

THE QINGDAO INTERNATIONAL BEER FESTIVAL

Liu Su, Alex Beamish, and Hailing Liu wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Version: 2020-04-28

On December 24, 2018, after finishing an interview with the media, Xingyu Lin, the chief advisor of the Qingdao International Beer Festival, looked out to sea from his office and thought about the issues involved in holding the 2019 Qingdao International Beer Festival. Lin had participated in planning and organizing the festival for the past 28 years. Under his watch, the festival had gradually matured from a local event to a world event—one of the world's biggest.

Holding the beer festival brought the city of Qingdao and Tsingtao Beer Co. Ltd. (Tsingtao Beer) direct economic benefits and public awareness. However, although the festival offered a natural advertising opportunity, foreign beers benefited from it as well. These foreign brands had entered the Chinese beer market with ease and grabbed significant market share. To date, Chinese beer brands held less than 50 per cent of the high-end Chinese beer market. China levied no tariffs on foreign beer imports (though the United States levied tariffs on aluminum imports¹), and the increasing competition in the beer market created difficulties for Tsingtao Beer and other Chinese beers.² Lin now wondered whether the Qingdao International Beer Festival was serving the objectives of both Tsingtao Beer and the Qingdao government. Was it helping one more than the other? Was the festival helping Tsingtao Beer's competitors? Should the Qingdao International Beer Festival work to recapture or emphasize some of its own cultural uniqueness?

CHINESE BEER MARKET

China was the largest beer market globally, consuming over 45 billion litres each year—twice the consumption in the United States and five times the consumption in Germany, the largest market in Europe. Beer made up three-quarters of all alcoholic beverage consumption in China. As of 2018, the market had been maturing and the total volume was dropping, mainly due to a drop in production and consumption in the mass-market segment. However, the total value of the market had been increasing, spurred by premiumization. Beer imports totalled US\$750 million in 2017. Three-quarters of imports were sourced from the European Union, which was perceived as high quality, with Germany being the lead exporter. Chinese consumers were becoming more discriminating about beer brands and expected increasing quality, value, and service.³

China's top-selling beer was Snow, with one-quarter of all sales, making it the bestselling beer globally. The immense and somewhat untapped Chinese market was highly attractive to multinational beer firms. Since 2008, retail sales of beer had doubled, with the Chinese now buying US\$80 billion of beer each year. Craft

beer, in particular, had increased in popularity—from merely 0.1 per cent of the Chinese beer market in recent years to up to 5 per cent in 2018.⁴ In China, beer was a surging market where consumers had increasing disposable income, often preferred foreign over local products, and had a large selection from which to choose.

HISTORICAL RELATIONSHIP BETWEEN QINGDAO AND GERMANY

Qingdao (pronounced “ching-dow”) was located on the southeast coast of the Shandong Peninsula, which was separated by the Yellow Sea from the Korean Peninsula. Geographically, Shandong Peninsula, the gateway to Beijing and Tianjin, was an area of great strategic significance. In the late Qing Dynasty, Chinese coastal cities such as Dalian and Weihai became important coastal defence towns for resisting UK and French warships, but Jiao’ao Bay, which did not freeze and where warships anchored, remained unprotected. In 1891, during Emperor Guangxu’s reign, the Qing government decided to set up defences in Jiao’ao, and Qingdao was built. In 1897, on the pretext of the Juye Massacre, Germany took Qingdao by force and forced the government to sign *The Qingdao Concession Treaty* on March 6, 1898. Over the next 16 years, Qingdao was reduced to a colony of Germany.⁵

TSINGTAO BEER

At the time of colonization, the German garrison in Qingdao was about 5,000, accompanied by German officers and soldiers, their families, some entrepreneurs and investors, and the workers who had built the railways and wharf. Inevitably, the gradual penetration of German life into Qingdao exerted a significant influence on the evolution of the local culture. With much emphasis on quality of life, the Germans showed a deep love of beer. In the late 19th and early 20th centuries, many Germans in Qingdao desperately wanted to drink fresh German beer, but this was not possible because oxidization often occurred during long storage periods. Moreover, the three-month marine transportation time made it impossible to transport German beer to Qingdao quickly. As such, owing to the long distance and limited refrigeration technology, the German beer sold in Qingdao did not maintain its intended flavour. In such a context, some entrepreneurs sensed an opportunity.

