

Research on Strategies Cultivating the Brand of “Kuaizhai” in CQ Market under the Guidance of High Quality Development

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Abstract: China's economy has been transformed from the stage of rapid growth to the stage of high quality development. In 2018, the tobacco industry put forward the strategy of “big brand, big market and big enterprise” which focuses on high quality development. Under the background of high quality development, China Tobacco Sichuan Industrial Co. LTD launched the “hundred-billion-yuan” industry plan in 2019. This article studies strategies which and cultivate the Kuanzhai brand in Chongqing market, in order to play a positive role in the brand industry, and obtain certain results in practice.

1. Introduction

Influenced by multiple factors such as macro-economy, tax increase, the tightening tobacco control and gradual weakening of cigarette consumption demand, cigarette sales have changed from incremental sharing to stock segmentation; the brand competition has intensified. Under that background, the tobacco industry proposes a high quality development strategy. China Tobacco Sichuan Industrial Company is one of the youngest tobacco companies in China, but it develops rapidly in recent years. The sales of Kuanzhai brand broke through 150,000 cases within 4 years. In 2019, the “hundred-billion-yuan” industry plan was launched.[1]

2. To Seize the Opportunity: the Background of High Quality Development Puts Forward a New Position for Brand Cultivation

Jinping Xi pointed out, “achieving high quality development is an inevitable requirement for maintaining the sustained and healthy development of our economy and society. It is also an inevitable requirement for us to adapt to changes of major social contradictions in China and to build a modern socialist country in an all-round way.” High quality development is the fundamental requirement for us to identify development ideas, formulate economic policies and implement macro-control at present and in the future. We must understand it deeply and truly implement it. All the 13 high-income countries have made successful transformation at the critical moment of rapid economic development. They adjusted their economic structures, paid attention to quality and efficiency, and finally made the national economy develop continuously and healthily. Over the past 40 years of reform and opening up, China's economic GDP has grown by an average rate of more than 9%, ranking the second in the world in terms of economic volume. However, we rely more on resources, capital, labour and other factors to support rapid economic growth and scale expansion. In order to achieve the better and sustainable development of China's economy, Jinping Xi put forward the development idea at this critical moment of transformation.” [2] Now the growth of GDP is not the only target. We should also emphasize on improving the quality and efficiency of economic growth... China's economy has shifted from high speed growth to high quality development, which is a hurdle that we must get over. Every industry and every enterprise must firmly move forward in this direction.”

In 2020, China Tobacco Monopoly Bureau clearly put forward, we should implement policies on high quality development, improve the quality and efficiency of industrial development, solidly promote the construction of integrated organization and operation systems in the whole industrial

chain, build the cigarette brand development system, the tobacco market system, the dynamic balance system of supply and demand, the industry innovation system and the operation control system, so as to accelerate the reform of the industry toward effective and high quality development. Since the establishment of China Tobacco Sichuan Industrial Company, the output, structure and tax profits have increased significantly; the brand status has improved; the quality revolution, as well as philosophy and culture strategies have been effectively implemented; the “Kuanzhai” brand has developed rapidly. The author believes that the marketing area is the most basic unit of brand cultivation. High quality development means to achieve market share expansion, the structure improvement, service level optimization, marketing model innovation and product quality improvement. It requires us to fully understand the strengths and weaknesses of the market and our internal conditions, and implement policies accurately. The results cannot be achieved overnight. It needs top-level design and the comprehensive supporting foundation in aspects of brands, resources, markets, management and talents, so as to promote the upgrading of regional brand development.[3]

3. Follow the Trend: Accurately Grasp the Situation of Brand Strategies in Chongqing Market

3.1 Overview of Marketing Strategy

The term “Zhanlve” (strategy) in Chinese was firstly put forward in the book *Strategy* written by Biao Sima in the early Western Jin Dynasty. It refers to the strategic directors’ overall planning, deployment and guidance of the construction and application of military forces based on their understanding of subjective and objective conditions and the laws of their development and change, so as to effectively achieve established political and military purposes. In the 20th century, strategy was applied to enterprise management. In 1954, Peter F. Drucker firstly proposed indirectly that the enterprise strategy means, “the enterprise manager needs to find out all resources owned by the group, and then decide what the enterprise can do”. In 1976, Asoff put forward that “the overall planning customized by an enterprise for its own development in a certain period of time is the strategic management”; it includes the direction of strategic development, the motive of strategic development, strategic tasks, and policy measures to implement the strategy. It also points out that strategic management is a dynamic process. Michael E. Porter, the world authority on enterprise strategy, points out that “strategy is the sustained, valuable and unique competitive advantage created by enterprises through differentiated and integrated business activities”. After the concept of strategic management was put forward, foreign scholars took the lead in researching the strategic management theory. The theory of enterprises’ strategic management can be roughly divided into three stages: the primary strategic thinking stage, the competitive strategy theory stage and the dynamic competitive strategy theory stage.[4] Tools commonly used in strategic research include the SWOT analysis model, the PEST model and wave force law model.

