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Research on Marketing Strategies of Tingyi Biscuit Products-based on Changzhou Market

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Abstract: Biscuits play an important role in Chinese food industry and Tingyi biscuit is quality product among domestic biscuit products in China. The research has employed the research method of questionnaire in order to have accurate understanding of the dilemma and problems concerning the marketing of Tingyi biscuits in Chinese market. Eighty permanent residents of Changzhou city have been chosen randomly as samples to investigate consumption demand of local citizens in Changzhou for Tingyi biscuits. The results show that major consumption group for biscuits in China are mainly aged above 15 with people from 15 to 30 accounting for 96.15% of all biscuit consumers. According to the results, customers willing to spend over 10 Yuan on biscuits are maximal in quantity, accounting for approximately 48.48% of all the samples and the brand that has been most frequently bought by customers in the past six months is Oreos, accounting for 64.1% of all samples. Moreover, the results reveal that the majority of customers like soda and sandwich biscuits which account for 45.45 and 42.42%, respectively. Based on SWOT analysis of the marketing strategies of Tingyi biscuits in Changzhou city, the research proposes strategies concerning combination, growth, pricing, promotion and development of products.

Key words: Biscuit product, SWOT analysis, marketing strategy

INTRODUCTION

Biscuit industry is a special industry in China, stretching over three areas, agriculture, industry and service industry. The annual yield of biscuits has grown by 10-15%. According to Yuan (2004), biscuits are characterized by durable storage, easy portability and diverse flavors, having won popularity among consumers, especially the youth. Yi (2003) believes that the outstanding prosperity of biscuit market in dazzling Chinese food markets represents stable and rapid development of Chinese biscuit industry. As empirical results of Ming Lue reveal, the demand for biscuits in mainland China market has gone up year by year with Shengzhen people coming out in front in terms of the consumption of biscuits and the consumption level of Chinese mainland consumers has been improved year by year. Wen (2003) argues that with further development of national economy, accelerated urbanization process, introduction of modern life style and development of tourism, domestic demand for biscuits, especially urban citizens, will continue to grow.

Domestic biscuit industry and sales market have demonstrated three features.

Firstly, innovation is urgently needed for domestic biscuit industry. As entrance barrier for biscuit industry

is low, the quantity of biscuit producers is increasing, the trend for product homogenization increasingly strong and the market competition increasingly fierce. Biscuit products need technical, product and brand innovation. According to Zhang Jiukui, biscuit industry is confronted with great challenges in post crisis era and Chinese biscuit enterprises need innovation in all aspects from thought to product. Xu (2007) believes that although three companies, Tingyi, Danone and Taiping have developed the flavors of cream and salt, onion and spinach on the basis of soda flavor, healthy biscuits low in fat are still in serious shortage in Chinese supermarkets. Ding Hua argues that in Chinese biscuit market, there are a great number of small and medium brands with shortage of high ended brands and the price of biscuits in China is lower. Niu Gang advocates the establishment of healthy secure biscuit market by standards and criteria.

Secondly, prices of domestic biscuits are too expensive. Liu (2007) has found out that the prices for biscuits priced approximately 100 Yuan have gone up by approximately 10% and the prices for biscuits over 200 Yuan are relatively stable. According to Yang (2011), as the food prices in urban areas go up by approximately 7% in comparison with the prices for the same period last year, the prices for biscuits in Changzhou go up as well. Ren (2005) argues that the rise of domestic price for flour

by 13.4% in May of 2011, up 20% than the price in January of 2010 and the continuous growth of the price have resulted in rise of domestic biscuit prices. Song Jianghai firmly believes that global warming has resulted in serial arduous weather which has disastrous effects on yields of crops has contributed to the rise of flour and biscuit prices.

