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Report Title: Evaluation and Recommendations
for Advertising Marketing of Erke

Module Title: Marketing Management

Module Code: BMMB7012

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Date: 28/06/2022

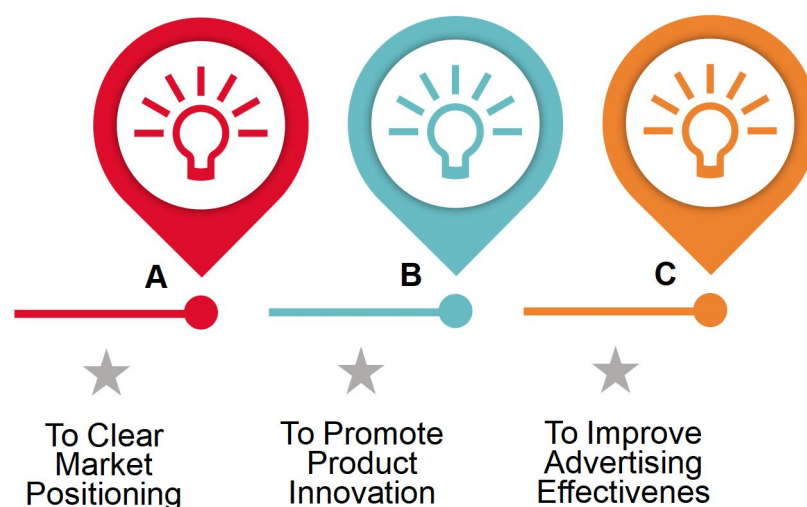
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1.0 Introduction

Erke is a Chinese corporation engaged in the design, manufacturing and sales of sports products including footwear, apparel and accessories. Headquartered in Fujian Province, it was the first Chinese sports company listed on overseas stock market in 2004. With the slogan of 'TO BE NO. 1', Erke has become one of the most famous sports brands in China since its establishment in 2000. However, during the past 10 years, with the rapid development of other domestic sports companies (e.g. Anta, Lining, Xtep, 361° etc.) and the great impacts from the multinational sports brands (e.g. Nike, Adidas, Converse, New Balance etc.), Erke has also witnessed a downward trend in its sales volume and brand awareness among young generations.

Based on this situation, three main recommendations are put forward at the end of the basic analysis of assignment 1:



(Figure 1)

As shown above, market positioning, product innovation and advertising are the most urgent problems of Erke to be solved. In 2020, the vice president of Erke officially announced adjustments of the company's marketing strategies especially the target market on the press conference. In addition, Erke has launched a new plan called 'Co-creation with Youth' in 2021 to gather ideas of product designs from young people. These actions mean that Erke has been trying to make changes in the first two parts though the progress is slow. But even so, the aspect of advertising marketing has not been paid much attention to by Erke, thus causing less brand exposure to the customer and less competitiveness in the market.

Hence, the report is to investigate the advertising environment of Erke and identify the advertising strategies it has adopted with the ultimate goal of evaluating its effectiveness and making a new plan for the future development.

2.0 Main Findings

2.1 The Marketing Concept

According to Kotler and Armstrong (2021, p.25), marketing is “ the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return”. It is obvious that this concept is a customer-oriented process existing through exchange to achieve the corporate goal. In order to make it happen, integrated

effort from different departments is required (Jobber and Ellis-Chadwick, 2013, p. 5). As for Erke, the resources it has invested in marketing are as follows:

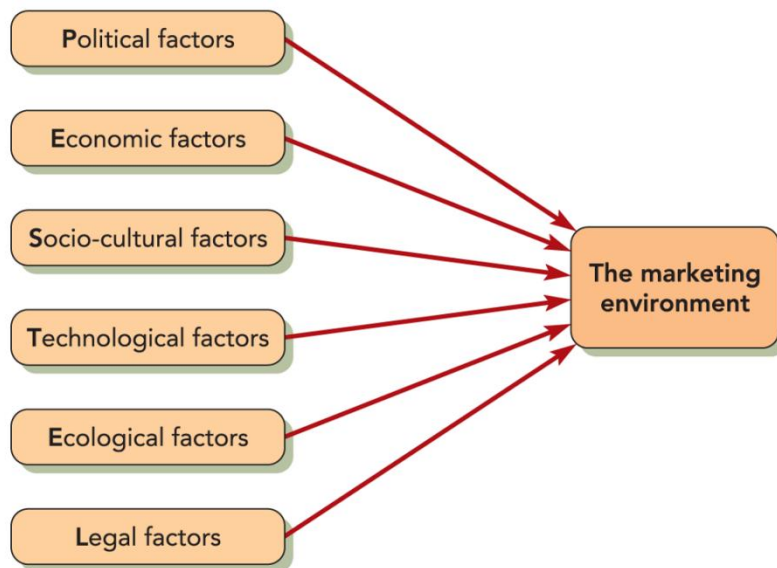


(Figure 2)

