

# *Research and Analysis of Chi Forest Marketing Strategy*

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**Abstract:** Based on the PEST analysis of the beverage market from the four aspects of policy, economy, society and technology, this paper introduces the tendency of today's society to healthy lives. At the same time, the advantages and disadvantages of Chi Forest were analyzed by using SWOT analysis, and it was believed that Chi Forest had great advantages in word of mouth and catered to people's demand for healthy 0-calorie drinks, but due to the low threshold of technical access, too many competitors flooded into the beverage market. Also uses SWOT to analyse Chi Forest's competitors to find the current deficiencies of Chi Forest and the areas that can be improved. And puts forward suggestions on how to continue to expand its market share in the beverage market according to the strengths and weaknesses of Chi Forest: Strengthen the brand health concept; Launch large bottled products to tap deeper into the sinking market and expand the consumer base.

**Keywords:** marketing strategy, PEST analysis, Chi Forest

## **1. Introduction**

Throughout the beverage market in recent decades, in the era before entering the 21st century, carbonated beverages dominate the beverage market, people enjoy the sweetness and bubbles of carbonated drinks, and no one cares about their heat [1]. With the increase of per capital disposable income and consumption level, people's consumption concepts and consumption patterns are constantly upgrading, pursuing a healthier lifestyle, and favoring sugar-free and low-sugar products. Sugar-free beverages with the labels "sugar-free, calorie-free, fat-free" were created to cater to customer health needs [2].

## **2. Introduction of Chi Forest (Beijing) Food Technology Group Co., Ltd**

Chinese food and beverage company Chi Forest is dedicated to making wonderful, healthy products for a better life. Since its establishment in 2016, the business has earned numerous awards, including National High-tech Enterprise, 2020 China Integrity Brand, 2020 Poverty Alleviation Excellence Award, and others. Its current line of products includes favourites like Chi Forest, Alienergy, and a variety of sugar-free herbal teas like Qian tea, Ran tea, Ice tea, and Ru tea [3].

Recently, brand strategy consulting company Eatbigfish released the "2023 Global Challenger Brand List", and Chinese food and beverage company Chi Forest became the only Chinese challenger brand on the list in 2023[4].

Chi Forest is undoubtedly a unique "challenger". Its brand is not bound by the thinking of the traditional beverage industry, and with its insight into the needs of young consumers, it uses Internet thinking to challenge the "rules of the game" of the beverage industry and strongly rise [4].

### 3. Beverage Market Analysis

#### 3.1. Policy Environment

China has implemented a number of pertinent sugar control and reduction policies in a few years in an effort to encourage everyone to reduce their sugar intake from the standpoint of knowledge dissemination, standard definition, and guidance, control of obesity and overweight, and prevention of diabetes and other related diseases [5]. For instance, the State Council's "Healthy China Action (2019-2030)" recommended the use of natural sweeteners and sweeteners and indicated that the daily intake of sugar should not exceed 25g per person. With government assistance, the sugar-free beverage business has entered a phase of rapid growth, and the food and beverage sector has set off a surge in the consumption of sugar-free or low-sugar products [5] (see Table 1).

Table 1: 2017-2022 Policy developments (Data Source: Zhiyan Consulting).

Release time	Publishing unit	Policy Name	Main content
2022/6/9	General Office of Tianjin Municipal People's Government	Notice of the General Office of the State Council on Printing and Distributing the National Action Plan for Disability Prevention (2021-2025)	Promote a healthy lifestyle, promote smoking cessation and alcohol restriction, and a diet low in oil, salt and sugar. Strengthen the promotion of healthy lifestyles in specific places such as schools, communities, restaurants, and elderly care institutions.
2022/1/28	General Office of the People's Government of Hebei Province	14th Five-Year Plan for High-quality Development of Manufacturing Industry in Hebei Province	In line with the accelerated pace of consumption and the development trend of industrialization of staple foods, we will develop convenient leisure foods with a wide variety, complete nutrition and good quality. Actively develop mixed, nutritious fortified biscuits such as non-refined and low-calorie foods.
2021/9/3	The first China Beverage Healthy Consumption Forum	White Paper on Sugar Reduction Action for Healthy China Beverages and Foods (2021)	The market for sugar-free beverages in China is estimated to reach a size of 27.66 billion yuan in 2027. Because of the market's size and excessive growth, it is anticipated that the sector will continue to experience double-digit growth over the coming years.