Thirdly, biscuit producers have a great many difficulties. First of all, the output has dropped. The output of biscuits in Changzhou city in 2010 amounted to 15,500 tons, which dropped to 14,500 tons in 2011, down by 6.45% compared with the output for the same period in 2010. Second, the market share has dropped. The market shares of Tingyi biscuit products have shown decreasing trend since 2010. Next, the economic benefits of biscuit industry are not sound. Despite 8% annual growth rate of total output of biscuits in China, many biscuit producing enterprises have ended up in loss or have meager profit due to disorder in market competition. Hence, correct management concepts and the marketing strategies play increasingly important role for biscuit enterprises.

EMPIRICAL STUDY OF CHANGZHOU MARKET FOR TINGYI BISCUIT PRODUCTS

Design, distribution and collection of questionnaires:

Consumers for bakery products in Changzhou shall be mainly ordinary consumers and customers with their family member’s job related with supermarket, commercial company and mass media shall be excluded to improve accuracy of the data. Eighty people will be chosen as samples to investigate consumer’s demand for Tingyi biscuits in Changzhou.

Questionnaire is designed surrounding the questions regarding the consumer’s age and purchasing power, usage of the product, public awareness of the brand, loyalty to the brand, selection of the category of biscuit, reputation of biscuit, promotional manner preferred by customers and factors influencing the selection of biscuit. Meanwhile, the questionnaire takes Oreos, Glico, BVL, Chips Ahoy and Prince as objects for comparison.

Analysis of questionnaires: Among the 80 questionnaires collected, one person is not permanent resident, one person works in advertising company and the remaining 78 are satisfactory samples.

- Analysis of age group of consumers

As the questionnaires show that major consumers of biscuits are aged above 15 with the proportions of people aged 15-30, 30-45 and over 45 accounting for

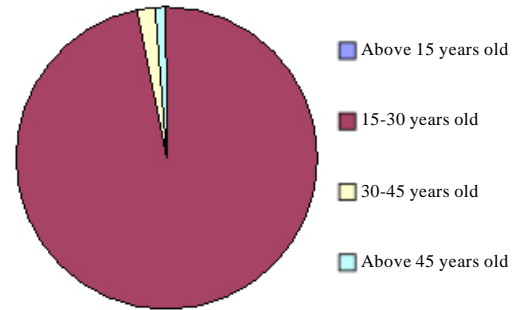


Fig. 1: Consumers age structure

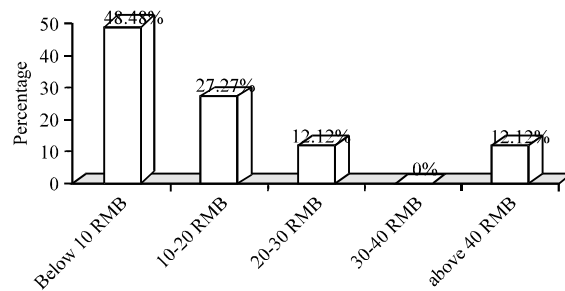


Fig. 2: Customers who are willing to pay for biscuit in a month

96.15, 2.56 and 1.28%, respectively. Consumers aged 15-30 are most in quantity, followed by people aged 30-45, confirming that young people aged 15-30 like deserts more than middle aged people from 30 to 45 years old (Fig. 1).

- Analysis of consumer’s purchasing power

People willing to spend more than 10 Yuan each month on biscuits are most in quantity, accounting for approximately 48.48% and people willing to spend 10-20 Yuan each month account for 27.27%. Consumers willing to spend 20-30 and more than 40 Yuan have the same quantity, each accounting for 12.12%. And the proportion of customers willing to spend 30-40 Yuan is zero (Fig. 2).

- Analysis of product use

Customers normally do not buy biscuits during lunch and dinner times but during breakfast and leisure time or when hungry and travelling. People buying biscuits during leisure time (maximum in quantity), when hungry and on travel account for 72.72, 60.61 and 24.24%, respectively. And the remaining 12.12% customers buy biscuits in other circumstances (Fig. 3).

