

An Analysis of the Tsingtao Beer Merger

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ABSTRACT

Merger and acquisition are important ways for enterprises to achieve faster development and occupy a solid position in the market. Therefore, for their own effective operation, many enterprises adopt the development strategy of mergers and acquisitions. In the period of integration and development of domestic beer industry, Tsingtao beer enterprises seize the opportunity, combined with its own characteristics, brand-driven development, out of the path of mergers and acquisitions, expand the scale of enterprises, play the name of enterprises, enhance their core competitiveness in the competition for market position. This paper analyzes the generalization and reasons of Tsingtao beer merger by adopting some research methods, such as investigation method, case study method and quantity research method, and summarizes the influence of its arrival, and deeply analyzes the positive significance of Qingdao merger and acquisition case.

Keywords: *Tsingtao Beer, Merger and acquisition, Overview, Reasons, Impact*

1. INTRODUCTION

At present, China's beer industry has been out of a state of prosperity, not only beer production increases steadily, the total consumption is also increasing. In the background of the booming beer market, Tsingtao Brewery start the wave of mergers and acquisitions, successfully integrated dozens of beer enterprises, achieved the continuous growth of corporate performance, and promoted the long-term development of enterprises. By taking a scientific approach to the beginning and effect of Tsingtao beer merger, the author analyzes the role of merger and acquisition on modern enterprises, and provides a reference for improving the competitiveness of China's beer competition enterprises and making them develop in a benign direction. The author believes in the process of pursuing growth, merger and acquisition is the most effective tool to improve market competitiveness and plays an increasingly important role in modern society.

2. TSINGTAO BEER MERGER AND ACQUISITION OVERVIEW AND REASONS

2.1. Tsingtao Beer Merger Profile

Tsingtao Brewery, as a national mega-enterprise,

was founded in 1903, formerly known as the state-owned Tsingtao Brewery, in China has a long history of development[1]. In 1993, Tsingtao Brewery entered the international capital market and, with its own management, brand, technology and other advantages, set off a wave of mergers and acquisitions.

Tsingtao Beer's merger and acquisition process can be divided into three stages[2]. In the first phase, three small nearby factories were acquired to expand production sites to increase total production. The second stage, that is, 1995-1997, Tsingtao Beer enterprises to acquire more than a dozen beer enterprises in Shandong Province, initially achieved the strategic goal of unifying the Shandong beer market, but due to blind expansion, its development into a downturn. The third stage, that is, since 1998, Tsingtao Beer enterprises continue to carry out mergers and acquisitions plans, and the acquisition target from Shandong to the national beer market, increasing the number of mergers and acquisitions enterprises, expand the scale of production, occupy a multi-site market, to achieve the efficient development of Tsingtao Beer enterprises[3].

2.2. Reasons for Tsingtao Beer's mergers and acquisitions

2.2.1. Profit reduction issues

Although Tsingtao beer occupies an important

position in China's beer market, it still faces product benefit reduction problem. Due to the price increase of barley malt, wheat malt and other raw materials for the production of beer in recent years, the production cost of Tsingtao beer enterprises increases, but under the pressure of fierce market competition, it is difficult for enterprises to raise product prices, which leads to the reduction of profits of Tsingtao beer enterprises, aggravating the difficulties faced by enterprise development, increasing the risk of mergers and acquisitions by large international beer enterprises[4].

2.2.2. Solid market position

With Yanjing Beer and China Resources Snowflake as the three giants of Chinese beer enterprises, Tsingtao Beer's market position in China is subject to competition and challenges[5]. Moreover, the emergence of many small beer enterprises in recent years has also increased the competitive pressure of the beer market, which brought threat to the development of Tsingtao beer enterprises[6]. Therefore, in order to stabilize the position of Tsingtao beer enterprises in China's beer market, it is necessary to step up the acquisition of small and medium-sized beer enterprises, expand the scale of production, occupy more market share.

2.2.3. Increase brand awareness

Spinoza believes there should be no separation between a brand's accessible assets and its overall concept in the consumer's mind. Creating a unique brand and enhancing brand awareness is the key to better development of an enterprise. Tsingtao brewers through the acquisition of small and medium-sized beer enterprises, not only can expand the size of enterprises, but also can effectively use the influence of some small beer enterprises in the local, promote the brand promotion of Tsingtao beer enterprises, thereby expanding their brand awareness in the country, enhance brand image[7].

2.2.4. Competitive advantage is large

Tsingtao beer enterprises can occupy a favorable position in the fierce market competition, and the development of mergers and acquisitions depends on their talent, management, technology, economy and other advantages.

First of all, Tsingtao beer enterprises have a strong economic advantage[1]. Tsingtao Brewery's financial situation is relatively stable, with strong financial security, which not only for its marketing and after-sales services to lay a solid foundation, but also to ensure that it has sufficient funds to acquire other enterprises.

Secondly, Tsingtao Beer Enterprise has a strong human resource advantage. For employees who have

entered the internal work, managers will strengthen their knowledge, skills training, and constantly expand their business capabilities, enhance their professional skills, so as to ensure that enterprises produce high-quality beer products, expand the scale of sales.

In addition, Tsingtao beer enterprises have a cohesive corporate culture, enhance its core competitiveness. Corporate culture is the key to an enterprise's unique brand and marketing success. Tsingtao beer enterprises rely on their own advanced corporate culture, playing a well-known national corporate brand, successfully occupied the leading position in the beer market.

Finally, Tsingtao Brewery has a strong technical advantage. Because Tsingtao Brewery enterprises master high-end technology and equipment, so that it can improve the labor efficiency of staff, reduce labor time consumption. When the acquisition of other small and medium-sized beer enterprises, Tsingtao breweries can use their own advanced technology, to drive other enterprises to reduce costs, expand production, and ultimately achieve the development of the entire enterprise brand.