From this chart, it is evident that Erke is trying to make use of its current resources to enhance the customer satisfaction. However, the core problem of its stagnation is that this company does not invest much on advertising and fail to make effective advertising strategies in line with the Internet era to get close to the consumers, which finally greatly reduce the market share and the brand awareness.

2.2 The Macro & Micro Environment

2.2.1 The Macro Environment



(Figure 3 : PESTEL Model)

First of all, political and legal forces have a great impact on the marketing strategies of Erke as they set clear boundaries and rules for its business. On the one hand, in recent years, with the aim of enhancing people's awareness of sports and improving the physical health of the public, the Chinese government has launched several nationwide sports campaigns and issued a series of legal policies, such as the 2021-2025 National Fitness Plan and the 2016-2025 Winter Sports Development Plan. This means that the Chinese government will vigorously support the development of the sports industry in the future, bringing opportunities for the domestic sports brands including Erke. On the other hand, in 2021, the Advertisement Law of the People's Republic of China was revised again in the chapter of Online Advertising, providing more explicit regulations for Erke to follow.

Secondly, the social and cultural needs of the public can help point out the

direction of the advertising activities for Erke. On the one hand, people nowadays tend to gain information online, which means that the Internet are becoming another main channel for companies to sell their products and build the brand image, especially the online shops and social media platforms. On the other hand, as Generation Z (born from 1995 to 2009) has currently become the most potential consumer group (iiMedia, 2021), the characteristics of whom are pursuing fashion and being crazy in sharing buying experience. On this basis, a number of sports companies are trying their best to attract the attention of them so as to expand the brand influence.

Thirdly, other factors (economic, technological, ecological) also provide references for the marketing strategies of Erke. For example, in China, the consumption demand of the public is steadily increasing after the long-time lockdown due to covid-19, leading to the growing revenues of different companies. Besides, the implementation of the program named "Energy Saving and Emission Reduction" of China indicates that traditional sales form (e.g. paper leaflets) will be more or less abandoned in order to protect the environment. What's more, the rapid development of VR, AI and new media has laid a technological foundation for the innovation of the advertising forms in such a digital era.

Hence, according to what has been analysed above, the macro environment

does offer great opportunities for Erke to make effective advertising strategies.

However, the truth is that Erke does not seize this chance and actively attend the trend of new times, being defeated quietly by other competitors in the market.

2.2.2 The Micro Environment

When it comes to the internal environment, the SWOT analysis of Erke concerning the advertising is as follows:

Strengths	• The prices of Erke's products are much cheaper than those of other sports company. • Erke is the only official partner of tennis matches in China for 17 years. • Erke has more than 13 million followers on its Tiktok account.
Opportunities	• The Chinese government gives priority to the development of domestic sports brand, including financial support and advertising platform provision. • Erke wins high credit from the public for its great sense of corporate social responsibility on donating. • The entire society advocates the value of doing exercises for good health.

Weaknesses	• Erke does not have any celebrity endorser. • Erke is lack of production innovation and does not have a most representative product like other sports brand for people to remember. • Erke rarely cooperates with other brands from different fields.
Threats	• The competition of other sports companies is fierce.

(Figure 4: SWOT Analysis of Erke)