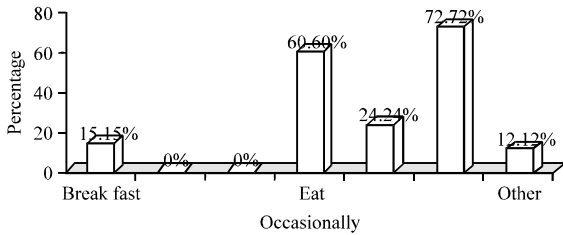


Fig. 3: Time choice of buying biscuit

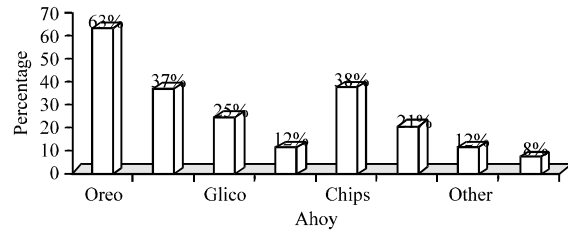


Fig. 5: Sales volume of brand biscuits within half a year

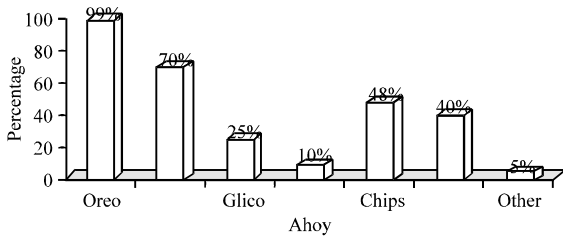


Fig. 4: The popularity of different brands

- Analysis of public awareness of brand

Consumer's familiarity with Oreos products is more than that with other brands. In terms of public awareness, Tingyi ranks second, Chips Ahoy third and Prince fourth, followed by BVI and other brands. Public awareness of only Glico and Chips Ahoy is stronger than that of Tingyi (Fig. 4).

- Analysis of degree of loyalty to brand

The biscuit brand that has been selected by most customers in the past half year is Oreos, totaling 64.1%, followed by Chips Ahoy which accounts for 34.62%. Tingyi ranks the third, accounting for approximately 32.23% and people buying Glico, BVI and other brands account for 26.92, 11.54 and 11.54%, respectively. The remaining 7.69% people have no purchase experience in the past half year (Fig. 5).

- Analysis of category of consumed biscuit

The biscuit brand that has been most frequently selected by customers in last month is still Oreos accounting for 47.44%, followed by Tingyi and Chips Ahoy, accounting for 21.79 and 17.95%, respectively. Approximately 15.38% customers have bought Glico biscuits and customers buying Prince, BVI and other branded biscuits account for 11.54, 2.56 and 14.1%, respectively. The remaining 20.51% people have no purchase experience in last month (Fig. 6).

- Analysis of factors influencing consumer's choice

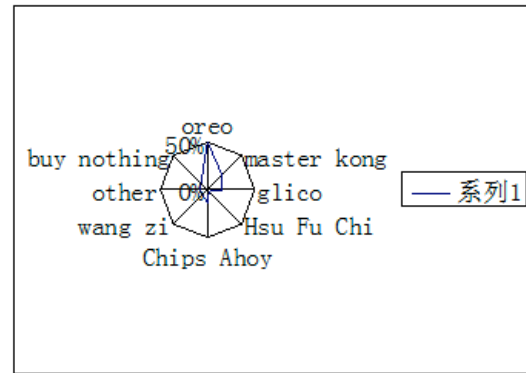


Fig. 6: Radar map relation to sales volume of brand biscuits within half a month

Three major factors have arrested customer's attention, namely personal flavors and habits, familiarity with brand, package and style of biscuit. Approximately 96.5% consumers select biscuits according to their personal flavors and habits, 35.9% according to their familiarity with brand and 35.9% according to package and style of biscuit. The 14.1% consumers select biscuit products based on commercials, 25.64% on degree of preferential prices and 5.13% on recommendation of their friends. The remaining 6.41% have no particular affection for specific brand and 3.85% customers select biscuits for other reasons (Fig. 7).