In 1903, a joint venture between German and UK businesses was undertaken to establish Qingdao Brewery Co. Ltd. (Qingdao Brewery), which was affiliated with Germanic Breweries.⁶ The brewery began to brew light beer with a German style and black beer with a Munich style.⁷ At that time, many favourable conditions existed for plant investment and construction. First of all were the existing consumers, including the German officers and soldiers; their families; the expatriates and foreigners living in Beijing, Tianjin, and other coastal cities of China; and Qing Dynasty dignitaries. The second favourable condition was the high-quality water used for the beer. As the saying went, “Water is the mother of beer.” In 1905, a German businessperson found that the water at Qingdao’s Mount Lao was refreshing and sweet,⁸ which provided the prerequisite for making good beer. The third condition was the Germans’ advantage in making beer. In the beginning, everything required for beer production—from production equipment and technology to fermented yeast and hops—was imported from Munich, and a first-generation brewmaster, Mr. Augerta, was formally stationed at the brewery to offer technical guidance for beer production.⁹ At this time, German master brewers and their fermentation technology provided unparalleled advantages for the taste of Tsingtao Beer. Otherwise, without an efficient production procedure and technology, it was difficult to produce high-quality beer despite having good ingredients.

The brewery officially went into operation in October 1904, and the annual output was 2,000 tons. The entire brewing process of Qingdao Brewery strictly followed the *German Beer Purity Law* formulated in 1516. In 1906, the beer produced by Qingdao Brewery was exhibited at the Munich International

Exposition, where it won the Gold Prize, thereby affirming the quality of Tsingtao Beer in the “World Beer Capital” itself—Munich.¹⁰

After World War I, with Germany’s defeat, Qingdao became a colony of Japan. The brewery underwent a change of ownership after the Japanese paid only 500,000 silver dollars for the brewery.¹¹ After the defeat of Japan in World War II in 1945, ownership of Qingdao Brewery returned to the Chinese in 1947.¹² In 1993, Tsingtao Beer Co. Ltd. was registered and established. That year, it was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with H shares and A shares issued, respectively. Furthermore, the company formally entered the international capital market, and it became China’s first limited company listed in Shanghai and Hong Kong simultaneously.¹³

Well-known both at home and abroad, Tsingtao Beer was endowed with great historical significance: “There were usually two ways for foreigners to know China. One was through Confucius, and the other was through Tsingtao Beer.”¹⁴ Because of its high quality and public profile, Tsingtao Beer was being exported in 2017 to over 100 countries and regions in the world, including the United States, Canada, Germany, Italy, Britain, France, South Korea, and Australia.¹⁵

In recent years, to expand its production and sales scale, Tsingtao Beer had acquired many beer manufacturers and competed fiercely with Yanjing, Snow, and other domestic beer brands in the mid- and low-end beer market. In 2016, the company sold 7.97 billion litres of beer in China,¹⁶ accounting for almost 20 per cent of beer sales in the country; in 2018, it was the fifth-largest beer manufacturer in the world.¹⁷ However, despite Tsingtao Beer’s high market share, it had suffered a substantial profit reduction between 2014 and 2018 (see Exhibit 1). Worse still, due to the high sales of its mid- and low-end beer series, many consumers did not think Tsingtao Beer’s quality or taste was as good as it had been before.

QINGDAO BEER FESTIVAL

In 1987, two Qingdao scholars published an article in a local research journal about Qingdao beer and culture and offered an academic perspective on the possibility of holding a beer festival in the city. However, because the production facilities of Tsingtao Beer could not supply the beer required for a beer festival, this proposal was not implemented immediately. By 1991, the city of Qingdao had been established for 100 years and wanted to hold a centennial city celebration. Tsingtao Beer had won countless honours for its city, so if one brand or entity could represent Qingdao well, it was Tsingtao Beer. At that time, Tsingtao Beer had already met the market demand in Qingdao. Thus, in March 1991, the Qingdao Municipal Government issued a document on the holding of the first Qingdao International Beer Festival, and the festival officially began preparations.

