

German Beer Festival

Case Analysis



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Introduction

Parties are great opportunities for investment and creation of employment to people. Mostly, to have a better party that attracts many revelers and that creates an impact, there should be a theme strongly supported by the community. Mostly, many cultural affairs and activities are the ones that attract entertainment platforms (Girona, Grashoff, and Kopp 925). Traditional activities are made modern, and to every business, the modernized party area makes a very good environment for businesses. Oktoberfest is a traditional celebration in Munich that traces its history back to the year 1810. During Oktoberfest, the celebration of beer continues for sixteen days, and it is managed by the government of Munich. The activity simply known as German Beer Days allows only the tested and authorized beer manufacturers companies to sell their beers during Oktoberfest (HongGen, Xiao, and Smith 174). Since there are some people who prefer wines and spirits to beer, there are some accepted dealers to sell some wines and spirits at Oktoberfest. Currently, only six authorized companies are allowed to sell their products during the beer festival. Do these companies include Augustiner-Brau, Spatenbrau, Paulaner, Staatliches Hofbrau-Munchen, Hacker-Pschorr-Brau, and Lowenbrau? Everything at the festival is well planned, and there are tents for the families where they are being served at the highest level. There are the security details managed by the local government, riding, and much more.

Whereas people enjoy festivities to their fullest, it is good to check on the



business side of the festival. The local government takes the festival as a cultural activity and a business one as well that brings great success to those who organize it. In a successful activity, there are SWOT aspects that make it thrive above others and make it the best competitor. According to HongGen, Xiao, and Smith, "Currently Oktoberfest is the most successful cultural activity-based business that attracts more than seven million visitors in Munich" (168). Because of the business aspects, this paper discusses the SWOT, financial ratios, and analysis, other alternatives for the business, and finally the conclusion and recommendations of the business.

German Beer Festival Case Analysis

Strength, Weaknesses, Opportunities, Threat (SWOT)

STRENGTHS ANALYSIS

As stated by Jackson et al., "Strengths are the positive aspects of the business or an organization that makes it have competitive advantages over the other companies or organizations" (813). For it to have recognition and much fame in the world, Oktoberfest has many strengths. These strengths include:

Participation of Large Organizations

As compared to the other festivals in the world, German Beer Days are the



only festival that has the specified beer sellers and ones recommended. During other festivals, the organizers just use all the beer and the wines and spirits brands that exist on the market. With this aspect, the revelers and the clients that attend this festival know they are to consume their locally made brands. It also lowers the expenses of the managers and organizers since they will not waste much time checking on the validity of the brands used in the occasion (Jackson et al. 817). There is no survey each year to determine the kinds of activities like foods, dances, drinks, and others that will take place. Rather, the local government already has a plan from the previous years as to what areas require attention and what activities are undertaken. There is a large participation of the largest beer manufacturers in Germany. To the revelers, this participant of beer manufacturers gives them confidence and urges to attend the festival.

Local Government Participation

To the organizers of the festival, this case is an advantage since it shows how well the country accredits and approves the festival. People attend it without fear of disturbances from the city council and imposing fines by the local authorities for drunkenness. The government provides security and order for the activities at the festival where it assures those who attend it that it is a legal and accredited activity. To make the function a success and assure people that the event is well planned, the mayor of the Munich town council initiates the function by tasting the beers. This endorsement makes the place marketable, and everybody needs to be associated with the event. This case reverses and goes opposite of all festivals in the world. Most festivals attendants are hooligans and goons



who do not have many things to do. They utilize their time in stealing and disturbing peace during these festivals. However, during Oktoberfest, the attendees are respected individuals on vacation or those who take leave from their places of work. In addition, the government gives off to the people participating as sellers in the festival for them to make some extra cash. This aspect benefits the residences where they make between 5,400 to 15,000 pounds in the course of sixteen days. In the cases of medical emergencies for the participants, the Bavarian Red Cross provides first aid.

Marketing

The festival activity has been in existence since the year 1810. Therefore, many people know about the festivities and the time of the year when it comes. With this aspect in mind, the organizers do not have to spend great resources in making people aware of the festival. The only kind of expenses in marketing the organizers incur is when they need to take the festival to another town. Because of the new location, they have to make those residents aware of the upcoming event. The festival has toured many places including Canada, New Orleans, Beijing, and many more.

