

Marketing analysis and development of Haitian Group



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Introduction:

Marketing refers to how a business finds, creates and delivers value to meet the needs of a specific target market while making a profit. Marketing is used to identify unmet needs, define and measure the size and profit potential of the target market, find the most suitable market segment for the business to enter and the market supply suitable for that segment. In essence, it is the transfer of value between supply and demand. At the same time, through marketing means, for the market of people, money, things to carry out a new arrangement. Finally, both sides of the supply and demand relationship can win.

Marketing is often the responsibility of one department within an organization, which has advantages and disadvantages. Advantages: easy to concentrate marketing professional team specializing in marketing work; The disadvantage is that marketing should not be limited to one department of the enterprise, but should be reflected in all the activities of the enterprise. Therefore, many contemporary enterprises have the concept of full marketing, the purpose is to let the various departments of the enterprise each personnel have full marketing awareness. Maybe an employee is not a marketing specialist, but his friends or family have a demand for his company's products, so he should have sales awareness and sales actions to meet such a supply and demand relationship.

Marketing in interesting ways. Different from traditional hard advertising, fun marketing will not cause people's aversion, but will attract people's attention and participation, and in the process of people experiencing fun, "secretly" to achieve the

purpose of marketing. In short, it is to establish interesting communication points in the marketing value chain, from the product name, product packaging shape, price system, personality channel or terminal characteristics, promotional products, advertising slogans, public relations activities, and other systems to create marketing communication elements that can trigger funny jokes and talk, and make it extend from communication resources to the final sales power. Any brand can use the fun marketing principle, but it's just that right now some of the best brands don't see the value in being classy as a big AD or PR campaign.

1. Overall assessment

On March 25, Haitian Flavor, the leading condiment industry, released its 2021 performance report. During the reporting period, the operating revenue of Haitian Weiye was 25.04 billion yuan, with a year-on-year growth of 9.71%, and the net profit was 6.671 billion yuan, with a year-on-year growth of 4.18%. Net assets attributable to shareholders of listed companies were 23.402 billion yuan, up 16.61% year on year.

Behind the double increase in revenue and profit, Haitian Weiye will take the initiative to make changes in 2021 to deal with problems such as weak consumer demand, rising prices of various raw materials and vicious competition of community group-buying, and reduce cost and increase efficiency in an all-round way. Institutional analysts generally believe that, with the gradual implementation of various reform measures, as a leading seasoning industry is expected to usher in new breakthroughs and growth.^[1]

¹ Information Times.,(2022). In 2021, the revenue of Haitian Weiye reached 25 billion yuan, and

Full-year performance bucked the trend:

In terms of products, the three core categories of soy sauce, oyster sauce and seasoning sauce of Haitian Flavor industry as well as major markets throughout the country basically maintained stable development during the reporting period. Among them, the revenue of soy sauce reached 14.188 billion yuan, an increase of 8.78%; The revenue of oyster sauce was 4.532 billion yuan, up by 10.18%; Sauce achieved revenue of 2.666 billion yuan, an increase of 5.61%. From the perspective of channels, during the reporting period, Haitian Weiye achieved revenue of 22.892 billion yuan in offline channels, with a year-on-year growth of 7.73%; The revenue of online channels was 704 million yuan, up 85.2% year on year, but the gross profit margin of online channels decreased 13.22 percentage points year on year, mainly due to the increase of cost and the increase of market input from online business expansion.

In addition, due to the increase in costs, the overall net interest rate of Haitianwei in 2021 was 26.68%, down by 1.44 percentage points year-on-year. In this regard, Haitian Food has taken a number of effective measures to cope with the upward cost pressure: in the production end, it has further amplified the advantages of intensive scale and lean management, and improved the per capita efficiency; On the supply side, we take advantage of scale to integrate resources together with partners, reduce costs, cope with the market and overcome difficulties together. Haiten said that through various

continued to promote product innovation and channel reform, [online] Available at:<<https://baijiahao.baidu.com/s?id=1728654270075276081&wfr=spider&for=pc>>[Accessed 16 Dec 2022].

measures, to a certain extent to absorb the adverse impact of various cost increases.