The first Qingdao International Beer Festival was hosted by Tsingtao Beer and held in the flower area on the west side of Zhongshan Park, Qingdao. It attracted more than 300,000 citizens and Chinese tourists as well as more than 2,000 foreign guests. Tsingtao Beer provided free beer and many types of foreign drinks for participants to taste. The first beer festival could be considered a “Mini Munich.” Because the city had no experience in holding large-scale festivals, its parade and the design of the beer tent mainly followed the example of the German Oktoberfest, though the scale was much smaller. In the spirit of inclusivity and to spur people’s enthusiasm to participate in the festival, festivalgoers could enter without a ticket for the first, second, and third sessions of the festival. This resulted in no income for the company.

After a few years of the festival, it became unrealistic for the company to work as the sole organizer of such a large-scale event. From the second session until the sixth session—the trial stage of the Qingdao International Beer Festival—the festival was held by the Qingdao Tourism Bureau. During this period, new

problems emerged. Running a beer festival required government support, urban management coordination, security, and traffic police to maintain order. In addition, the Food Supervision Bureau was needed to monitor food quality, power companies were needed to monitor the electricity supply, and so on. It was difficult for a tourist bureau to coordinate these conditions. From the seventh session onward, the festival was handed over to the Laoshan District Government, and the seventh festival was held at the Qingdao Shilaoren National Tourism Resort. During the festival, 77 brands and 115 different kinds of beer from 42 domestic and foreign beer manufacturers from Germany, the United States, the Netherlands, Japan, and Singapore participated. Over 1 million people attended the event, and a total of 496,000 litres of beer were sold. At that time, it was hailed as the largest beer event in Asia.¹⁸

The Laoshan District Government was happy to run the festival because the income from beer tickets amounted to several million yuan renminbi,¹⁹ with a peak of 13–14 million yuan renminbi. The beer festival experienced a period of steady growth until the 13th session; this coincided with Tsingtao Beer's 100th anniversary in 2003, which ignited people's enthusiasm for the festival. At this 13th session, the number of tourists who entered the city exceeded 1.5 million and the amount of beer sold exceeded 635 tons.²⁰

Before the 14th session, festivalgoers would drink alcohol without enjoying additional entertainment; after that session, the beer festival became a carnival. The organizers introduced large-scale entertainment features after seeing them in Shanghai, and with this development the Qingdao International Beer Festival matured. There were now three main parts to the festival: drinking, the carnival, and shows.

Before the 22nd festival, Laoshan had been the main venue. Later, other district governments such as Huangdao, Chengyang, and Jimo began to actively participate. With the formation of other, smaller venues, the Qingdao International Beer Festival evolved to be more variable in its organization and structure.²¹ The festival had at least four or five venues but could have as many as dozens.

On the evening of August 26, 2018, the 28th Qingdao International Beer Festival was successfully concluded at Jinshatan Beer City in the West Coast New District. Generally, the festival lasted for 16 or 17 days, but the 28th session had lasted for 38 days. This festival had set up four sub-meeting venues, bringing together more than 1,300 kinds of beer from more than 200 international brands around the world, and welcomed 6.2 million attendees.²² (By comparison, the 2018 Munich Oktoberfest ran for 16 days and had 6.3 million attendees.²³) The 2018 Qingdao International Beer Festival had leveraged its experience in running the large-scale festival. Through the opening ceremony, beer drinking, carnival entertainment, art parade, stage performances, competitions, economic and trade exhibitions, and closing ceremony, it had created a warm and enthusiastic atmosphere that was a boon to the tourism industry. Revenues from hotels and other accommodation, transportation, communications, scenic-spot tickets, and souvenir purchases were strong during the 2018 festival.