Financial Cases

For an event or a cultural festival to succeed and become a hit, it must have proper funding and better budgeting from the first day to the last (Jackson et al. 229). Lack of finances available for various operations in an event results from too limited innovations for fun. This case applies to the business area. Whenever an innovation starts, and there are not enough



funds to control the activities, the chances are high that the business will fail. Oktoberfest has very strong financial support from the government. The city council of Munich funds most of the activities that undergo during the festival. The city auditing committee sets fair and just rent rates that make sure it does not turn to profit-oriented on the lesser. As there is no much marketing in the city, the government gives some marketers jobs to advertise, remind, and inform people of the upcoming event. The Bavarian Red Cross provides instant services to the attendees of the function who incur injuries or need first aid. This action minimizes the costs of holding the festival.

WEAKNESSES ANALYSIS

As Hay and Castilla state, "With all is a success in its operations, the German beer Hays has some weaknesses which some revelers and tourists do not find as good" (78). These weaknesses make the lack of festival supporters from most parts of the world, hence its low development outside Munich. These weaknesses include the following.

Security

As the party and business revolve around beer, there are some cases of insecurity during the Oktoberfest festivals. According to exhibit 7 of the case, people often lose their belongings at the festival. In such an international affair, professional goons from outside countries come with the aim of acquiring materials. This case creates some fear among potential visitors who worry about their lives and properties. In 2012



alone, more than a thousand passports, clothing, wallets, and much more were lost by the visitors. Of all the criminal cases, there were sixteen cases of sexual assault, which translates to one case of assault per day. As the number of visitors increases year by year, security personnel sometimes fails to meet all the security details.

Communication Barriers

The event is mostly held in the city of Munich, and the majority of the visitors are city residents. When there is an outsider or people from other parts of the world, they fail to communicate German well, which makes them feel sidelined. Although the organizers of Oktoberfest try to hire translators to meet this requirement, there is always a problem in satisfying all the visitors fully. This case is a weakness that not only affects Oktoberfest, but it also affects other cultural festivals around the world. Although it is not easy to curb this situation, the city authorities can try to use technology and electronic translators that help people understand each other very well.

OPPORTUNITIES ANALYSIS

Technology

Munich is a big town with great infrastructural development that enables people to undertake activities easily. It is very easy for the Germans to adopt high-end technological gadgets and materials that enable them to do work beyond the expected limits (Hay and Castilla 212). These limits include employing quality transport systems, high CCTV and security



surveillance, and much more. Booking of tickets and marketing of activities are available online, which enables many people to attend the festival and make the function a success. With government funds at its disposal, German Beer Days are on the advantage that whenever it is needed to install or upgrade any of the festival's technological areas, the organizers do it very well. Technology is an opportunity that Oktoberfest can use to do marvelous and excellent business. In the cases of communication within the festival, the organizers and management of the event can use it to enable proper communication with the visitors. The reported cases of insecurity should be a myth since the city can employ more advanced cameras with high resolution to match the increased cases of crime in the event.

Global Marketing

Most people in the world know about the festival and they are aware of the time and venue of the event. Although the majority of people who know about the event are the residents, outsiders also use the internet and know about it. This knowledge about the event makes it easy for the management to have smooth-running activities when it comes to advertising the event. In this opportunity, the management spends a small amount of the set resources to make adverts. This scenario is a very good chance to take the festival to another venue where many people in the world can enjoy the festival fully. Many people consume alcohol, especially beer, and taking it in a fantastic way creates a good business opportunity.



Social-Cultural

Society demands and yearns for cultural activities as a source of entertainment. Trying to make Oktoberfest bigger and better, the organizers can study different social and cultural activities in the world. After getting clear information, the organizers take the event to such areas, duplicating the cultural activities where they get an opportunity to develop. Examples of the events and captured opportunities are the 2014 Beijing Festival, Rio de Janeiro, Canada, New Orleans, and many others. This case is an opportunity for the city of Munich and the management of Oktoberfest to organize bigger events. Taking social-cultural as an opportunity and a viable one, in this case, no country without culture or social beliefs and residents wants to keep these cultures. Therefore, taking the events even to continents like Africa and others makes the festival bigger and better.

