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NEWS

Bud heats up beer market ahead of Olympics by promoting Genuine Draft's cold lock

First ads by DDB China since 2002

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Budweiser ad by DDB, Shanghai

SHANGHAI--To tap China's fast-growing beer market, Anheuser-Busch has launched its first major ad campaign for a new brand, Budweiser Genuine Draft, created for the Chinese market.

TV and point-of-sale ads focus on technology A-B describes as "cold lock" to preserve the brew's smooth and fresh taste. The cold lock is a low-temperature technology patented by A-B that seals the beer's freshness in the bottle.

A-B launched Budweiser Genuine Draft in China, the world's largest and fastest-growing beer market, in late 2006. That year, China's beer sales grew 16% to \$10.8 billion, amid rising affluence and more marketing dollars.

BGD is an unpasteurized lager sold in a clear bottle and meant to taste like it flowed from a tap, said Jesse Lin, managing director, DDB Worldwide in Shanghai, the agency behind the creative. "Draft beer in a bottle is a new concept in China. It's made by a different process, so the taste is more refreshing."

Four versions of the POS visuals highlight the process with a bottle cap seemingly made of ice that locks in the fresh flavors of the imported hops.

China's per capita sales still low

The new draft beer--a clear slap at arch-rival SAB Miller, which produces the popular Miller Genuine Draft in the rest of the world--could help cement Budweiser as the No. 1 choice for China's upscale beer drinkers. The Chinese beer market surpassed the U.S. in volume during 2003 and continued to grow at about 8% a year.

Per capita consumption is low, but "the potential is very good," said Y.R. Cheng, Anheuser-Busch's VP and managing director, Greater China in Shanghai. The Taiwan native was part of the company's start-up team in China.

Today, A-B's Budweiser brand accounts for about half of China's super-premium beer sales, but it's not a comfortable lead. The brand has been on sale in China for over 12 years and is priced at the top of the market.

Unlike the U.S. market, A-B's home turf, China's beer market "is very fragmented," said Rex Wong, Anheuser-Busch's Shanghai-based VP, marketing and new products, Greater China. The U.S. has a handful of major players like A-B, SAB Miller and Molson Coors, but in China, the company faces dozens of competitors. "Every city has their own brands in the mass-market and premium categories."

Besides Budweiser, A-B is putting its marketing muscle behind two local brands in China. The company acquired a 27% stake in China's biggest brewer, Qingdao-based Tsingtao Brewery Co. in 1993,

In 2004, A-B outbid SAB Miller for China's oldest and fifth-largest brewer, Harbin, in northeastern China, a region where per capita beer consumption is double China's national average. China is the world's largest beer market with 291 million hectoliters consumed in 2005, according to Canadean, a beverage research company based in the U.K., followed by the U.S. at 240 million hectoliters. But per capita, that's just 25 liters per year, a figure expected to double in the next decade.

A-B has integrated operations for Budweiser and Harbin, combining research, distribution, sales and marketing for the two brands at its

headquarters for Greater China in Shanghai.

Harbin is a weapon for Bud's expansion

Budweiser, A-B's super-premium brand, is consumed largely at pricey restaurants and trendy bars and nightclubs by young Chinese who are focused on socializing and gaining status. Consumers tend to be young early adopters of foreign products, often urban office workers who form China's new middle class in first- and second-tier cities.

The brand's positioning is built on its international status, quality and a contemporary image gained from ads like the disco-loving, hard-partying Budweiser Ants, a campaign created in the U.S. that also ran, and was loved, in China.

A premium brand with wide appeal for drinking both at home and in restaurants, Harbin is less expensive and has a stronger European flavor. In 2006, A-B began rolling out Harbin Ice, a premium beer "and our best chance to build Harbin into a national brand," Mr. Cheng said.

By partnering operations for the two brands, A-B has expanded Harbin's distribution to the rest of China, largely with Harbin Ice, and also into the U.S. market. At the same time, it has added manpower to build up Budweiser's presence beyond first-tier cities. Last year, A-B announced plans to double distribution of Budweiser beer to 200 cities by 2012, up from 100 in 2007.

"Harbin is our main weapon to tap into the Chinese market," said Mr. Cheng. As consumers start to "trade up, Bud will expand with a wider consumer base. But achieving our goal is not just about distribution. We need a complete rollout and sales organization in place...relationships with retailers, restaurants, hotels and bars. It takes consistency and it's not easy."

Club Bud coming to Beijing Olympics

The company's Olympic connections have been an enormous asset in getting Bud into smaller markets. Budweiser is the official international beer sponsor for the games.

"The Olympics are a big party, with people from different nations coming here not only to compete, but to get together and make friends. We position the games as a very fun event, not just about who's faster and who can jump longer," Mr. Wong said.

In a move bound to cause confusion for Chinese consumers, however, the Beijing Organizing Committee for the Olympic Games, or BOCOG, has also signed up two domestic beer sponsors, A-B's local partner Tsingtao and Beijing Yanjing Brewery Co.

Asked about the problems that could cause, Mr. Cheng brushes aside the question. "Bud is the only global sponsor and the only foreign beer," he said. "But I do worry about media clutter, which is going to be a challenge, and media rates are going through the roof. Cut-through for sponsors is tough."

To capitalize on its Olympic relationship, A-B is doing themed events, packaging, promotions and advertising. Projects include an Olympic celebration Budweiser bottle that will only be distributed in China, contests to win tickets to Olympic events, and a nationwide bicycle tour that started in August 2007, exactly one year before the opening ceremonies for the summer games. (See also "[Bud hits the road with Olympic bicycle tour](#)," *AdAgeChina*, August 8, 2007.)

During the Olympics, A-B will operate Club Bud, a venue for athletes, media, government officials and consumers with daily entertainment, and of course, beer. It will also be the venue for eight major parties during the games.

DDB wins back Bud account in China

The campaign has also created a bit of an in-house party for DDB Worldwide, a longtime agency for Budweiser in the U.S.

The Omnicom Group agency has not worked on the brand in China, however, since 2002, when DDB was a small, creatively weak agency in China. For the past six years, Budweiser advertising has been developed in-house or on a project basis by local shops.

Over the past three years, under Michael Birkin, Omnicom's CEO of Asia/Pacific and President Serge Dumont, DDB has invested heavily in its Greater China operation.

The agency has beefed up digital and below-the-line, for example, and recruited senior management from across the region such as Beijing-based Dick Van Motman, president-CEO, China and Shanghai-based Dirk Eschenbacher, regional exec creative director, Asia/Pacific at Tribal DDB.

Eager to reclaim a flagship account, DDB execs in China and in the U.S. had been asking A-B for a chance to start fresh on Budweiser advertising in China since early last year.

The lobbying paid off, said DDB's Mr. Lin. DDB was asked to start work on Budweiser Genuine Draft in December 2007. "We're working on other projects now too, so we're back to a solid relationship."

Contributing: AdAge reporter Jeremy Mullman

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