3. THE IMPACT OF THE TINGDAO BEER MERGER

3.1. Enhance corporate brand influence

Brands are extremely important for a business to occupy a solid market position[1]. At present, China's beer market is basically saturated, Tsingtao beer and Yanjing beer, China Resources snowflake occupy the dominant position of beer enterprise brand. However, through continuous mergers and acquisitions, integration, selected production materials, to create high-quality products, so that Tsingtao Brewery not only over the other two giants, in China's beer market leading position, but also successfully in the international market to shape a "high-quality" Chinese brand, enhance its global influence and competitiveness.

3.2. Improve the management level and enhance the competitiveness of enterprises

Tsingtao beer enterprise management model has been a pyramid structure, but in recent years, because of the continuous mergers and acquisitions, expansion, the original management mode has been unable to adapt to the development of enterprises, so it will take to reduce the management level, compression functions and structure of the "flat management" approach, thereby reducing the time of information transmission, effectively solve the problem of redundancy of

personnel, improve decision-making efficiency, to achieve a good operation of the internal structure of the enterprise, and thus enhance the competitiveness of Tsingtao beer enterprises in the entire beer market, to ensure the continuous development of enterprises.

3.3. Increase economic benefits

In the process of acquiring small enterprises, Tsingtao Brewery enterprises pay attention to speed up, seize the opportunity to reduce cost input, step up

mergers and acquisitions, expansion, so that it achieves the continuous growth of economic benefits. In addition, with the continuous progress of science and technology in China, Tsingtao beer enterprises make rational use of advanced technology, master high-end equipment, improve the production process within the enterprise, in order to ensure product quality under the premise of reducing production costs, increase profits. By sifting through Tsingtao Beer's profit data from 2000 to 2001, as shown in figure1 profit change data, you can visually see the beneficial change in its economic benefits.

project	2000 years	2001 years	difference	2001 to 2000
Main business income	3 , 766 , 259 , 130	5 , 276 , 724 , 546	1 , 510 , 465 , 416	1.40
Main business costs (minus).	-2 , 245 , 392 , 927	-3 , 151 , 932 , 445	-906 , 539 , 518	1.40
Profits from the main business	1 , 187 , 150 , 040	1 , 561 , 053 , 739	373 , 903 , 699	1.31
Profit (loss) on other businesses	12 , 900 , 524	7 , 071 , 287	-5 , 829 , 237	0.55

Figure 1 Profit change data

3.4. Effectively improve the product structure

At present, China's beer market consumer groups are mainly divided into high, medium and low three, the proportion of high-end consumer groups is small, medium and low-grade consumer groups occupy most of the beer consumption market. If enterprises want to develop in the long run, they cannot lose high-end consumer groups, nor ignore the role of low- and medium-grade consumer groups, therefore, the need for enterprises to reasonably improve the production structure, expand product types, grasp all consumer groups in the market, develop suitable for different grades of consumer groups marketing strategy. Facing the high-end consumer population, Tsingtao beer enterprises should continue to expand the brand size of "Tsingtao Beer" to produce higher quality beer products, in the face of medium and low-grade consumer groups, Tsingtao Beer enterprises can use the local influence of mergers and acquisitions enterprises to attract more consumers, and thus can achieve the broad development of enterprises.

3.5. Optimize the enterprise sales process

With the continuous progress of science and technology in China and the development of Internet logistics, Tsingtao beer enterprises in the process of product sales to achieve optimized operation. Through

mergers and acquisitions spread throughout the country, small and medium-sized beer enterprises, so that Tsingtao beer enterprises can establish sales positions in various places, and with the help of the developed Internet of Things network system, accelerate product-to-consumer communication, shorten transportation time, ensure the freshness of beer products, so as to meet the multi-level consumer demand, promote product sales growth.

3. 6. Save the fallen small beer businesses

Tsingtao beer enterprises to carry out mergers and acquisitions, not only to Tsingtao Beer has a good benefit, for the beer enterprises, but also a lot of benefits. In1995, Tsingtao Brewery acquired Xi'an Hans Brewery, at which time Hans Brewery was already in a serious loss situation, Tsingtao Brewery's acquisition did not make its situation worse, but rather made it dangerous. Through mergers and acquisitions, Hans Brewery increased production, increased its profits, so that it firmly occupied the Xi'an beer market position, so as to achieve the continued development of Hans Brewery.

3.7. To achieve strong alliances and promote the long-term development of enterprises

In the process of mergers and acquisitions, Tsingtao Brewery enterprises will not only acquire some small and medium-sized enterprises, but also with large

enterprises strong alliance. Such as Tsingtao Beer enterprises to acquire Carlsberg beer enterprises, is a typical example of its strong alliance with large enterprises. Carlsberg beer company since its inception, its machinery and equipment are imported from Europe, master the world-class production technology and technology, but because of its low market share, often in a loss-making state. The acquisition of Carlsberg beer enterprises by Tsingtao Brewery can not only absorb its advanced technology and equipment, promote the upgrading of production technology, but also help Carlsberg brewers to enhance their position in the Chinese market, increase market share, and ensure that they get rid of operating losses.

4. CONCLUSION

At present, in the context of increasingly fierce market competition, mergers and acquisitions not only bring opportunities to enterprises, but also bring risks. How to seize the opportunity of mergers and acquisitions, so that enterprises bigger and stronger, has become a lot of enterprise development problems and challenges. Tsingtao beer enterprises successfully seize the opportunity to make use of mergers and acquisitions to achieve good and efficient development of enterprises, worthy of many enterprises in China to learn from and learn. The author believes that with the continued wave of mergers and acquisitions, Tsingtao Beer enterprises

will certainly move to a higher level, to promote Chinese brands to the world.

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