- Analysis of customer's selection of category of biscuits

Majority of customers prefer soda and sandwich biscuits with soda and sandwich biscuit consumers account for 45.45 and 42.42%, respectively. Consumers loving salty biscuit and egg roll account for 27.27%. Consumers loving sweet biscuit, cookie, waffle, roughage biscuit and wheat biscuit account for 21.21, 18.18, 30.30, 24.24 and at least 9.09%, respectively. The 6.06% customers love biscuits of other categories (Fig. 8).

- Analysis of reputation among customers

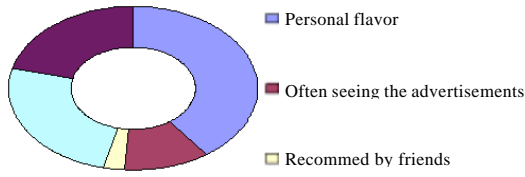


Fig. 7: Factors of consumers' choosing biscuits

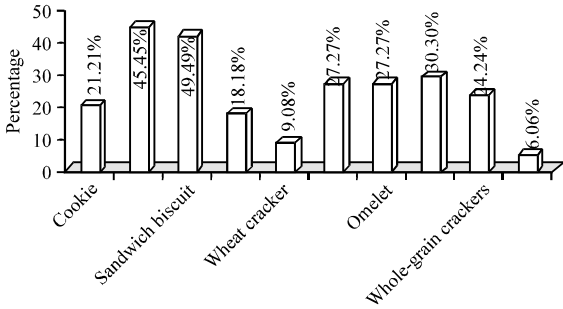


Fig. 8: Kinds of biscuits which are favored by consumers

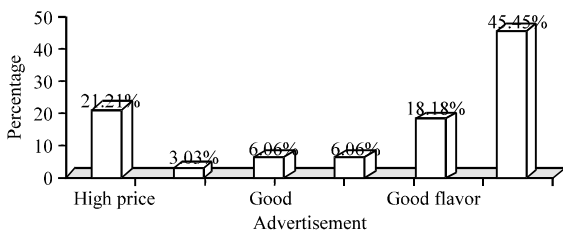


Fig. 9: Brand influence factors of Master Kong

Most customers are aware of Tingyi biscuits, among which 21.21% think prices of Tingyi biscuits are high, 18.18% think the flavor is very good, 3.03% believes the price is reasonable and 6.06% think the commercials are effective. The 6.06% consumers think that the publicity degree of Tingyi biscuits is not sufficient (Fig. 9).

• Analysis of promotion mode

According to results of the questionnaires, customers prefer two modes for promotion, lottery and special offer, each accounting for 40%. Customers preferring gift, free use and others as promotion mode account for 2.5, 7.5 and 10%, respectively (Fig. 10).

• Analysis of selection of commercial media of product

Most consumers watch commercials on TV, accounting for 73.08%, followed by internet, bus and magazine accounting for 42.13, 32.05 and 11.54%, respectively. Consumers knowing commercials by radio,

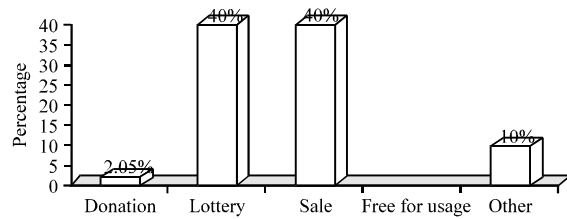


Fig. 10: Consumers' favorite promotion

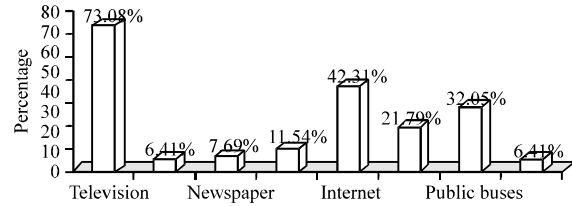


Fig. 11: Consumers-related tools of advertisements

newspaper and outdoor commercial take 6.41, 7.69 and 21.79%, respectively. The remaining 6.41% customer takes no notice of commercials (Fig. 11).

