

Research on the Marketing Positioning and Strategy Optimization of Wahaha

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Abstract: Wahaha used to be the leader in the beverage industry, but according to Foodaily's online data, Wahaha's turnover has been declining since 2013. As a company with high commercial and social value, Wahaha deserves attention. Therefore, the author analyzes the current situation of Wahaha and makes appropriate suggestions for the situation. Wahaha is currently managed by Qinghou Zong and her daughter Fuli Zong. Wahaha has helped boost its performance growth through Fuli Zong's strategy change of younger Wahaha, but Wahaha still has problems. This paper mainly studies the main reasons for Wahaha's turnover decline. It includes the mismatch of product consumer groups, markets, and positioning, as well as the lack of main products to replace the old ones. This paper suggests Wahaha promote its future market development from population, market, and product positioning, design targeting, four major measures, and creating products instead of commodities. This article, through analysis and suggestions to promote Wahaha's market share and increase its weight in the minds of consumers.

Keywords: Wahaha, positioning, market, suggestion

1. Introduction

1.1. Research Background

Zong founded the Hangzhou Wahaha Group in 1987. During the full 35 years of operation until 2022 last year, it accumulated sales of 860.1 billion yuan, of which profits and taxes are 174 billion yuan. Not only is the company's profitability impressive, but Wahaha's market shares are also a leader in China's beverage industry -- in addition to 30,000 employees, it has 81 production bases and 187 subsidiaries in several regions of China. The business scope of the enterprise is wide: water, milk tea, tea, carbonated drinks, porridge, coffee, etc., have become famous in China's old brands' products. It is worth noting that all of Wahaha's product production is made by its developed machines, demonstrating its unique and valuable capabilities in the industry. Among Chinese enterprises, Chinese private enterprises, and Chinese manufacturing industries, Wahaha's efforts have successfully included it in the top 500 [1]. However, Wahaha's turnover has declined since its sales reached 78.3 billion yuan in 2013. Although the revenue in 2021 has increased to about 51.9 billion yuan, the overall operating income of the enterprise has declined seriously during these nine years [2].

The author believes that Wahaha, as an enterprise full of commercial and social value, should not withdraw from the public's attention. From the social point of view, Wahaha not only provides jobs for 30,000 people in society, but it is also a well-known brand with a good reputation, and its benefits have contributed a lot to the national tax revenue [1]. More importantly, Wahaha is an enterprise full of kindness and care for society. For many years, Wahaha has continuously contributed to society by supporting disadvantaged groups through donations and materials, providing educational funding, and establishing the Wahaha Charity Foundation [3]. From a commercial point of view, Wahaha became a leading brand with great influence in China's beverage industry at the early stage, which brought a lot of influence and inspiration to the later new beverage brands and promoted competition among companies. In this article, the author will analyze why Wahaha's market positioning has affected its business and give relevant suggestions to help the company.

1.2. Literature Review

Through three articles, the author further studied the aspects that Wahaha should change for better development in the future.

In the article "The Promotion and Redesign of Old Brands based on New Media", Zeng believed that Wahaha's products blindly pursued others' ideas and lacked their own characteristics. Wahaha's single offline sales channel could not keep up with the times. Yihong Zeng proposed that Wahaha should learn Donald Arthur Norman's emotional design theory and think about three levels: visceral, behavioral, and reflective to promote and innovate product design. To sum up, Wahaha can leave feelings in consumers' hearts by building impressions, experiences, and feelings, and Wahaha's brand image has been improved [4].

In "My Three Judgments for the Future of Business," Zong discusses the impact of the COVID pandemic on China's economy, the importance of doing business in the real economy, and his confidence that food and beverage-related industries must be sunrise industries. In the article, Qinghou Zong proposed that Wahaha should take positive actions in future development: First, Wahaha should be committed to transforming safety products into health products to develop a large health industry. Second, Wahaha should support industries implementing digitalization and intelligence to drive the real economy [5].

In "Wahaha's Unique Fireworks", Sun used Fuli Zong's angle to put forward the urgency of Fuli Zong for enterprise transformation. These include 20 new products launched by Fuli Zong to keep Wahaha from falling out of the spotlight of the young consumer market, replacing old spokesman Wang Leehom, and participating in crossover industries [6].

Of the three articles, two articles have studied the importance of redefining and designing the image of the brand and its product, while only Qinghou Zong focuses on the digitalization and intelligence of product lines and equipment, as well as making health products.

1.3. Research Framework

As time progress, companies and products should always pay attention to the young consumer groups and markets to make timely adjustments - this can prevent missed opportunities to spread influence and increase sales. In the following article, firstly, the author will give a case description of today's Wahaha change in strategy and the problems it has. Next, the author put forward some information based on the investigated results of Wahaha marketing problems, and then the author will analyze the problem and summarize the consequences and reasons caused by the problems of Wahaha. Third, the author will be based on the study of reasons for the occurrence of problems to suggest solutions for the enterprise. Finally, the author gives a conclusion that summarises the analysis and suggestions in the article, the significance of the article, as well as the limitation of the article.