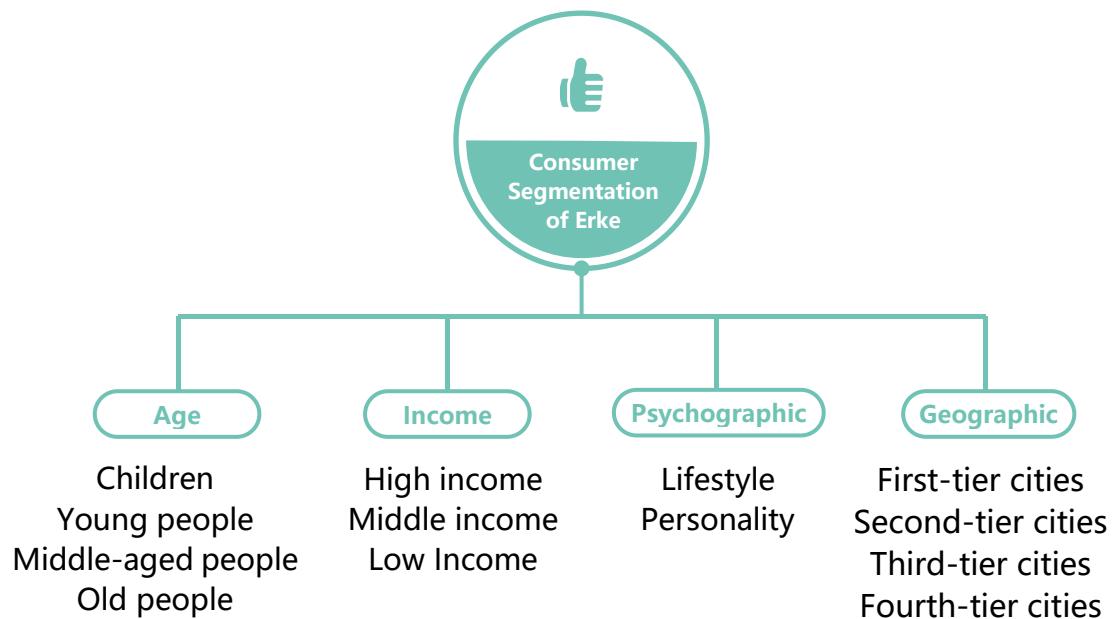
Even though the above analysis shows that Erke has great potential to publicize its uniqueness, this company just continues to invest on the TV advertisements in order to save cost and maintain the current status, which is not beneficial to its future development. But what should be mentioned is that Erke does make decisions to promote itself by doing live-streaming selling and making short videos on Tiktok, which is a good start.

2.3 The Target Market

2.3.1 Segmentation

The major variables for market segmentation are behavioural factors, psychographic factors and profile, the third of which contains demographic, socio-economic and geographic features (Douglas, W et al. 2020, p. 267). As for Erke, according to what the CEO said, the age, income, geographic

location and psychographic features of the consumers are the main factors that Erke considers to make segmentation (Figure 5).

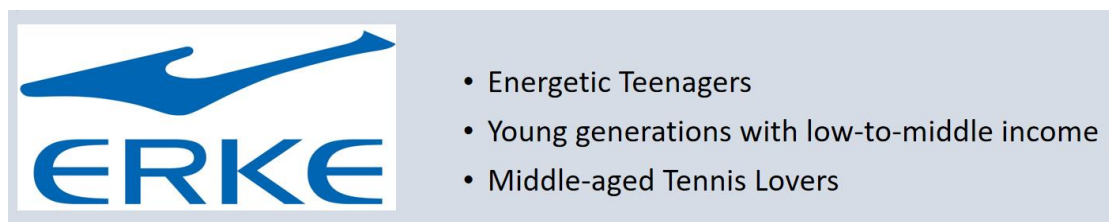


(Figure 5)

2.3.2 Targeting

In reality, most sports brands are racing to control the consumer market of first-tier cities in China because the consumers there have higher income and are more willing to pay for high-quality products. In addition, these people think highly of the diversity of daily hobbies and the happiness of lifestyles that can help relieve the pressure from work. Under such fierce competition for several years, Erke has finally decided to find another way for development instead of moving forward hardly with limited resources. This company makes a change to focus on people with low-to-middle income in the second and third-tier cities for the reason that they are actually the largest consumer group in China and

do not attract much attention from the sports companies like Lining, Nike and Adidas. What's more, the market of vigorous and energetic teenagers are taken into account by Erke as they are the most potential generation group to be affected by advertisements. Besides, Erke will remain the market of tennis lovers unchanged as it has laid solid audience base in this field for nearly 20 years since its establishment.