SWOT ANALYSIS OF MARKETING STRATEGIES FOR TINGYI BISCUITS IN CHANGZHOU MARKET

Advantages:

- Strong fund backup and brand advantage

Tingyi group has strong financial backup and according to professional estimation, Tingyi is worth 950 million U.S. Dollar. It is a listed company, having profound funds. Tingyi has funds of 120 million Yuan in Changzhou alone, sufficient to maintain smooth operation of the company in Changzhou. Moreover, Tingyi has an aged history and has developed strong brand which has won popularity among the public. According to estimation of professional trademark company, the brand Tingyi is worth 726 million U.S. Dollar and the market value of Tingyi Group could amount to 9.03 billion U.S. Dollar.

- Package of product and novelty of design

Current products of Tingyi in market have novel design and diverse package ranging from bag to carton and gift package. Its biscuits are shaped in circle, rectangle and animal, able to catering for needs of different consumers. The product is easy for consumer to carry and eat, good enough to be given to friends as gift. Meanwhile, the package materials are secure enough to

guarantee healthy security of consumers. Moreover, with increased social mobility, the demand for biscuits with gift package is growing, giving commercials more space for innovation and sound interactive effects. In this way, the package possesses wider applications and more profound significance.

- Higher market share

Survival of the fittest is basic rule in nature and market economy, binding biscuit market as well. In present biscuit market after reshuffling for several times in past years, the survival biscuit companies normally possess big economic scale, strong technical capacity and high market share. And Tingyi is the leading company in the field with market share of 50%. Tingyi takes 42.8% market share in Changzhou.

Disadvantages:

- Insufficient environmental protection

At present, Tingyi biscuits are packaged in plastic which is difficult to recycle, dissolve and easy to cause pollution. Hence, in today's world with increasing awareness of environmental protection, it is imminent task for Tingyi to make its products greener and more environment friendly. The disadvantage of Tingyi biscuit series in this aspect has weakened the product competency in market, affecting not only Tingyi itself but also natural environment in China and in the whole world.

- Low loyalty of staff and unapparent advantage in human resources

Few professional managers of Tingyi believe they could work in Tingyi till their retire age. With its headquarter in Ting Hsin Group in Chinese mainland, three out of four bosses of Tingyi work in their office in headquarter and the professional managers of Tingyi from different places are faced with dismissal if their sales are not satisfactory. Tingyi has replaced a great many managers and the replacement takes place rapidly. With regard to promotion of Tingyi biscuits, Tingyi fails to give sufficient training to promotion personnel; hence, its promotional activities usually fail to produce expected results.

- Higher pricing of biscuits

Tingyi biscuits are priced high with 3+2 soda biscuits, egg roll, cookie and sandwich biscuit priced at 4,

6, 4.5 and 4 Yuan, respectively. With average income of Changzhou residents being approximately 2500 Yuan, the prices of Tingyi biscuits are difficult to accept by ordinary families in Changzhou or even ordinary families could accept but can not afford to buy frequently. Moreover, the prices of Tingyi biscuits have no competition edge over other brands of the same categories.

Opportunities:

- With improved living standard of consumers Tingyi has greater potential for development in market

With rapid economic development and improved living standards in China, Tingyi has greater potentials for development in the market as biscuits play increasingly important role in upcoming fast food age. As living standards are improved, consumers have more disposable income to spend on foods. Moreover, consumption concepts could change with improvement of living standards. Meanwhile, consumers are more aware of brands and consumption of brand products. Tingyi enjoys great popularity among the public and in this sense, low ended products has no competency.

