

Comparative Analysis of Brand Marketing of DAO Coffee in Laos and China Based on STP Theory and 4P Theory

Haoyu Huang^{1,a,*}

¹International Business School, Southwestern University of Finance and Economics, Chengdu, Sichuan, 611130, China

a. lingshu983@gmail.com

**corresponding author*

Abstract: As the process of economic globalization intensifies, international trade gradually flourishes. The economic development of a country not only depends on the development of the country's domestic market, but the development of the export market will also play an important role. Lao DAO coffee is a key export product of Laos. This paper explores the challenges faced by Laos's renowned coffee brand, DAO Coffee, in its expansion into the international market, with a particular focus on the Chinese market. The research leverages the STP (Segmentation, Targeting, Positioning) and 4P (Product, Price, Place, Promotion) theories as analytical frameworks. A comparative analysis is carried out between DAO Coffee's Marketing strategy in Laos and potential marketing strategies in China. The study reveals key areas of improvement for DAO Coffee, including effective market segmentation, target market selection, appropriate market positioning, product diversification, pricing strategies, communication channels, and promotional methods. This paper provides actionable insights for DAO Coffee to formulate effective brand marketing strategies in the process of international market expansion.

Keywords: DAO Coffee, STP Theory, 4P Theory, Market Segmentation

1. Introduction

Laos, located in the northern part of the Indochinese Peninsula, is a landlocked country and renowned as a major coffee producer. In Laos' national economic layout, the agricultural sector, as the primary industry, holds significant importance, while the secondary and tertiary sectors contribute relatively less. Therefore, agriculture serves as the economic foundation of Laos, with the plantation sector, particularly coffee cultivation, being a prominent industry and a major export for the country. It supports Laos' economic development and cooperation with the global economy. DAO Coffee, produced in the Bolaven Plateau, is the most famous coffee brand in Laos. The Bolaven Plateau, situated in the Champasak Province of southwestern Laos, is considered the coffee kingdom of Laos, producing 95% of the country's coffee. The mild climate, humid air, and nutrient-rich volcanic soil make this land a paradise for coffee growers and nurture high-quality coffee beans with a rich taste. The region is hailed as the best place in Southeast Asia for coffee cultivation. DAO Coffee is Laos' primary cash crop and enjoys a good reputation internationally.

However, due to the large quantity of coffee production and limited domestic consumption capacity, DAO Coffee faces an oversupply situation domestically. Therefore, it is crucial for Laos to

expand its presence in the global market for DAO Coffee. As China's per capita income increases, people's demand for high-quality life is also increasing. As a symbol of high-quality life, coffee is favored by some Chinese people. Based on the above background, this article mainly analyzes and researches the marketing strategy of Laos DAO coffee in the Chinese market. Mainly through the STP theory and 4P theory, the similarities and differences of the marketing strategies adopted by DAO Coffee in the Laos market and the Chinese market are compared and analyzed. Based on this, targeted marketing suggestions are put forward to provide guidance for Laos DAO Coffee in the market. Selling in the Chinese market provides some useful guidance.

2. STP Theory and 4P Theory

2.1. STP Theory

The STP theory is considered the "core of modern strategic marketing" and a key factor for companies to succeed in marketing.

The STP theory consists of three parts: market segmentation, target market selection, and market positioning.

Market segmentation is based on the existence of differences in consumer needs. Considering various aspects of the company's capabilities, the overall market is divided into several submarkets with common characteristics based on factors such as geography, demographics, psychology, and behavior.

Target market selection is based on market segmentation.

Market positioning is the final step in the STP theory. In the target market, companies identify their potential competitive advantages and shape the impression of their products in consumers' minds by considering the importance consumers place on certain product features and attributes.

2.2. 4P Theory

The 4P theory refers to Product, Price, Place, and Promotion. It was introduced by Philip Kotler, the father of marketing, in his book "Marketing Management: Analysis, Planning, and Control" in 1967, and has had a significant impact on the marketing activities of companies.

Product: The product is the object of a company's marketing efforts, and the purpose of marketing is to promote and sell the product. The product encompasses not only its physical attributes but also packaging, accompanying services, and after-sales support.

Price: Price determines the market demand for a product and significantly influences consumers' purchasing desire. Price includes the base price, discount conditions, credit terms, etc. It represents the economic return a company receives from selling the product, considering both quantity and time.

Place: Place refers to the distribution channels and logistical aspects that ensure the timely and intact delivery of the product to consumers. It involves distribution channels, storage locations, transportation methods, etc. Companies need to monitor each step to ensure that consumers can satisfactorily access and use the product.

Promotion: Promotion involves various means of communication between the company and consumers, utilizing different information channels. It is a dissemination activity where companies employ advertising, personal selling, sales promotion, and public relations to promote their products.

3. Literature Review

3.1. Research on STP Theory

The STP theory is considered the "core of modern strategic marketing" and plays a crucial role in the marketing process.