3.2 Overview of the Macro Economy of Chongqing

Chongqing is the only municipality directly under the central government in central and western China, with 38 districts and counties under its jurisdiction. The permanent resident population is 30.75 million and the urbanization rate is 64%. By the end of 2017, the urban population was 19.7 million. In the same period of 2019 and 2018, online stores increased by 55.7%; telephone shopping increased by 27.4%; retail sales of department stores increased by 3.9%; supermarkets increased by 16.6%; shopping centers, warehousing clubs and manufacturers' direct sales centers increased by 26.9%. Since 2018, the downward pressure of domestic economy has increased. Main economic indicators of Chongqing are basically stable, but they are also under pressure. New formats such as service consumption and experience consumption are booming; online consumption and new consumption formats are developing rapidly, with online retail sales of online enterprises increasing by 37.4% year-on-year.

3.3 Characteristics of the Cigarette Market in Chongqing

3.3.1 Population Mobility Has Great Impact on the Cigarette Market in Chongqing

The total volume of Chongqing cigarette market was calculated by the number of permanent residents and the inflow population. The total volume of Chongqing cigarette market (packet) = permanent population (10000 people) * smoking rate (%) * average cigarettes smoked by each consumer everyday (cigarettes / day) * 365 days ÷ 50000 (cigarettes / packet) + inflow population (10000 people) * smoking rate (%) * average cigarettes smoked by each consumer everyday (cigarettes / day) * 365 days ÷ 50000 cigarettes / packet). With the increase of inflow population, even if the smoking rate decreases, the capacity of cigarette market may expand theoretically. According to the author's judgment, with the driving force of economic development after 2019, cigarette sales in Chongqing market will enter a new cycle of stable growth. According to resident population, per capita GDP and cigarette volume in recent five years, the key market map of brand cultivation is drawn as follows. The dark red area is the key market. The Yubei market, as the leader of Chongqing's development, has a larger cigarette growth dividend with continuous inflow of population in recent five years.

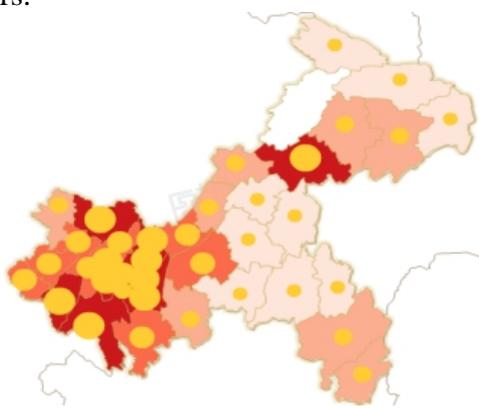


Fig.1 Classification of Cigarette Cultivation Market in Chongqing.

3.3.2 Economic Growth Promotes the Continuous Improvement of Consumption Structure

From the perspective of correlation analysis, the influence ordinal number of Chongqing's GDP growth on cigarette wholesale sales in the past ten years is 1.58, and the ordinal number of linear correlation is 0.9991. That is to say, every 100 billion yuan increase in GDP will drive the structural growth of single cigarette packet by 1580 yuan. Driven by the sustained economic growth, the structure of Chongqing cigarette market has great potential to improve.[5]

3.3.3 Special Shaped Cigarettes Has Strong Growth Potential

In recent three years, fine cigarettes, medium cigarettes and short cigarettes in Chongqing market maintain the rapid development. At present, consumers smoking fine cigarettes account for 2.66% of Chongqing cigarette market. Students, civil servants as well as employees of enterprises and institutions have become the main consumers of special shaped cigarettes. Under the leadership of new products such as Chunghwa golden medium cigarettes and double medium cigarettes, medium cigarettes also sprung up rapidly after 2017. It is very likely that fine cigarettes and medium cigarettes will become the breakthrough points of consumption growth in Chongqing market in the future.