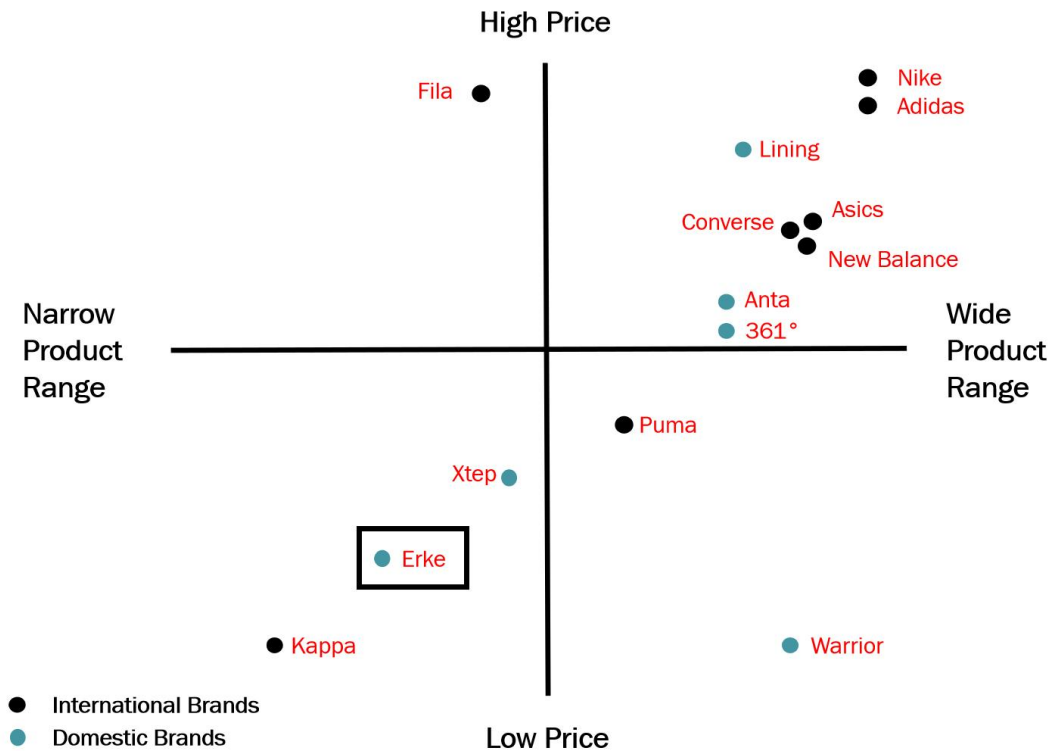


(Source: Powerpoint Slide of Assignment 1)

Thus, the target markets of Erke are shown above. However, it seems that Erke's target markets are rather mixed and disorderly, which will lead to the failure of allocating the resources efficiently, thus weakening the marketing effect.

2.3.3 Positioning

According to the 2020 China Sports Brand Development Report, there are 14 sports companies that Chinese consumers are familiar with, among which the international brands account for more than a half. Based on the marketing status of these brands, a perceptual map of the sports market in China is drawn below:



(Figure 6)

From this chart, it is obvious that Erke, which was the most popular sports brands in China several years ago, has now been surpassed by other companies, suffering from the risk of lacking in product range and being forgotten by the Chinese consumers. However, this is the necessity of what Erke chose.

Based on such situation, Erke has tried its best again to gain customer conceptions. Firstly, it has decided to take the competitive advantage of low product prices to penetrate into the customer market of third-tier and even fourth-tier cities, where the competitors haven't been targeted before. Secondly, as a domestic company, Erke has started to take this advantage to

cooperate with other state-owned or public enterprises of China such as the National Grand Theater and the National Museum to design new products, which not only expands the product range but also arouses the interest of the Chinese customers. Thirdly, as Erke has the largest number of subscribers on Tiktok and Weibo when compared to the competitors, it has begun to make use of these platforms for advertising, leading to a higher popularity among Chinese customers than before. In the end, it relatively occupies a special space place in the market.

2.4 Marketing Mix

The distinctive features of Erke in the 7Ps framework (Booms and Bitner, 1981) have been discussed in the presentation and shown below. There is no doubt that Erke makes a good start in the following aspects:

- A) To keep the price not higher than £55 for the target consumers
- B) To issue discount e-coupons for customers to increase the sales
- C) To make use of social media platforms as marketing channels to expand the brand influence
- D) To introduce intelligent robots to optimize the distribution process