THREATS ANALYSIS

As stated by Hay and Castilla, "Not only are opportunities that make up the success of German beer Hays, there are also threats that the companies and organization must face in order to thrive in the industry" (128). These threats are the external factors that are beyond our control of the business. Oktoberfest has threats that include the following.

Foreign Government Policies

Management of Oktoberfest has the prospects to expand their businesses and operations to other countries. However, these countries



have their rules, regulation, and policies. It is very difficult or impossible for the city of Munich authority to alter the policies or other countries at any expense. Were it not for these policies, the activity would have taken another level and operations would have been expanded to other regions and countries of the world.

Beer Brands

The event is tied to only six beer brands where no other brand should take part in the event celebrations. As it is the policy and tradition of this event to use these brands, the organizers and management of Oktoberfest cannot alter anything. Therefore, if they want to organize the event elsewhere in the world, people do not take much of their beer. For example, in New Orleans, the event attracted only fifty thousand visitors, while in Munich, it attracted more than seven million visitors. This case makes the foreign visitors take a small portion while the residents or local visitors take the most percentage in Munich, for example, 78%.

Financial Ratios

In every business, it is advisable for the management to have a basis of the financial performance. This performance assists the management and the shareholders in knowing how well their business is in meeting their operations (Lewellen 225). Sometimes, a company or an organization may be making losses but their financial performance is good. However, a company may be making good profits but the financial performance is pathetic. Financial ratios show aspects such as the company's ability to meet the current liabilities with the current assets, ability to pay debts. In



the case of liquidation, it also checks whether it is able to fund the debtors and cater to the liquidation processes and so on. Oktoberfest is an annual event, but it also has financial capacities. Using the financial statements in the case, this section discusses the financial ratios of the festival.

Profit Margin Ratio

This ratio shows how well an organization or an event can convert stock into sales. It is very favorable if an organization has a high-profit margin ratio, for example, the higher the ratio is, the higher the sales are.

Formula= profit margin ratio= Net Income/ Net sales

Therefore, the profit margin ratio for Oktoberfest includes
 $1492/6402 = 0.23$

As Lewellen claims, "The profit margin ratio of the company is 0.23 which is very high" (231). This rate shows that Oktoberfest has the capability to make high sales and make high profits, which is good for investors and the lenders of the products used on the occasion. Of the total sales made at the festival, 23% of these sales are profits. Regarding the accounting terms and principles, it is very healthy for an organization to have a profit margin of at least 20%. Therefore, the margin for Oktoberfest is good and promising.

Inventory Turnover Ratio

This ratio shows the times that an organization turned the stocks into sales. In other words, the ratio shows the number of times that the



organization or a company ordered stock from the supplier. In this case, this ratio represents the number of times Oktoberfest organizers ordered a beer

Formula = Inventory turnover ratio = Cost of goods sold / Average inventory

$$1398 / (6402 / 2) = 0.437$$

In the year 2012, within the sixteen days that Oktoberfest was in operation, the sellers did not use all the stock they had in possession. They only used half of the stocks, which is not interesting on the part of the supplier. However, this case does not matter much as some of the sellers mark beer as non-perishable goods, and when the festival is over, the organizers just return the excess stock to the company. In the case of chicken, oxen, pretzel and other perishable goods, the organizers have to undergo the losses since once the stock is not finished, they cannot return it to the supplier. For proper management of the inventory, organizers should use previous statistics and make sure to order a stock that will be completely used.

Alternative Solutions

ALTERNATIVE SOLUTION 1

Merging of the Stakeholder

The festival Oktoberfest has succeeded because of the three



stakeholders, namely the government of Munich, the breweries, and the tent owners. Mostly, these investors take their returns independently of each other. When they merge, they will have plenty of resources to make the event bigger and better.