3.3.4 There is a Large Space for the Optimization of Cigarette Terminals

According to the survey conducted by Xinhua News Agency, the majority of end customers in Chongqing cigarette market are post-adolescents and middle-aged people. The education levels of more than 70% interviewees are junior high school or below. The education level is positively related to the business scale, and inversely related to the proportion of frequent visitors.

3.3.5 Analysis of Consumers' Behaviours in Chongqing Market

According to survey results, the ratio of male to female smokers in Chongqing is 95:5. In terms of age structure, young and middle-aged people are main customers. In terms of occupation structure, self-employed households, employees of enterprises and institutions, and migrant workers are the top three groups. 70% smokers belong to the middle-income group in terms of income structure. Consumers' purchasing behaviors show following characteristics in the last two years.

1) The expenditure on tobacco purchase has generally increased. The smoking expenses of migrant workers and students have changed from less than 10 yuan to more than 10 yuan.[6]

2) Overall speaking, consumers have high brand loyalty. Local cigarettes and Yunnan cigarettes are the mainstream. Most consumers will not take the initiative to try new products; new products only have limited promotion effect on the cigarette market.

3) Young smokers have gradually become the main force of cigarette consumption. With the increase of income, students and young groups are more willing to upgrade their level of smoking and accept new products easily. There is a lot of room for subsequent improvement and change. The cultivation and guidance of these groups will help to stabilize and develop the cigarette market in the future.

4) Retail stores are still the main way for consumers to buy cigarettes, and the taste of tobacco is still the most important factor in purchasing. It is still very important to boost the marketing ability of terminal retail stores in the next step.

5) In the future, the fine cigarette market among white-collar workers in main cities will be optimistic. Good taste and health are main reasons why consumers choose to smoke fine cigarettes. However, it is difficult to accept fine cigarettes in markets outside the main city in the short term, especially in the rural market.

6) The ban on smoking in public places has led to passive reduction of smoking by consumers. The reduction of the number of smokers and the reduction of smoking amount will restrict the promotion of cigarette sales in the future.

4. Make the Best Use of Circumstances: Exert the Value of Kuanzhai Brand in “Channels, Terminals and Consumers”

4.1 Swot Analysis of the Kuanzhai Brand in Chongqing

4.1.1 Advantages

The product mix of Kuanzhai brand is rich in layout and spans various price levels, and gradually forms a group of loyal groups. With the implementation of national layout and the promotion of marketing activities in depth, the image of new Xinchuan tobacco and new Xinchuan tobacco people has gradually stimulated the confidence of commercial companies and retailers. The prices and categories of Kuanzhai products meet the development needs of commercial structure improvement; the introduction and layout of Kuanzhai products have channel advantages. The economic and personnel interaction between Sichuan and Chongqing is frequent; species like the good luck fine cigarette of Chuanbei Pipa with bead, and medium cigarette with strong flavor have prominent selling points, as well as certain market advantages.[7]

4.1.2 Disadvantages

Kuanzhai brand has relatively short development history. Under the condition of total quantity control, the ordering intention of merchants is still not high. The put on rate and full subscription rate are still low compared with competitive products. At present, the cultivation of cigarette consumption environment is relatively difficult. It is difficult for consumers to accurately remember the characteristics Kuanzhai products. They usually distinguish cigarettes by “30 yuan Kuanzhai” and “40 yuan Kuanzhai”. It is less likely for a single product to break through the encirclement and become the best-selling cigarette.

4.1.3 Opportunities

The political, economic and cultural exchanges between Sichuan and Chongqing are very close. Chengdu and Chongqing, as the strategic support of western development, have developed rapidly. With the approval of The New Land Sea Channel as a sign, Chongqing and Chengdu have built an urban cluster and become a big city circle. Sichuan and Chongqing have entered the best cooperation and development period in the past 20 years. At the beginning of the establishment of China Tobacco Sichuan Industrial Company, Chongqing tobacco business and China Tobacco Sichuan Industrial Company formed the idea of “market leading, cooperative development, interaction between the two places and the win-win situation from all sides” in terms of brand development. With the recovery of the environment and the upgrading of consumption, according to the survey on Chongqing cigarettes, the consumption volume of cigarettes in the price range of 200-300 yuan in Chongqing is 300000 cases, and at present it is 230000 cases. There is the space for further expansion in the price segment and categories. Especially in the past two years, the development of special-shaped cigarettes in Chongqing was very rapid.