- Chinese government provides preferential policies to Taiwanese companies such as Tingyi

Chinese government has provided substantial policy support and assistance to Tingyi since it is one of the earliest Taiwanese company coming to Chinese mainland. In this way, the legitimate interests of Taiwan businessmen could be guaranteed. Moreover, complete credit grading and awarding systems for Taiwan funded companies have been established to enlarge limit for loans and financial channels and to solve loan problems of small and medium sized Taiwan companies. In addition, government support has been given for Taiwan businessmen to the establishment of credit guarantee company. The self owned assets of Taiwan company could be used as mortgage (with approval of Chinese Customs Authority) to apply for loans after assessment of financial institutions. For Taiwanese funded agricultural company, it could enjoy state and provincial agricultural subsidizing policies and for companies involving in farmer oriented crops and aquaculture, it could apply for short term current funds from commercial banks or credit cooperatives after assessment of financial institutions.

- Scientific and technological progress in China will invigorate technical innovation in biscuit industry

Progress in Chinese science and technology has promoted transformation in technology of biscuit industry. The production equipment in biscuit industry is more advanced, the production costs reduced and the productivity improved from manual streamline production in the past to today's mechanized production line. The biscuit industry has experienced technical transformation owing to scientific and technological innovation. For instance, since Tingyi's introduction of national advanced technology for scale production since technological innovation, the productivity of Tingyi has been dramatically improved from 3600 cartons per hour in the past to 5400 cartons per hour at present.

Threats:

- Change of consumer's preference to biscuits

With the advent of green age, today's consumers care more about nutrition, health and environmental protection and biscuits to consumers are not merely for satisfying hunger but for enhancing health. Additives that are harmful to human health are commonly used in most biscuits and despite Tingyi's adherence to the principle of not applying any antiseptic and artificial color in its biscuits, its biscuits still could not be 100% green, natural and healthy.

- Fierce competition has made the market nearly saturated

Many brands compete in domestic biscuit market, including Oreos, BVI, Chips Ahoy, Glico, Prince and other domestic brands and a great many international fast food tycoons. As it is well known, Tingyi has less market share than Prince in rural areas and less than Oreos in urban areas, accounting for less than 5% of Oreos share. In addition, biscuit products has reached mature stage in Changzhou and even entire China and demand for Tingyi biscuits has nearly reached saturate stage in domestic and foreign markets. Hence, it is difficult for Tingyi to improve its sales in the market with increasing number of new competitors.

- Fake products intermingle with original products.

Fake products appear in increasing number in market; with similar name, the same package, similar flavor but considerably lower prices, fake products in increasing number have affected the sales of original products. Take a recent fake case of Tingyi's 3+2 biscuits in Wujin

district of Changzhou city as an example. Learning through Tingyi that some illegal activity of producing fake Tingyi's 3+2 biscuits is undergoing in Changzhou, the Eastern Bureau has recently conducted investigation into large beverage wholesales stores in its judicial areas and confiscated a batch of fake Tingyi's 3+2 biscuits and 330 cartons of fake beverages. The person concerned runs a grocery store in the judicial area, where the authentic products is put in the store and the faked products are sold by customer's requirements of sending goods to their homes. Original and fake products are stored in two different warehouses not far apart from each other. The person concerned has avoided the investigations of the concerned official departments many times in the past. According to the investigation results, the fake products are almost identical with the authentic products with the characters and letters on the outer package even more discernible than that for the original product, making it extremely difficult to distinguish from the original product. With distinction of the producer, the locations of the inject codes on the fake products are different from those on the original products; the former entirely imprinted on the bottle cap; whereas, for the latter, the imprinted production date and numbers are divided into two parts and one part could appear on the bottle itself. It has been learnt that the fake beverage is sold for no more than 1 Yuan a bottle, not even to half price of the authentic products. The fake products have contributed to decline of 2% of Tingyi's sales in Changzhou.

ANALYSIS OF MARKETING STRATEGIES FOR TINGYI BISCUITS

Strategies for product combination: Specification, category and style of a particular Tingyi biscuit product could be increased on the basis of maintaining the same quality and price for original product. High standard and price product shall be included in the existing production lines to improve taste of biscuit products to cater for different consumers. Low end biscuit products shall be increased and the reputation of high end biscuit products shall be utilized to attract consumers of low end products. In this way, not only the choice for biscuits has been enlarged but also the company profits have been increased, enabling the company to gain allowed greatest market share by advantages of its products.