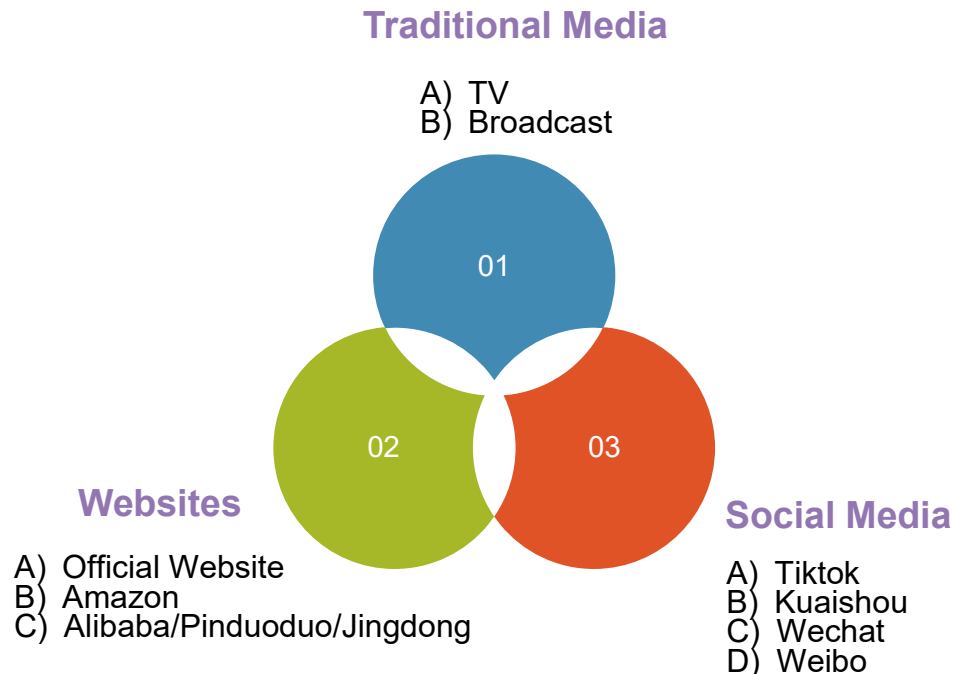


(Source: Powerpoint Slide of Assignment 1)

However, it is necessary and urgent for Erke to amend the mix from the perspective of advertising in order to obtain more competitive advantages in the sports market. Firstly, as for the 'Product' factor, Erke should develop one kind of shoes (e.g. FLEX3.0) to be the representative of the brand like the NB574 of New Balance, the AJ1 of Air Jordan, the ALLSTAR of Converse and the SUPERSTAR of Adidas so as to leave a deep impression on the consumers. Secondly, in terms of the 'People' factor, Erke can sign contracts with celebrities who have good reputation to promote the brand with their star effects. For example, Anta has signed up with Eileen Gu (the snowboarding champion) and 361° has signed up with Gong Jun (one of the famous actors in China). Thirdly, considering the 'Promotion' factor, Erke can develop mobile APP like Nike to sell sports products. What's more, for the 'Physical Evidence', Erke can place self-service machines (e.g. Kiosk) in stores with games inside to help the customers find and buy the products they want (McStay, 2016).

2.5 Selection of media

The media Erke has used for advertising and marketing are as follows:



(Figure 7: Selection of Media by Erke)

There is no doubt that Erke gains lots of profits by advertising on the above medias. Firstly, young people are addicted to gaining information through social media platforms and Erke has successfully choose the four most popular ones for advertising. Secondly, middle-aged people might get used to watching TV or listening to the radio in their daily life, which means that advertising on these channels can not be ignored. Thirdly, by operating the websites to receive online orders, Erke can directly distribute the products from the manufacture base to the customers instead of sending the products to the wholesalers and retailers, which can accelerate the delivery process and increase the customer satisfaction.

However, there are existing problems in the implementation of advertising strategies. On the one hand, Erke spent too much money on traditional media marketing, leading to inadequate investment on social media marketing. Thus, only the account of Tiktok made great progress while the other three accounts developed slowly. What's more, Erke didn't pay much attention to the Redbook, which is another new social media application loved by young people, thus making Erke estranged from the young generation. On the other hand, Erke forgot to make use of the outdoor media for advertising such as electronic display screens of the buildings, road signboards and light boxes, which reduced the brand exposure to children and teenagers.

2.6 Measuring success

According to Day and Wensley (1988), the customer satisfaction, the customer loyalty, the market share and the profitability are the four key indicators to check the marketing results. While the customer satisfaction and loyalty can be tested by surveys, the market share and profitability are usually shown in a company's annual report, inside which the gross profit margin, the net profit margin, the marketing return on sales (ROS) and the marketing return on investment (ROI) are the four most important numbers for examining the operation state of a company. However, as Erke doesn't release such information to the public, it is difficult to use these results to assess the

effectiveness of Erke's marketing strategies. Nevertheless, several news and information from the official websites and accounts of Erke can help us to know about the situation.