It is worth mentioning that Haitian Weiye in the fourth quarter of last year revenue growth picked up significantly. According to the calculation, the fourth quarter of last year's single quarter operating revenue of 7.10 billion yuan, a year-on-year growth of 22.85%; Net profit attributable to the parent was 1.963 billion yuan, up 7.19 percent year-on-year.

The leading effect is good for a long time

In addition to the contrarian growth in performance, Haitian Weiye will achieve new breakthroughs in product innovation, channel expansion and brand building in 2021. In terms of product innovation, 0 series of delicious and inexpensive products hit the market, firmly grasp the current new trend, and quickly seize the minds of consumers; A number of high quality and low price products, help the public soy sauce sales growth; There are many packaging innovations, such as double bottle, squeeze pack, mini pack, stand bag, etc., showing the brand's scientific and technological innovation and vitality. Guolian Securities research report pointed out that in the short term, Haitian Weiye still faces the dual pressure of rising costs and slow demand recovery. It is expected that with the promotion of high-end products and the subside of the influence of channel end community group-buying, the year-on-year growth of revenue is expected to recover to low double digits in 2022. In the long run, while ensuring the steady expansion of the market shares of the three core categories, the company is expected to realize the transformation from a condiment enterprise to a platform-type integrated

kitchen enterprise by entering into new businesses such as grain, oil, rice and noodles, hot pot base material and central kitchen in the future, and open new growth space.^[2]

Channels, through many years of fine cultivation, the establishment of a full range of three-dimensional sales network coverage. The network covers 31 provincial-level administrative regions, more than 320 prefecture-level cities and more than 2,000 county markets. The products are distributed throughout the country in major supermarket chains, wholesale farmers' markets at all levels, urban and rural convenience stores, retail stores, and exported to more than 80 countries and regions worldwide. In addition, the brand value of Hai Tian Wei industry has continued to improve. It is understood that Haitian Weiye will continue to promote the brand development strategy in 2021, and its brand influence will be further enhanced. According to the 2021 Asian Brand Footprint Report released by Kantar Consumer Index, Haitian Weiye has been selected as one of the top ten preferred brands among Chinese consumers with 620 million consumers and a penetration rate of 79.4%.

From the perspective of the industry, since last year, condiment enterprises as a whole face cost pressure, but the industry prospects are still optimistic. Industry insiders said that with the continuous recovery of catering, the steady power of C-end and the price increase of the superimposed industry, the condiment industry is expected to achieve a simultaneous increase in volume and price in 2022; Product scale, fine differentiation,

² Guolian Securities Research Report[J]

health, compound, high-end will be the future development trend, among which the market share of the industry leader is expected to further increase. With the gradual transmission of the price increase effect of the industry, the cost reduction and efficiency improvement measures under the background of rising costs, combined with industry competition and inventory margin relief, the condiment industry is expected to gradually get out of the mire and return to healthy growth this year. Haitian, as the leader of the condiment industry, is expected to continue to maintain faster growth than the industry.

1.1 Introduction of HaiTian Group

Haitian is an excellent enterprise in China's condiment industry, a professional condiment production and marketing enterprise with a long history. It is one of the first "Chinese Time-honored enterprises" announced by the Ministry of Commerce of the People's Republic of China. At present, the production of products covering soy sauce, oyster sauce, sauce, vinegar, cooking wine, sauce, chicken essence, chicken powder, fermented bean curd, hot pot base material and more than a dozen series of more than 100 varieties more than 500 specifications, the annual output value of more than 20 billion yuan. To "spread the delicious cause, brew a happy life" as its own responsibility, Haitian has been committed to the inheritance and innovation of traditional brewing technology with modern scientific research technology, built a large scale, over 600,000 square meters of glass tanning tank and fermentation tank, specially used for high-quality soy sauce sun brewing sun. With a number of the world's advanced automatic