Regarding research on market segmentation, Smith and Wendel were the first to propose the concept of market segmentation, which has since become a focal point in the field of marketing and has guided market practices in industries. Yoram believes that market segmentation should focus on consumers, considering their needs and behavioral characteristics, which can be achieved by analyzing consumer psychology, socio-cultural environment, and decision-making processes. Philip suggests that measurable, accessible, substantial, and differentiable principles should be followed in market segmentation. Long Haili states that market segmentation has various criteria, and principal component analysis plays an important role in the segmentation process [1]. Chen Jingyu emphasizes the differences in potential value and potential value capabilities among different customers and suggests considering them during market segmentation [2]. Du Yunsheng presents an RFM-based customer value evaluation model for credit card holders, called RFMDA, which includes nine factors such as recent purchase time, purchase frequency, and default risk. Attention should be paid to these factors during market segmentation [3].

Regarding research on target market selection, Long Haili suggests that factors such as market opportunities, potential market demand, institutional attractiveness, and market profitability should be considered to make the right decision suitable for the company [1]. Tang Li argues that real estate companies have certain specificities and should select the most profitable target market, concentrate company resources, develop effective competitive strategies, and achieve accurate positioning to gain and enhance competitive advantages [4]. Wu Chuhua conducts comparative analysis on target market selection in different formats of the retail industry and finds that large supermarkets have fewer target markets compared to department stores, urban shopping centers, convenience stores, and other formats [5].

Regarding research on market positioning, Jack Trout first introduced the concept of "market positioning" in 1969 in his book "Industrial Marketing" initiating academic research on positioning. Lou Jiang states that the positioning of a project is comprehensive, including market positioning, price positioning, customer positioning, product positioning, etc [6]. Lan Jin discusses the relationship between market positioning, product positioning, and competitive positioning. He views market positioning as having macro significance and strategic attributes, product positioning as a means to meet consumer needs, and competitive positioning as a way to target competitors and navigate the industry landscape. Zhang Zhirui conducted a study on the market positioning of an JC Company in the Chinese market and found that, compared to component production factories in Europe and America, the Chinese market was positioned as a global factory supply model [7].

3.2. Research on 4P Theory

The creator of the 4P theory is Eugene J. McCarthy, but he did not have a significant impact in the 1960s. It was not until 1967 when Philip Kotler, widely regarded as the father of modern marketing, introduced the recognized 4P theory in his influential book "Marketing Management: Analysis, Planning, and Control" that it gained substantial social resonance. Kotler defined the 4Ps as Product, Price, Place, and Promotion, establishing the foundation for the development of marketing theory.

On the development front, numerous scholars, particularly those from foreign countries, have conducted research on the scientific and comprehensive nature of the 4P theory, making significant contributions to its advancement. After the maturation of the 4P theory, scholars incorporated political

power factors and the public politics of public relations into the model, leading to the formation of the 6P theory. Bruce and Bitnet summarized and concluded this development in 1981. In 1986, Philip Kotler further refined the original 4P theory by adding segmentation, priority, research, positioning, public relations, government rights, and human factors, resulting in the 11P theory. In the context of China, scholars Guo Guixiang and Fan Xiucheng explored the essence of the 4P theory from multiple angles, including its background, development process, logical deduction, and economic effects [8]. They considered the 4P theory as a complementary and improved version of the 4C theory.

Regarding the practical application of the theory, many scholars have applied the 4P theory to different fields and studied its applicability and practical implications. Liu Liming found that college students should correctly apply the 4P theory in the job search process by recognizing their own value, determining a reasonable "price" for themselves, promoting themselves in suitable "places," and effectively marketing themselves through appropriate "promotion" methods to achieve employment success [9]. Luo Heng argued that the rapid development of Mengniu Corporation is closely related to the proper application of the 4P theory, with the correct use of advertising and promotional strategies being crucial to Mengniu's success [10]. Wang Wei suggested that the application of the 4P theory in the food marketing process can help ensure integrity in the food industry [11]. He Yuhan proposed that in the era of big data, the 4P theory should be effectively utilized with the convenience brought by the Internet Plus, such as developing more profitable "products," implementing scientifically-based pricing strategies to ensure the rationality of "price," discovering the most influential marketing "channels," and implementing effective "promotion methods" that can stimulate consumer purchasing desire, thereby providing effective guidance for marketing activities in the market [12].

4. Case Analysis

4.1. Comparative Analysis based on STP Theory

(1) Unclear market segmentation: Laos has a small population and DAO Coffee has high market awareness throughout the country, so the market scope of DAO Coffee in Laos covers almost all regions, and there is no need for market segmentation. However, the coffee market in China is different from that in Laos. China is vast with diverse geographical areas, and it would be scientifically unsound to define the market scope as the entire country. Additionally, the coffee market in China is highly competitive but lacks targeted segmentation. Therefore, for DAO Coffee to establish a long-term presence in the Chinese market, it must conduct market segmentation based on research on Chinese consumers' age, income level, occupation, etc., and target specific segments to carry out targeted brand marketing activities.