Throughout its 28 years of development, the Qingdao International Beer Festival had been attached to many missions, especially from an economic perspective. From an administrative point of view, the Qingdao Government hoped the festival would produce direct and broad economic benefits. Although the motive for hosting the beer festival was not purely economic, the effect on the overall economy of Qingdao was obvious. Conversely, the development of Qingdao's economy had also promoted the development of the festival. This was something that other cities had not achieved.

Since the opening of the Qingdao International Beer Festival in 1991, the number of tourists to Qingdao, Qingdao's gross domestic product, and Tsingtao Beer production had grown rapidly. The influence, popularity, and reputation of Qingdao had continued to climb, and the beer festival was widely recognized by Chinese society.²⁴ As the first large-scale beer festival in China using beer as a medium for economic, trade, tourist, and cultural benefits, the Qingdao International Beer Festival had for several years been a powerful driver of both Tsingtao Beer and Qingdao as an international city.²⁵

REVENUES FROM HOLDING BEER FESTIVALS

According to the organizer of the Qingdao International Beer Festival, the revenue came from four main sources: beer tickets, venue rentals, advertisements and sponsorships, and souvenirs. The organizer required every facility operator, food vendor, and beer vendor to leave a deposit as a guarantee. For example, the organizer required that the sound from stereo equipment not exceed 80 decibels in the beer tent; if a facility operator's sound was too loud, the organizer would deduct some money from this operator's deposit as a punishment. If the organizer tested food and found that its E. coli (*Escherichia coli*) quantity exceeded the upper limit, the offending food vendor had to pay a fine of ¥3,000.

Revenue for the beer suppliers (distributors) and food vendors came from selling beer, food, souvenirs, and other items. To avoid potential risks, whoever wanted to sell in the beer tent had to provide basic qualifications and certificates to prove they could provide quality products.

Equipment providers and service providers also brought in revenue. For example, the beer tent needed a stage for performances, and after a beer tent's frame was built, it had to be decorated. The equipment provider could help build the stage and provide sound, light-emitting diode (LED) lighting, video surveillance, and so on. The beer tent also needed many billboards, posters, and display boards, and advertising companies were responsible for printing and hanging these.

Around the beer halls were grand theatres, sports stadiums, and exhibition halls. During the festival, various shows, sporting events, and activities took place, and attendees had to buy tickets. Though entrance to the Qingdao Beer Museum did not require a ticket, there were many cultural products for sale inside. This constituted important revenue for the museum. Moreover, around the beer halls were many shopping malls, hotels, and restaurants, and additional revenue came from tourist attractions, public transportation, the subway, telecommunications, and flights.

Besides this, the Qingdao International Beer Festival was a carnival for not only citizens and tourists but also businesses. During the beer festival, many local business groups, such as Haier Co. Ltd. and Hisense International, held meetings and invited global clients to participate. The festival became the city of Qingdao's living room, so to speak. Going to Qingdao and participating in the beer festival gave one a sense of the city's atmosphere.

According to the standard calculation method of the National Bureau of Statistics of China, if revenue in the beer halls was ¥1 billion, then the overall direct and indirect revenue for the whole city was ¥8 billion.

WORLD'S TOP FOUR BEER FESTIVALS

There were many world-famous beer festivals in the United States, Belgium, the Czech Republic, Canada, Germany, and other countries (see Exhibit 2). The world's four most famous beer festivals were the Munich Beer Festival (Oktoberfest), the Great American Beer Festival, the Great British Beer Festival, and the Qingdao International Beer Festival. These four festivals had varying characteristics.

The Munich Beer Festival (see Exhibit 3) was the largest, most famous beer festival in the world. It originated on October 12, 1810, to celebrate the wedding of the Bavarian Crown Prince Ludwig I and Therese of Saxe-Hildburghausen.²⁶ From then until 2018, it held 185 sessions. The Munich Beer Festival received more than 6 million visitors annually who, in 2018, consumed approximately 7 million litres of beer.²⁷

The Munich Beer Festival was not a trade fair for beer brewers to promote and seek out business opportunities. Rather, the festival set limits on geographical locations, and only local brewers could enter the exhibition. The Munich Beer Festival stipulated that only fine local Munich beer could exhibit at the festival.