4.1.4 Threats

The competitive industry is sensitive, with a lot of outward goods regulations. The cultivation of local tobacco brands is relatively difficult. The market foundation of China Tobacco Sichuan Industrial Company is still weak in Chongqing, and the influence of Kuanzhai brand is insufficient. Its space is squeezed by competitive products with strong brands in the same price segment. In terms of cigarette categories, Guangxi, Henan and other places began to sell medium cigarettes in the 20 yuan price range, which may have an impact on the traditional category of 26 yuan fine cigarettes if Kuanzhai brand.

4.2 Breakthrough in the Strategic Positioning of Kuanzhai Brand

In line with the trend of comprehensively promoting the market-oriented reform of cigarette marketing, combined with SWOT analysis and the high quality development program of China Tobacco Sichuan Industrial Company, the strategic development orientation of Chongqing market is the “base of plate linkage market” for the Kuanzhai brand of China Tobacco Sichuan Industrial Company. The strategic goals include, within three years, the company needs to sell more than 50000 cases of cigarettes; the share of China Tobacco Sichuan Industrial Company should be nearly 5%; the Kuanzhai cigarettes need to be sold by more than 10000 cases.

4.3 Implementation of Strategies Cultivating the Kuanzhai Brand

4.3.1 Relying on Strategic Cooperation to Highlight Its Value on Commercial Channels

The industrial and commercial sides have formed a high degree of strategic cooperation to maximize the channel advantages and launch precisely. Through hundreds of times of communication and exchanges with various forms, the information of “Kuanzhai” brand as local tobacco brand can be spread. We should strive for the priority in the supply guarantee, the product launch and new product introduction, and include Kuanzhai good luck fine cigarettes in the 663 development plan and 311 key brands of Chongqing tobacco business, so as to optimize the product layout continuously and steadily expand the sales share of Sichuan tobacco. It is clear that there are 11 key markets and 13 secondary key markets; we should focus on building one market with the scale of 5000 boxes, three markets with the scale of 3000 boxes, and three markets with the scale of 2000 boxes, with resources and human resources further inclined to key markets. We should deepen publicity and implement activities to enhance customers' confidence in the brand, decompose the monthly sales target and monitor the development status of Sichuan tobacco brand market in real time. Combing with “two rates and one side” (order rate and full subscription rate) of retailers in each stall, we can find out retailers who complete target tasks slowly, and put forward improvement measures. We should also actively carry out labor competition on the Kuanzhai brand.

4.3.2 Optimize Resources Allocation and Give Play to the Value of Terminal Service

We should build a core customers' team and continuously deliver value to retailers: "Kuanzhai cigarette has good quality and rich cultural connotation. Smoking it can earn money". The terminal service should also be valued, so as to give full play to the channel resources of head retailers. We should also focus on key circles, such as the Yubei Auto Expo Business District, the Longtou Temple Business District, as well as business districts near airports and highways, and try to achieve effective sampling with more than 90%. We should sort out and visit chain customers like shopping malls and supermarkets to form a chain effect. The Internet marketing mode should also be explored; official accounts should be opened for retail customers in key markets; the method of shopping points exchange for gifts can increase the enthusiasm of retail customers in Sichuan cigarette. We should also build image terminal position, provide free light boxes and smoke cabinets to customers with strong support, good store images and large flow of people, pack Kuanzhai element terminal, do well in characteristic display and price tag placement, and develop terminal propaganda position.

4.3.3 Deliver the "Kuanzhai Value" to Consumers in Key Seasons

In important periods such as the New Year, the Labor's day, the Mid Autumn Festival as well as the National Day, we should go to key business districts, important customers' offices and entertainment business terminals to carry out activities like small packets exchange for gifts, site smoking evaluation, code scanning publicity and promotion lottery. We should also carry out promotion activities such as VIP Kuanzhai brand promotion, autumn Sugar and Wine Fair Exhibition, and exhibition product evaluation. Learning from the experience of activities in our province, we can carry out group purchase of tobacco used in weddings and funerals; online and offline channels should be combined. Through Tiktok and other Internet tools, we can promote communication, create topics and increase the visibility.

4.3.4 Gather Superior Forces to Activate the Human Resource Mechanism

We should speed up the targeted training and scientific layout of key talents, speed up the construction of talent team, activate internal human resources, and optimize the resource allocation as well as the incentive mechanism.

5. Conclusion

The Kuanzhai brand has great development potential in Chongqing market. But in order to promote the brand effectively, we should strengthen brand publicity and carry out various activities, so as to attract customers and achieve the sales objective.

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