Strategies for product growth in long term: Quality of the product shall be improved, categories increased and styles and packages enhanced to satisfy market

requirements. Market shall be recategorized to get adapted to growth trends, develop new sales channels and enlarge commodity network.

Strategies for development of new product: As consumer's requirements and demands dominate product trends, the demand for individualized and differential products becomes increasingly stronger and companies could only innovate products to ensure rich changes of products. As questionnaire results show that a great many customers still have affection for cookies and roughage biscuits and Tingyi could cater for this demand to produce green products in Changzhou or Tingyi could improve its diagnosis to make biscuits nutritious and delicious. Moreover, Tingyi could produce biscuits of wider categories in Changzhou. In this way, consumers will not have mental opposition to the products but satisfaction with the novel exquisite package and diverse flavors.

Strategies for product publicity: Publicity by media commercials are of important significance since consumers could obtain major information about products through commercials. Tingyi has not great input in commercials owing to sound public awareness of its brand. However, a company could not develop without support of commercials which have been well acknowledged as an effective means of publicity. Tingyi shall establish publicity system centered by newspaper commercials and supplemented by commercials on TV, magazine and radio. First of all, commercial creativity shall establish communication with consumer's hearts. Creativity is commercial designer's imagination, processing, combination and creation of the object. With help of commercials, the potential practical beauty of Tingyi biscuits shall be revealed, including sound function, exquisite package, reasonable price, thoughtful services and other aspects. In this way, commercials could be upgraded as tangible things for consumers, rapidly arrest consumer's attention to Tingyi biscuits, arouse consumer's interests and produce strong awareness and popularity of the brand. Next, commercial publicity shall incorporate dazzling effects of authoritative media. Thirdly, commercial publicity shall incorporate public relations and sponsoring activities. Tingyi could participate in some social activities in Changzhou to win good reputation and popularity among consumers, thus developing into a valuable brand. Last, news event could be utilized in commercials. For instance, Wong Lo Kat was not a well known brand at the beginning but it has become famous instantly as an example for brand marketing event. The public awareness of the brand has

not only improved considerably but also the reputation has been enhanced, becoming a successful example for realization of motive power of brand.

Pricing strategy: First of all, pricing strategies shall be put into practice. Tingyi should make use of existing comprehensive information network management system. Though sales staff at all levels and professional information staff, information for competitors and category, quantity, price and market trend of various products could be investigated, collected, analyzed and fed back. In this way, rapid feedback system could be formed to facilitate rapid adjustment according to market changes in different regions and due to different prices. Moreover, corresponding pricing strategies could be worked out to grasp market changes, consolidate and expand market and produce maximal profits. Secondly, promotional strategies shall be implemented. On one hand, Tingyi shall use sales staff to promote its biscuit products and services directly to consumers. On the other, during promotional period of new product, Tingyi shall organize biscuit exhibition, design promotional combination of biscuits to stimulate consumer's purchase desire and enhance influence of biscuit products, thus achieving promotional effects. Last, Tingyi shall make most of festivals such as the Spring Festival, Women's Day, the Dragon Boat Festival and the Mid-Autumn Festival to work out and strictly implement biscuit promotion plans to establish sound image of the product and the company and to win good reputation among consumers.

CONCLUSIONS

Chinese biscuit industry is confronted with severe challenges from influx of international financial groups and brand biscuit companies, continuous improvement of living standard, growing price of raw materials, upgrading of food security, homogenization of competition and diversified complicated demands of consumers. It is Tingyi's magic weapon to achieve success in Changzhou by giving priority to research on marketing strategies, gaining leading market share in the long term to achieve maximal profits and healthy development through maintenance of core competency and adoption of optimal sales strategies.

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