Although beer had originated in the Fertile Crescent, it was in Germany that beer became a pillar of economic productivity under modern industrial conditions. This productivity was not only a result of

Germans' enjoyment of drinking beer, but also because Germans exhibited the combination of craftsmanship and patience required to develop quality beer. They did not always believe that a larger company was better. As such, many good German beers would never enter an unfamiliar market. A lot of good German beer was not even sold outside of Bavaria; some of it was not even for sale in Berlin. The purpose of such a product was not to reach the greatest market scale and market share but to be the best. This thinking was manifested in the spirit of German products.

More than 300 years ago, a group of immigrants from Germany settled in the United States and introduced beer culture there.²⁸ By 2018, the United States had become the world's largest beer producer, producing such well-known beer brands as Budweiser, Miller, and Blue Moon. The City of Denver in Colorado was among those producers with the highest beer production in the United States, and it had the reputation of being the "Napa Valley of the beer industry."²⁹ The Great American Beer Festival was a yearly three-day event organized by the Brewers Association in Denver.³⁰

During the Great American Beer Festival in Denver, the American Brewing Association hosted many beer competitions, drawing together professional and amateur beer makers and a variety of beer lovers from all over the United States in Denver at the festival. Nearly 200 beer experts and volunteers from around the world formed a jury to judge thousands of different types of beer from hundreds of US breweries. There were tens of subentries, and each subentry vied for gold, silver, and bronze awards.³¹ Only 24 breweries participated in the first beer festival competition; however, this number grew to 1,300 by 2014, with more than 5,500 kinds of beer entered in the competition, covering 90 different styles and resulting in 268 medals. Compared with other beer festivals, the American Beer Festival was more like a brewer's carnival.³² Attendance at the festivals between 2015 and 2018 was approximately 60,000.³³

Apart from Germany, Britain was another country that was passionate about beer. The Great British Beer Festival was Britain's annual beer event and the world's largest craft beer gathering (like a world expo of craft beer). The Great British Beer Festival had grown out of the Campaign for Real Ale (CAMRA) organization, which sought to protect the traditional beer-brewing process. This organization promoted the reform of various alcohol laws in Britain, which helped revitalize hundreds of traditional craft breweries in Britain and helped maintain bar culture in UK life. The festival, known as "the world's largest pub," was usually held in London, the capital of Britain, for five days in early August.³⁴

The first Great British Beer Festival was held at Alexandra Palace in London in 1977, after which the annual festival was held in different cities in Britain, including Leeds, Birmingham, and Brighton.³⁵ Since 1991, it had been held in London. The festival featured a wide variety of beers.³⁶ All drinks were made by hand in small breweries, and most were produced in Britain. Attendance was well over 60,000.³⁷

The festival hosted over 200 brewing workshops and featured more than 450 kinds of exhibition counters for craft beers. Beer manufacturers would carefully arrange their booths to appear elegant and put their emblems in a conspicuous place. One of the most important programs of the Great British Beer Festival was giving attendees the opportunity to visit a traditional craft beer factory and learn about UK pub culture.³⁸

QINGDAO, TSINGTAO BEER, AND THE QINGDAO INTERNATIONAL BEER FESTIVAL

Qingdao, Tsingtao, and the Qingdao International Beer Festival were closely related and arguably inseparable. The Qingdao International Beer Festival was one of the most prominent festivals in China, and Tsingtao Beer was a product closely related to the fate of Qingdao. It was a brand with a strong international reputation—as though it were a business card for Qingdao. (Under China's current legal conditions, there would be no more products named after a particular region.)

In addition, Tsingtao Beer manifested the history and culture of the city, and the origin of the beer culture was the fulcrum of the festival. The beer customs brought by the early Germans had affected the habits of

Qingdao locals up to the present. Further, the way in which Qingdao residents opened, drank, and served beer contributed to the unique beer culture in Qingdao. For example, Qingdao locals often opened beer using a table, tooth, or key, but rarely with a bottle opener.