packaging production lines, as well as the industry's advanced national accredited laboratories, more strict implementation of quality standards. And the introduction of a complete set of scientific research testing equipment from abroad, and strive to create a world advanced level of condiment production base. Safe, delicious and of high quality, Haitian products are not only popular in the domestic market, but also sold to more than 80 countries and regions around the world. Spread the food culture, bring out the taste of life. Haitian is committed to spreading Chinese food culture to the world, providing quality products, so that more people can enjoy delicious joy, so that more families feel happy life. Haitian is also a publicly traded company listed on the Shanghai Stock Exchange (stock code 603288). In 2017, the revenue of Haitian was 14.584 billion yuan and the net profit was 3.531 billion yuan, with year-on-year growth of 17.06% and 24.21% respectively. In 2018, the revenue of Haitian reached 17.034 billion yuan and the net profit reached 4.364 billion yuan, up 16.8% and 23.6% respectively year-on-year. Its revenue in 2019 was 19.797 billion yuan, up 16.22 percent year on year. In 2020, the revenue was 22.792 billion yuan and the net profit was 6.403 billion yuan, up 15.13% and 19.61% respectively year-on-year. In the Kantar Consumer Index 2021 Asia Brand Footprint Report, Haitian ranked 4th among China's fast moving consumer goods brands. At the same time, Haitian was also awarded by Kantar Consumer Index 2021 China Full-category Food Brand with great growth force and 2021 Top Ten Brands Selected by Chinese consumers. In 2021, the China Brand Power Index 2021C-BPI list was released, and Sea Heaven won the "four crowns" in the condiment industry, ranking the first in the 2021C-BPI brands of soy sauce, oyster sauce,

sauce and vinegar industry respectively. Among them, soy sauce has been ranked the first for 11 consecutive years, showing the firm position in the industry and the pursuit of excellence in products and services.^[3]

1.2 Macro and micro marketing environment

At present, the basic condiment still occupies the main position of condiment. The change of diet structure brings the increase of condiment permeability and single consumption, which makes the industry income scale increase continuously. At the same time, the improvement of people's living standard promotes the continuous upgrading of condiment product structure, which is the main driving force for the continuous improvement of industry revenue and profitability. Conclusion: Condiment income scale is increasing, as a rigid demand, the future market scale is still broad

At present, Chinese condiment enterprises are mainly local enterprises, and their channel layout and brand influence cannot cover the national market. Only a few enterprises realize the layout of national scope and multi-category products. Market dividends are concentrated in the top companies. Conclusion: Overall, the industry concentration is low, and the market share of leading enterprises can still be improved.

³ Official website.,(2022). Company profile, [online] Available at:< <http://www.haitian-food.com/index.php?ac=article&at=list&tid=17> >[Accessed 16 Dec 2022].

The soy sauce industry is expected to increase its market share from 23% in 2022 to 30% in 2030, leaving plenty of room for growth. China's condiment industry is dominated by soy sauce, accounting for 62% of the condiment market share. Compared with the marketing strategy of the Japanese soy sauce industry, China's soy sauce market still has a large space.

1.3 Target Market and Media Selection

Haitian Flavor is a company mainly engaged in the production and sales of condiments, the most important condiments are soy sauce, oyster sauce and sauce. Haitian Weiye adopts the distributor-based sales mode to sell its products, and adopts the settlement mode of payment before delivery. Gross margin: If the company has a higher gross margin than its peers, the company may have a brand premium, a patent moat, a switching cost moat, and a scale moat. Net operating cycle: A smaller net operating cycle is better, a negative number is best, and a company with a smaller net operating cycle that is significantly better than its peers may have a scale moat. Haitian may have a brand premium moat, a patent moat, a switching cost moat or a scale moat.

Haitian wei is a company with high profit, high turnover and low leverage. It is quite a profitable company. However, we should not take it lightly now.