Firstly, after the mixed media marketing campaign since 2019, the subscribers of Erke's social media account are as follows: Tiktok (13.2 million); Weibo (1.5 million); Redbook (14 thousand). By 24 July 2021, the sales volume of Erke Tiktok live streaming room had exceeded 100 million yuan with a total sales volume of more than 600,000 pieces, gaining 148 million total views and 428 million likes. At the same day, the viewers of Erke's Tmall live broadcasting room were more than 5 million, and the sales volume of Taobao online store were 40 million yuan.

Secondly, after the event of Erke donating 50 million to Henan Province for post-flood reconstruction to fulfill the CSR, Erke's overall sales increased by more than 280% YoY in 2 days through the event marketing.

Thirdly, on the list of 2021 China 500 most valuable brands, Erke ranked 180 with a brand value of 40.065 billion yuan, which is far surpassing Lining, whose revenue was seven times as much as that of Erke in 2020. However, in 2017, the brand value of Erke was only 21.9 billion yuan.

Hence, there is no doubt that Erke's advertising strategy is effective. What is worth mentioning is that Erke is well aware of its own position. As a physical sports enterprise, it has not given up its attention and support to offline physical stores due to the success of advertising marketing and online channel sales. In order to steadily control the organisation marketing system, Erke decided to offer 500 million yuan for supporting the dealers, among which 200 million yuan will be returned in cash, 100 million yuan will be released for free-interest loans and 100 million yuan will be used to support them to open new stores. This praise and reward measure is beneficial to the future development of Erke.

3.0 Conclusion

Based on the main findings, it is obvious that Erke has put lots of resources (human/ financial/ physical/ technological) to marketing in order to create customer value and promote the customer satisfaction. To to honest, the macro environment of Erke provides potential opportunities for this company to develop, such as the political support from the government, the innovation of the technology and the social value of doing sports to improve health. In addition, the micro environment of Erke is also great not only because the product prices are cheap but also it has a solid consumer base and a good reputation since its establishment.

However, due to the fierce competition of other sports companies especially the international brands, Erke has got to change its target markets into three parts: teenagers, young people with low-to-medium income and middle-aged people who like playing tennis. Strictly speaking, such target markets are quite disorderly and it is uncertain that they are suitable for Erke's future development. But Erke did try its best to develop competitive advantages in the sports market. While keeping the low prices, Erke made decisions to design new products by cooperating with other domestic brands. What's more, Erke has also took part in the social media marketing and online advertising. As a result, the Tiktok account gains a great popularity.

Although Erke has started to innovate its advertising strategies, it still has some shortcomings. In the future, on the first hand, Erke should emphasize on one kind of product (e.g. FLEX 3.0) and advertise it widely in order to make it become the representative of the brand. Secondly, Erke can conduct marketing researches to select a celebrity to sign up with so as to expand the brand influence with the help of star effects. Thirdly, Erke needs to further follow the society trend of digital marketing and mobile marketing to attract the attention of more consumers, such as placing the self-service machines in physical stores, inviting the KOL (Key Opinion Leader) to share their buying experience on Redbook and paying more attention to the outdoor media advertising (e.g. light boxes, electronic signboards).

4.0 Recommendations

Based on the findings and conclusions, a new marketing plan is come up with according to the SOSTAC model.



(Figure 8: SOSTAC Model)

Situations	• Unclear representative product • No celebrity endorsers • Low social media subscribers • Less outdoor advertising
Objectives	• To improve the brand recognition degree • To establish a good brand image • To promote online interaction with consumers • To enhance brand exposure in public places
Strategy	• Target at the young netizens

	• Follow the sequence of credibility before visibility • Integration
Tactics	• Emotional marketing • Social media marketing • Communication mix
Actions	• Appoint the marketing research manager to look into the consumer preferences of products and celebrities • Invite KOL/ bloggers to share the consumption feelings • Carry out brand topic discussion with tags online • Advertising on billboards in elevators and bus stops
Control	• Open online feedback channels to gather advice • Track the number of comments/ likes/ reposts of the online accounts • Do surveys to investigate the customer satisfaction • Recheck the KPIs

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