One of the “three curiosities” in Qingdao was that locals liked to carry beer in plastic bags. This phenomenon could not be observed in any other city in China. In addition to the production of standard bottled and canned beer products, Tsingtao Beer also sold a large quantity of fresh beer in bulk to Qingdao residents—the brewery put the beer in large buckets and delivered these to restaurants. The people of Qingdao liked to smoke while drinking beer; they would hang a plastic bag filled with beer, take a cigarette to burn a hole in the bag, and use a bowl to start drinking.

Qingdao was a Chinese city with a genuine beer culture and history. In fact, the Chinese character of *pi*—the first part of *pījiu*, or 啤酒, the Mandarin word for beer—was invented by Qingdao residents and officially admitted to the Chinese dictionary.³⁹ The Qingdao International Beer Festival had come into being in response to this beer heritage, and it has continued to honour this heritage to this day.

Qingdao’s unique beer culture was a rare resource of the city, and the Qingdao International Beer Festival contained the inheritance of a century-old beer culture. No matter how big Qingdao was or how much it grew, Qingdao people’s love for Tsingtao Beer would probably never change, which also reflected the power of Qingdao’s culture and the people’s confidence in that culture.

FUTURE CHALLENGES

In China, cities held festivals of various types and sizes every year. These included beer festivals, mountain-climbing festivals, fishing festivals, cultural festivals, culinary festivals, kite festivals, and costume festivals. In fact, there were more than 5,000 festivals in the country. The original intention of most local governments in holding festivals was to create a platform to attract people. In addition to gathering together members of the public, it was hoped that a festival would attract investment in a city, gain publicity for it, and promote the development of the local economy. However, the ultimate goal of a festival could simply be to bring happiness and enjoyment to everyone, rather than carry out a political or economic mission.

Many cities lacked distinct characteristics or the unique resources useful for a festival. Sometimes there was no relation between a festival and a city’s cultural history. In such cases, the festival would likely end up being the same as those offered in many other cities. For example, in 2017, there were more than 100 cities in China that hosted a beer festival, but cities other than Qingdao lacked a strong foundational beer culture. These cities simply used their beer festival as a money-making tool to stimulate the economy, trigger mass consumption, and promote their city.

Qingdao was the first city in China to establish a beer festival; it was also the city best qualified to hold a beer festival. To compete with and distinguish itself from other cities’ beer festivals, the Qingdao International Beer Festival often changed its form over the years and introduced other cities’ or countries’ cultural elements (e.g., a US jazz band or Brazilian samba dancers) and beer products. However, as a result, the festival was losing its own cultural uniqueness. If the Qingdao International Beer Festival lost its distinctive characteristics, how could it counter a potential decline in the festival’s appeal?

No alcohol in the world was as popular as beer.⁴⁰ Though wines and liquors such as Scotch whisky, Chinese baijiu, Russian vodka, and Japanese sake had carved out niches around the world, they were popular among relatively smaller crowds, and regional differences strongly affected consumption.⁴¹ China was both a big producer and a big consumer of beer; thus, beer multinationals wanted to seize the market. To this end, the Qingdao International Beer Festival provided a good and inexpensive opportunity for beer manufacturers to promote their products. In addition to Qingdao-based breweries, other beer companies in China and abroad sold beer products at the festival.

Chinese beer festivals had no restrictions on foreign beer brands. Thus, beer festivals had become the cheapest, most convenient springboard for foreign beer to land in the Chinese market. From the second session of the Qingdao International Beer Festival, beer merchants from countries such as Germany, the United States, France, and Italy had come to set up booths and promote their beers. Sometimes the promotional price was far lower than the market price.

