American beer or it was a Chinese beer. He tried a Tsingtao beer himself at one of these restaurants and found it tasted excellent. He thought it tasted similar to American brands.

Chao had just graduated with an MBA degree from the University of California. He knew that getting rich in America would likely come from being an entrepreneur - starting his own business.

Chao had some money to invest and did not yet have the responsibility of a wife and children of his own to support yet. He decided to explore why Chinese beers were not popular and if he might have found a largely unexploited marketing opportunity: Importing and selling a new brand of Chinese beer in North America.

His research excited him and resulted in the decision to create his own new brand of beer, which he named "Golden Lucky Beer".

Chao's Findings

The first thing Chao researched were the current brands - Tsingtao, Zhujiang, and Yanjing. He found that they were distributed widely in North America already, though they did not seem to be aggressively promoted.

Next, he spent some time talking to owners of Chinese restaurants. Some indicated that their Chinese customers did not often order beer. If anything alcoholic was ordered, it was a more traditional Chinese alcoholic drink ("jiu"). The two varieties are "huangjiu", which literally translates to "white liquor" and "baijiu", which means "yellow liquor". Baijiu is also commonly called "shaojiu", which means "hot liquor". The origin of the name shaojiu is not perfectly clear, but it does highlight that Chinese alcoholic drinks are typically served warm or hot.

Beer, while very well known and consumed in great quantities in China, is not as popular as it is in European and North American restaurants.

Further research revealed that Chao had been talking to the wrong restaurants. While Chinese restaurants that served mostly Chinese patrons did not sell very much Chinese beer, the Chinese restaurants that largely served *North Americans* were very likely to sell a Chinese beer. As one owner of a Chinese restaurant that primarily served non-Chinese customers said:

"We sell lots of Tsingtao beer. People really like having their experience. When in a Chinese restaurant, they order a Chinese beer. We just got the Yanjing brand beer in for the first time last night. The Representative [of the importing company] came in and gave me some samples, some table advertisements, and we had a beer each. Yanjing has one special thing about it: It is gluten free, so is good for those people allergic to wheat."



One implicit feature noted was that the beer was "imported". The owner quoted above also said that patrons will order any imported beer, like Heineken, in a Chinese restaurant. It is therefore at least partly the "foreignness" aspect customers are seeking.

Some more interesting findings from Chao's research:

- In China, drinking beer is a social event, as it is in a bar in North America, and not as largely associated with eating. A group of people in China will get together and drink one or more cases of beer. Someone will "host" a gathering at a restaurant or bar and will order and pay for the beer. Toasting each other is a ritual with special protocols. For example, toasting the paying host first in gratitude and for recognition of their status as host is expected. Large quantities of beer are consumed in such social events, which take place for many small and large celebration reasons.

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Questions:

1. Using marketing concepts, models, and tools you are studying, analyze the Golden Lucky Beer research Chao has gathered.

Specifically:

- What do customers expect from a foreign beer and want to experience by purchasing it?
- What logical possible segments emerge from Chao's research?
- What are the 2 - 3 best segment choices - the best "target markets" from the whole list of possible logical segments? Use profitability, market size, and market accessibility to make your choices.
- Fully define and explain the "product to position". Be sure to consider all aspects of "product".

Note: The photo on page 1 of this case study is not the design of the beer label. Chao does not have a design yet. This photo is just to illustrate the nature of this case.

- What marketing channel(s) should he use for his product and target market(s)?
- What logical advertising and promotion methods make sense from Chao's research and are logical, and reasonable for his start-up business? He does not have large amounts of money for advertising and promotion.

With all your answers, be sure to explain why and detail your analysis and findings fully and

completely. Doing so makes clear that you have fully considered this case.

2. Make specific marketing recommendations to help Chao successfully launch his beer brand in North America. Use the results of your analysis done in Question 1. Your recommendations can be practical marketing he should do, but can also include further specific questions Chao should research first. Be sure to support your recommendations and questions with well explained reasons and links to case facts.

Appendix: Comparable beer retail prices and costs

Note: **Prices and costs vary** by type of retail outlet. Prices also vary by the quantity sold, the type of packaging, and by state and city, due to different taxation rates. The prices and costs shown here are estimates for a medium sized retail outlet only, selling bottled beer (not cans), in California. Restaurants and pubs/bars sell beer at substantially higher prices, particularly specialty import brands, but their costs can sometimes be lower because they can sell many brands "on draft" (from large keg), which costs them less to purchase than individual bottles.

| Type of Beer | Retail Price (per individual bottles but sold in quantities of 6 at a time) | Cost to the Retailer |
|---------------------------|--|----------------------|
| European specialty beer | \$3.25 | \$2.25 |
| European well known brand | \$2.75 | \$1.75 |
| Mexican beer | \$1.50 | \$1.00 |
| Chinese beer | \$1.50 | \$1.00 |
| American premium beer | \$1.50 | \$1.00 |
| American standard beer | \$0.80 | \$0.50 |