As we know from the above analysis, the main products of Haitian wei industry are soy

sauce, oil consumption and seasoning sauce. They are all mass consumer goods, and there are many alternative products. To put it bluntly, they are sales-driven products. Only by investing more in publicity and promotion can we maintain the popularity of Hai tian wei industry and improve consumers' desire to buy. If you want to increase the revenue, you need to synchronize the publicity. So there is little chance of a reduction in advertising and promotion costs.

1.4Marketing Effect

Create a multi-dimensional brand image and upgrade product packaging: Haitian Flavor industry has spent a lot of attention on the bottle cap and packaging, upgrading the bottle cap, bottle body, packaging and other issues together. This upgrade makes Haitian and its peers have obvious differentiation, creating a more striking feeling for consumers' purchase experience, especially to meet the convenience and personalized needs of young consumers. Community marketing: Hai Tian Wei industry has been committed to the transformation and upgrading of enterprises, so that enterprises from "product-centric" to "user-centric" transformation. Haitian Taste industry understands that community is the logic of user relations, communication is the logic of marketing, only let the product as the user contact point and the point of communication, in order to make all the promotion activities spread value, the community building of Haitian taste industry is also based on this aspect of thinking. Community marketing: Hai Tian Wei industry has been committed to the transformation and upgrading of enterprises, so that enterprises from "product-centric" to "user-centric" transformation. Haitian

Taste industry understands that community is the logic of user relations, communication is the logic of marketing, only let the product as the user contact point and the point of communication, in order to make all the promotion activities spread value, the community building of Haitian taste industry is also based on this aspect of thinking. Through the user portrait system of the background of the big data engine, real-time analysis of users' "native data, scene data, behavior data and transaction data" is carried out to fully implement user classification, membership classification and privilege stratification, and take content as the core driving force to break through the community and thoroughly integrate into the ocean of community marketing.

2. Analysis Conclusion

By the end of 2021, Haitian's sales network has covered 31 provincial-level administrative regions, more than 320 prefecture-level cities and more than 2,000 county markets, and its products have been distributed throughout the country's major supermarket chains, farmers' markets at all levels of wholesale, urban and rural convenience stores, retail stores, and exported to more than 80 countries and regions worldwide. In order to obtain strains rich in enzyme production, on the one hand, the company domesticated strains to obtain excellent strains suitable for various production conditions of the company, so that the soy sauce produced after fermentation has a stronger aroma, richer nutrition, more red and strong color, more delicious taste, higher utilization rate of raw materials, and lower production cost; On the other hand, breeding techniques such as mutagenesis, screening and cell fusion were used to obtain high

yield strains of protease, peptidase and glutaminase. Through the application of these technologies, the enzyme production of Haitian strains increased by more than 20% compared with the traditional strains, reaching the international advanced level. Haitian chose a highly automated production line, which was destined to produce high value and large quantity of products in the future, so it became inevitable to take the cost-effective route, which also showed its ambition to grow into a giant in the future. Haitian product sales smooth, no backlog, even some demand. In the future, as long as there is capacity, Hai Tian can continue to grow. With \$7.867 billion in productive assets (land, plant, equipment, software, and inventory), the company is capable of making \$6.6 billion in annual profits, which will continue to grow until capacity is released in the future.

3. Recommendations

In the past two years, although the epidemic has hindered the recovery of demand and the continuous rise of cost has led to pressure on short-term performance, Haitian's leading position and competitive advantages are still obvious. Small and medium-sized enterprises with poor risk resistance in the industry are accelerating their liquidation, and Haitian has further squeezed the share of rival products by accelerating market transformation, reducing cost and increasing efficiency, strengthening research and development and promotion. At the same time, the company has realized digitalization in core technology research, production, supply and marketing coordination,

management efficiency improvement and other aspects to continuously release the business potential. As for the recent Haitian additive incident, we believe that this event may only have a slight impact on the short-term C-end sales, the company's competitive advantage is still maintained, and its long-term share is expected to continue to increase. Risk tips: competition pattern intensifies, raw material cost rises sharply, consumer demand weakens, etc.