Budweiser, for example, began coming to the exhibition in the fourth session, bringing with it the seventh-largest jazz band in the United States. There was not one bottle of Budweiser left after the first three days of the festival, so the company airlifted beer in directly. In a short period of time, millions of people had seen the Budweiser brand, which was presented as the equal to Tsingtao Beer. This could be perceived as a weakening of the reputation and brand of the host beer—Tsingtao Beer.⁴²

Tsingtao Beer was never discounted at the beer festival. As a result, the strong promotion of foreign beer brands had a direct impact on the sales of Tsingtao Beer at the festival. A comparison of the four world-famous beer festivals indicated that the Qingdao International Beer Festival allowed more foreign beers to participate than the other festivals did. Consequently, the arrival of any foreign beer brand in Qingdao was not to support Tsingtao Beer but to execute a clear business motive. The proportion of foreign beer imported by China was growing every year, and the selling price of foreign beer in China was declining year by year.⁴³ Normally, it was difficult and expensive to quickly gain the attention of a large number of foreign beer fans, but beer festivals offered a natural advertising platform to do so.

In terms of brand influence among Chinese beers, Tsingtao Beer had a unique position in the international market. Other Chinese beers could only be considered domestic or even regional beer brands, and their international brand influence did not measure up to their large-scale production and sales. For example, the Chinese lager Snow was the top-selling beer in the world, but it was not world-famous or had big sales outside China.⁴⁴

In 2018, well-known foreign brands, such as Budweiser, Heineken, and Carlsberg, accounted for more than 50 per cent of the Chinese high-end beer market share. Meanwhile, Tsingtao Beer and Snow beer accounted for only 14.4 per cent and 11 per cent, respectively.⁴⁵ With the Chinese government's policy not to impose tariffs on the import of foreign beer, and China's increasing beer industry concentration (the concentration of the top five brewers was 47 per cent in 2003 and 82 per cent in 2018⁴⁶), it was important for Tsingtao Beer to increase its profits and boost its share of the high-end beer market at home and abroad and better compete internationally in its industry. Did the Qingdao International Beer Festival serve the objectives of both Tsingtao Beer and the Qingdao government, or did it help one more than it helped the other? Did the festival help Tsingtao Beer's competitors? Should the Qingdao International Beer Festival work to recapture some of its own cultural uniqueness?

EXHIBIT 1: TSINGTAO BEER—KEY FINANCIAL DATA, 2014–2018

Indicator Year	2018	2017	2016	2015	2014
Revenue (¥ '000)	26,575,255	26,277,052	26,106,344	27,634,686	29,049,321
Total profit (RMB '000)	2,379,767	2,104,819	2,123,442	2,274,822	2,682,999
Total assets (RMB '000)	34,075,265	30,974,712	30,077,158	28,500,590	27,003,913
Total liabilities (RMB '000)	15,385,314	13,200,207	13,198,019	12,334,579	11,716,631
Tsingtao Beer sales volume (10 million litres)	803	797	792	848	915
National beer sales volume (10 million litres)	4,266.2	4,322.5	4,405.2	4,495.8	4,542.2
Tsingtao Beer domestic market share (%)	18.8	18.4	18	18.7	20.1
Hong Kong, Macau, and other overseas regions sales share (%)	1.43	1.3	1.23	1.91	1.72

Note: RMB = Chinese renminbi; US\$1 = RMB 6.8785 on December 31, 2018.

Source: "Tsingtao Brewery Company Limited," Webb-site Who's Who, accessed November 30, 2019, <https://webb-site.com/dbpub/docs.asp?p=1910&s=recup>; "Beer: China," Statista, accessed November 30, 2019, <https://www.statista.com/outlook/10010000/117/beer/china#market-ontradeRevenueShare>.