2. Case Description

Because Wahaha's turnover has been declining since 2013, Qinghou Zong and his daughter Fuli Zong jointly participated in Wahaha's marketing plan in 2022 [2-6]. From Guo and Zhang's "Transformation of New Products but Time is Running Out for Wahaha", it can be seen that Fuli Zong has tried to prevent brands from losing the attention of young people through "Four Initiatives". Fuli Zong's innovation worked, and Wahaha ranked 36th on China's Top 500 Private Companies by 2022 with its biggest revenue growth since 2014. However, Wahaha is still inevitably faced with three major problems: First, Wahaha lacks new main/long-term profit products to guarantee its future growth performance, and the original main products are making less and less contribution to its performance. Second, Wahaha has no outstanding products to seize market share, and as the delayed time increases, Wahaha's share in the water market is getting lower and lower. Third, there is a serious mismatch between Wahaha's core consumers and the selling points of its new products [7].

3. Analysis of Problems

3.1. Substitute Main Products

There are two main problems affecting the Wahaha market today.

First of all, from the article by Guo and Zhang, "The transformation of new products is frequent, but the time is running out for Wahaha", with the passage of time, Wahaha has no new main products in the water market, resulting in its market share becoming 9.9%, while Nongfu Spring has become the current industry leader and accounts for 26.5% of the water market [7]. In fact, Wahaha is not only facing the problem of a lack of new main products in terms of pure water, which affects Wahaha's market share. Wahaha's products from 25 years ago, such as AD calcium milk, eight treasures porridge, and Nutrition Express, still represent Wahaha's main products in the hearts of consumers today [7]. It can be seen that Wahaha needs new main products with vitality to replace the original products to serve users in the new era.

To extend the value of the original main products, Wahaha has launched an AD calcium milk and nutrition Express line with different flavors and packaging. In addition, Wahaha has been trying to launch new products but failed to develop them into main products - Wahaha has produced and innovated more than 200 products with a wide range of products, including soda water, Feichang Cola, Qili, and so on [8]. It can be said that even if new products enter the market, they still cannot replace the old products as the new main products because Wahaha is faced with the problem of insufficient customer viscosity [7].

The reason why Wahaha has a low customer viscosity is that the old brand image of Wahaha is too strong in people's impression. Under the leadership of its founder, Wahaha has not kept up with market demand, resulting in Wahaha being out of step with time and unable to meet the needs of current users. Once consumers do not recognize the brand of the product, then the product will not be able to obtain a high market share.

3.2. Match

Due to the over-saturation of the first-line market, the low-line market and the younger generation have become the target market of Wahaha, but Wahaha has lost its brand power and product power [7-8]. The author believes that in order to promote and change the current problems effectively, Wahaha segments, targeting, and positioning should be re-selected and changed.

In their article "Transformation of new products, but time is running out for Wahaha" Guo and Zhang pointed out that Wahaha has been researching and producing big health products in recent years. However, the big health product matches neither Wahaha's target group of young people.

Furthermore, even though there are some young people use products published, for example, soda, Wahaha's positioning of the core market and the target consumers is inconsistent because Wahaha's core market is third or fourth cities, where most consumer groups are not young people, so they cannot match Wahaha's innovative new products -- most young people come to work in first-tier cities [7].

The reason why this problem arises is that Wahaha founder Qinghou Zong, as well as his daughter Fuli Zong, has different ideas on product design, target group, and core market [6]. The collision of different ideas can create a spark of explosion, but the ideas of the old age and the new age cannot do that - ideas can even conflict.

4. Suggestion

4.1. Match Between Three Aspects and Conflicts Between Different Ideas

The author believes that Wahaha should modify the existing segments, targeting, and positioning to help Wahaha search for matching objects in a targeted way. More importantly, before that, Wahaha's leaders should have consistent ideas on the target group, market, and positioning to promote development.

The importance of matching can be known from the marketing effect of Nongfu Spring mineral water. The main masses of Nongfu Spring are young people, so its packaging and selling points are biased towards young people. The slogan of Nongfu Spring also matches that of young people - it focuses on nature and taste [9]. In Wahaha, by contrast, Qinghou Zong promotes health, but the target group that Fuli Zong decided is young people rather than older adults; The products are designed for young Fuli Zong, but the target market mainly does not have young people. Because the mismatched information was advertised, Wahaha lost a good opportunity to promote itself. Wahaha should adjust its strategy as soon as possible to ensure no more time is lost.

4.2. Main Products

The author believes that although Wahaha should pay more attention to the needs of people in the current society to increase customer viscosity and develop main products so as not to lose touch with time, more importantly, Wahaha should narrow its customer range and product range briefly and precisely.