(2) Urgent need for target market clarification: DAO Coffee has comprehensive coverage in the Laotian market without specifying a particular target market. However, achieving nationwide coverage in the Chinese market requires higher qualifications, capabilities, and scale for the company itself. DAO Coffee, based on market segmentation, needs to conduct market research, consider all relevant factors, and select the most suitable target market for market entry. DAO Coffee can set its target market in China as second-tier and first-tier cities, striving to enter the coffee market in first-tier cities while not neglecting the development of market share in second-tier cities, with a long-term strategic vision.

(3) Deviation in market positioning: In the Laotian market, DAO Coffee is a highly competitive enterprise that directly competes with other coffee brands and aims to maintain a high market share. However, in the Chinese market, DAO Coffee's brand awareness is not well-established, lacks a strong brand personality, and faces competition from many dominant brands. In this situation, DAO Coffee should proactively choose to avoid direct competition with industry leaders and establish its

own brand personality. It should continuously develop new products, strengthen its advantages and characteristics, and attract a group of customers with higher loyalty by leveraging these factors.

4.2. Comparative Analysis based on 4P Theory

(1) Product structure lacks diversity: In terms of flavor, DAO Coffee still adopts the domestic formula (coffee + sugar + milk), and there is no innovation in packaging to suit the local market. China and Laos have different cultural backgrounds, and there are certain differences in aesthetic standards between the two countries. Before entering the Chinese market, Laos DAO Coffee should conduct relevant surveys and make appropriate modifications to the product packaging to increase recognition and purchase intent among Chinese consumers.

(2) Inappropriate pricing: DAO Coffee has a large economic scale and low raw material costs, leading to oversupply in the domestic market. Therefore, DAO Coffee in Laos adheres to a low-cost marketing strategy, which is suitable for the less complex market structure and limited competition in the coffee market in Laos. However, the Chinese market is not as straightforward. The coffee industry in China is highly competitive and has a more complex brand structure. Although DAO Coffee in Laos still chooses a low-price strategy, it is not a strong driving force to attract consumers because of the traditional Chinese perception that "cheap goods are not good." DAO Coffee in Laos should avoid making arbitrary decisions in pricing strategy and analyze each specific situation in conjunction with the market conditions to formulate the most appropriate pricing strategy.

(3) Significant deficiencies in communication channels: In the Laotian market, DAO Coffee enjoys a certain market share, and coffee is readily available on store shelves, providing convenience to the majority of people. Therefore, extensive promotion is not necessary in the Laotian market, and there is no need to establish online sales channels. However, in the Chinese market, DAO Coffee lacks brand recognition. Even if it is placed alongside other coffee brands on supermarket shelves, the probability of being chosen is low. People in China primarily receive information about DAO Coffee through recommendations from friends and travel experiences, and there is a lack of widespread brand promotion through widely accepted television advertisements. Therefore, there is an urgent need to expand communication channels to make DAO Coffee widely known and understood by consumers. Additionally, the coffee market in China is highly saturated with intense competition, and online shopping has become a significant purchasing channel, surpassing offline stores in transaction volume. Although DAO Coffee in Laos has an online sales channel for online purchases, the consumer base familiar with and fond of DAO Coffee in Laos is relatively small in the Chinese market, resulting in limited sales contribution. Therefore, both online and offline channels for the promotion and sales of DAO Coffee in Laos are significantly lacking.

(4) Limited promotional methods: DAO Coffee in both the Laotian and Chinese markets lacks suitable promotional strategies. In the Laotian market, not adopting promotional strategies does not have a significant impact on the sales volume of DAO Coffee. However, in the highly competitive Chinese market, promotional strategies are crucial for increasing sales. Whether for industry-leading companies or those aiming to gain market share, promotional strategies play a vital role in marketing.

5. Conclusion

This study underscores the importance of applying strategic marketing principles for DAO Coffee to successfully penetrate the Chinese market. The research highlights the need for DAO Coffee to adapt to the diverse geographical areas in China by conducting targeted market segmentation, clarifying target markets, and avoiding direct competition with dominant brands. Further, a diversification of the product structure, appropriate pricing, expanded communication channels, and effective promotional strategies are proposed to align with the specific requirements of the Chinese market.

Despite the significant growth potential for DAO Coffee in the international market, the study outlines several challenges that need to be addressed. These include low brand recognition, high competition, and a lack of tailored marketing strategies. Given these challenges, the study emphasizes the importance of understanding market dynamics and consumer preferences to tailor the marketing mix accordingly. A large amount of data should be needed to assist when analyzing the marketing environment and strategies of Laopi DAO Coffee, but the marketing strategies must be kept confidential to avoid leaking business secrets. Therefore, this paper has certain limitations in data collection and analysis.

Future research could focus on exploring how these recommendations could be implemented effectively and tracking the results of such implementations, thereby offering a practical roadmap for DAO Coffee's successful international expansion.

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