Benefits

- Combined, the three stakeholders will provide better services as compared to the already existing ones.
- Amenities like security and another requirement by the visitors will be every stakeholder's concern. Here, they will contribute money to pay for better CCTV surveillance, sniffer dogs and much more.
- Logistics of goods from the suppliers will take the easy way, and they will minimize costs. Currently, each stakeholder takes care of their transport and security of their goods while in the venue premises. With merging, the stakeholders will be equally responsible for everything and they will watch over each other's belongings.
- Sharing of risks and costs will enable these stakeholders to grow large and take more risks. These activities make the event large and better as time goes by.

Disadvantages

- With the merge, conflicts will emerge because of various interests. For example, the breweries may decide that because people gather in those places because of beer, they should take the largest portion of profits where the other stakeholders will not agree to leave alone



accepting.

- In the event of sharing risks and losses, no one of the shareholders will accept to take the largest share of the losses while their counterparts take the least. This case may disrupt and make the event and future festivals to have problems.

ALTERNATIVE SOLUTION 2

Market penetration

There is still a lot to come about the festival penetration to the international market besides only being held in Munich. Most of the Asian, African, Australian, South American and other markets need entertainment. There is a need for the management of the events to know how to deal with the foreign country government and get access to those markets. Whenever the event goes to other countries, it does not become a hit as it does in Munich.

Advantages

- The event will collect more sales from international markets. Some people in other countries just admire the event on the internet but they wish for that chance to experience all the fun for real. With intense market penetration, the festival will bring fortunes to the stakeholders.
- Culture exchange and improvement will take place in the international participation of the festival.



- For the events, the organizers should aim at even promoting the local brands of those countries where they tour. Mixing brands with the local ones attract the native citizens of those countries, which will add more sales and fun.

Disadvantages

- It is very expensive to transport beers, tents, and all those staff from Germany to other countries. Here, the stakeholders will not agree on who and when will be responsible for some activities, which might result in great failure.
- Some countries may not allow people from outside countries like Germany to come and celebrate their culture there. Misunderstanding of this kind may break ties between these hosting countries and Germany.
- The activity will result in a loss of the original and traditional appearance of the festival. This case arises because the hosting nation will endorse local beer and brands and will insist that most of the business should be for the locals.

Conclusion and Recommendations

There is no other festival business that booms like the German Oktoberfest. The way the management interacts between the Munich government, the breweries, and the tent owners is an example to other businesses. In most cases and countries, the government organizes the



cultural festivals alone, and other companies organize their festivals alone (Felsenstein and Aliza 385). However, in Munich, the festival seems as if it has reached its saturation point where no much growth in visitors takes place. Some recommendations to make the event different and attract more visitors are presented below.

Beer Stocking

Although Oktoberfest is a cultural festival and it needs to have traditional brands of beer for the event, things change with generations. Some people prefer wine and spirits, and other people would like to have brands of beer other than the ones offered at the festival. This monotonous state of the beer makes the growth redundant.

From the statistics above, the highest number of visitors was recorded in the year 1985 when there were more than seven million visitors (Phillip et al. 997). All the other periods recorded a lower number of visitors, which is very wrong.

There is no way people can live with just many beer brands in their events. It is a recommendation that the government and the breweries think otherwise in diversifying the brands. With brands like Jameson, Smirnoff, and others, festivals can attract many visitors. They should also think of expanding the venue where the current one does not accommodate revelers well and comfortably (Phillip et al. 1000). There is no other cultural event and most attended by visitors like Oktoberfest. Therefore, improving the brand's selection and adding more flavors will just add



more customers.

Social Media

Currently, many businesses advertise their services on social media like Facebook, Twitter, Instagram, and others. The official site of Oktoberfest does not have many followers, and the ones who are there are not very active. The reason behind such a state of things is that the administrators of the group do not post about issues regarding the festival and business activities. The site should diversify and keep on with activities like updating on the improvements on the beers, additional flavors in the upcoming events, and so on.

Smith, Russell, and Ze Zook noted that “There is no way a social site that people all over the world can have the German language as the one used in posts” (85). Most people in the world do not understand German as they do with English. Therefore, it is good for the participants of the group to use some more language like English as the language that most people in the world can understand. Using understandable language by all people means that all the followers will participate and add more value to the festival.