Wahaha has launched 11 product categories with over 200 products [8]. Among so many products, there are old products and new products. However, Wahaha hopes that the old products are mainly aimed at the older adults in the past, while the current young people can like the new products. Wahaha's target group is changing too fast and scattered, and the design concept of products is also very unfocused – for example, some are healthcare products, and some are carbonated drinks.

The author suggests that Wahaha should focus on one or two products and seriously conduct research, development, and publicity instead of launching a large number of new products so that Wahaha could focus on consumers' attention. In this way, Wahaha can slowly develop its new main products to ensure the future development of the enterprise.

4.3. Four Major Initiatives

The author thinks Fuli Zong's "Four Major Initiatives" for Wahaha's future development are feasible. First, the "water turnaround" through the Asian Games publicity, the manufacture of the "laboratory water" title, and the strengthening of channel construction to upgrade water quality into a new health benchmark for domestic water. Second, by creating strong IP products - such as AD calcium milk and Very Cola - to participate in cross-border interactions to further younger IP products. Third, identify market segments for esports, white-collar workers, etc., and correctly target drinks - such as

sports drinks, sodas, or fruit teas - to the right people and markets. Finally, continue to support the original main products to ensure the stability of the current turnover [10].

4.4. Have Products and not Commodities

The point of view in Jun Jiang's article "Wahaha Has Only One Problem!" is also a good suggestion for Wahaha's current problems. Jun Jiang believes that Wahaha does not have many problems: First of all, Jun Jiang believes that Wahaha's problems are not strategic because Qinghou Zong has accurate strategic intuition in using the chain as a way to control marketing channel and has successfully established a position in the second and third tier markets. In addition, Chinese enterprises generally only have a planned survival period of 3.5 years. With the constant change of strategy, people can not intuitively predict corporate strategy in the new era. Second, Jun Jiang believes that management is not a problem. Wahaha has been in business for decades, and its management system is very mature. There is a problem now because the new products cannot meet the turnover, and the old products make the turnover drop. As long as the dealer can always profit, there is no criticism of the management system. In addition, the mass response and operating profit after product development are not due to problems in R&D and management, but the company should think about the creative development of new products through market research. Third, Wahaha is not a marketing problem. With the changes of time, the market share in the past was mainly determined by channels, products, and marketing power. The current market cannot be king only through marketing because it mainly focuses on the comprehensive strength of the company's brand and products. Fourth, Wahaha has brand problems, and the final trigger of brand problems is product problems. Wahaha can not solve the brand problem and directly increase sales by reshaping the image and positioning. Wahaha's fundamental problem lies in the lack of good main products [11].

Jun Jiang believes that mass-produced things are not called products but commodities. Wahaha's marketing mindset needs to shift from commodities to products -- in other words, Wahaha needs to produce products that consumers will like and be attracted to for a long time. The requirements of the product are not as simple as the commodities: the commodity can only have simple physical properties of good packaging design, taste, or advertising words; On the basis of physical properties, Wahaha's products also need to increase humanistic spirit or feelings to increase the influence of the brand. These influences are the biggest factor in attracting people to become loyal customers. In addition, Jun Jiang also agrees with the author's view on reducing the excessive development of new products, making two main products in two categories, and using them to drive other new products through the cluster effect in the future [11].

5. Conclusion

The author generally analyzes Wahaha's market from multiple perspectives and suggests future actions. In the analysis of Wahaha's current problems, to keep up with market demand and increase customer viscosity, Wahaha needs to quickly have its new main products to replace the old ones to stabilize turnover. On this basis, Wahaha needs to reduce the disconnection with time and the aging brand image. In the article, the author suggests four viewpoints to consider the future direction of Wahaha from multiple perspectives: First, Wahaha had better unify its ideas in terms of target masses, target markets, and product positioning so as to be more targeted. Second, Wahaha should narrow the scope of customers and product design. Third, Wahah can implement four major measures. Fourth, Wahah can try to build products rather than commodities by adding humanistic feelings.

The author believes that implementing these four suggestions can be sequential: the author thinks that the fourth suggestion should be given priority because it concerns the fundamental of Wahaha's

future development. The second is the first and second suggestions related to Wahaha's turnover and publicity. The third article could serve as a supplementary and final recommendation.

Wahaha is a company that deserves people's attention and help in its growth because Wahaha is full of commercial value and dedication to society. This article can solve the problem of Wahaha's current low turnover, provide the best suggestions for future development, and promote and help Wahaha get a bigger market share.

Although it is listed in Zhejiang province, Wahaha is not listed nationwide, so its official annual earnings figures are unavailable. The relevant income data used in this article is not from the official website, but these data are collected from the expenditure and income of various projects of Wahaha, so the accuracy is relatively high. In future research on Wahaha, researchers can go to Wahaha to conduct research and collect data to obtain more accurate and official data.

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