EXHIBIT 2: LIST OF LARGE FESTIVALS

Festival	Country	Number of Days	Approximate Guests per Year	Description
Munich Oktoberfest	Germany	16	6.3 million ⁴⁷	Beer, German/Bavarian culture
Qingdao Beer Festival	China	16–38	6.2 million ⁴⁸	Beer, Qingdao culture
Carnival Rio de Janeiro	Brazil	4	6 million ⁴⁹	Brazilian pre-Lent cultural celebration
Cannstatter Volkfest	Germany	23	4 million ⁵⁰	Autumn festival with beer emphasis
Carnival in Venice	Italy	13	3 million ⁵¹	Pre-Lent celebration famous for masks
Carnival in Cologne	Germany	5	1.5 million ⁵²	Pre-Lent festival
Mardi Gras in New Orleans	The United States	14	1.4 million ⁵³	Pre-Lent carnival
Kitchener-Waterloo Oktoberfest	Canada	9	700,000 ⁵⁴	German–Canadian beer festival
Art Basel Switzerland	Switzerland	4	95,000 ⁵⁵	Art fair
Art Basel Miami Beach	USA	4	83,000 ⁵⁶	Art fair
Art Basel Hong Kong	Hong Kong	4	80,000 ⁵⁷	Art fair
Great British Beer Festival	The United Kingdom	5	60,000–70,000 ⁵⁸	Craft beer festival
Great American Beer Festival	The United States	3	Over 60,000 ⁵⁹	Craft beer festival

Source: Adapted from respective sources noted in the exhibit and Juan Alcacer, Christian Bettinger, and Andreas Philippi, "The Munich Oktoberfest: From Local Tradition to Global Capitalism," Harvard Business School Case 714-439, December 2013 (revised October 2014). Available from Ivey Publishing, product no. 714439.

EXHIBIT 3: OKTOBERFEST

The festival officially started when the Munich mayor tapped the first keg. The major Munich breweries were represented in parades with floats and wagons and people in folk attire. Amusement rides, games, dancing, and music constituted other forms of entertainment at the festival.⁶⁰ Despite the festival's name and its conclusion in October, most of the festival occurred in September. In 2015, the festival had 34 tents (14 large and 20 small), seating for 106,000 people, 7.2 million visitors, beer sales of 7.5 million litres, and beer selling for a little over €10⁶¹ per litre. Almost three-quarters of the festival's visitors were from the province of Bavaria, and 15 per cent were from elsewhere in Germany.⁶²

Since the beginning, the festival had only granted beer sales licences to breweries satisfying the 1487 Munich purity standards. This entailed a six-brewery oligopoly by Hacker-Pschorr, Paulaner, Hofbrau, Augustiner, Lowenbrau, and Spaten. The families chosen by breweries to run beer tents seldom changed. The total number of seats in the tents was regulated by the city.⁶³

Entering beer tents was free. Normally, one-quarter of the spots could not be reserved, but the rules were different on public holidays and weekends.⁶⁴ Reservations were not easy to get, as repeat attendees such as Munich companies hosting employees or business clients could book the same tables each year. Celebrities also claimed some of the spots. The landowners and hoteliers who organized the beer tents were from powerful and influential families in Munich and often ran large hotels and restaurants. Landlords and breweries had a long symbiotic relationship that could appear like an "old boys' network."

Setting up and taking down a tent could cost millions of euros and take 10 weeks. Hundreds of thousands of euros were also spent on renting the space from the city, musicians, insurance, and security. The 2012 festival employed about 12,000 people, not including those who helped in the three-month construction and one-month teardown. Of these employees, 8,000 worked full time during the festival. Most workers were in the service area and were compensated by the tent or carousel owners. Most employees in the tents were Munich residents. Many had a full-time job but took two weeks off from these jobs to work at the festival. In addition to enjoying the ability to invite people to their tent, a server could make over €5,000 over the two weeks of the festival, with the best servers earning perhaps three times this amount. One Munich spokesperson claimed that these facts prevented the city from prolonging Oktoberfest, as it would be too unwieldy for those who were already taking considerable time off from their regular job.

Oktoberfest operators controlled their tents except when the city stepped in to prevent excessive commercialization. Promotional events, press conferences, advertising, and fashion shows were against the rules. Tent revenues were largely dictated by the quantity of food and beer sold. Revenues from Oktoberfest came from the event itself, accommodation, and local shopping, food, and transportation, with the first two categories claiming the largest revenues.⁶⁵

Source: Company files.

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