Table 1: (continued).

2019/7/9	State council	Healthy China Action (2019 - 2030)	Advocate that the daily intake of mushroom sugar per person should not exceed 25g, study and formulate the limit guidance for the intake of mushroom sugar in children's palms in China as soon as possible, and advocate the use of natural sweet substances and sweetener drinks.
2019/2/16	The Central People's Government of the People's Republic of China	Healthy Oral Action Plan (2019-2025)	Canteens should reduce the availability of sugary drinks and high-sugar foods, and primary, secondary, and childcare facilities should restrict the sale of snacks and high-sugar drinks.
2017/9/25	The National Health and Family Planning Commission, the General Administration of Sports, the All-China Federation of Trade Unions, the Central Committee of the Communist Youth League, and the All-China Women's Federation	Action Plan for Healthy Lifestyles for All (2017-2025)	Encourage catering businesses and collective canteens to actively take steps to manage the quantity of salt, fat, and added sugar and decrease the supply of sugary drinks through training, competitions, selections, and other activities. Implement health education initiatives to promote a decrease in sugar-filled beverages and high-sugar foods.
2017/6/30	General Office of the State Council	National Nutrition Plan (2017-2030)	Promote the national healthy lifestyle initiative actively, and implement numerous particular initiatives centered on the "three minus three health" (salt, oil, and sugar reduction, healthy teeth, healthy weight, and healthy bones).

### 3.2. Economic Environment

The economy has been growing steadily, which has increased people's purchasing power, and between 2017 and 2021, the per capita disposable income of Chinese has risen steadily year by year; Per capita consumption expenditure also rose slightly and steadily between 2017 and 2019, although it fell to 21,200 yuan in 2020 due to the impact of the epidemic, but rose again in 2021, reaching 24,100 yuan. With the increase of per capital disposable income and consumption level, people's consumption concepts and consumption patterns are constantly upgrading, pursuing a healthier lifestyle, and favoring sugar-free and low-sugar products [5] (see Figure 1).

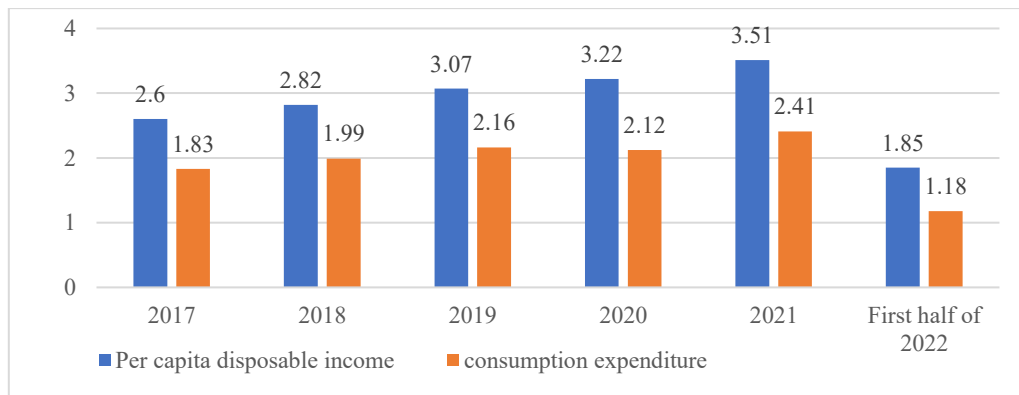


Figure 1: Per capital disposable income and consumption expenditure in China from 2017 to 2022 (10000 yuan) (Data Source: Zhiyan Consulting).

### 3.3. Social Environment

A growing number of consumers, particularly the younger generation, have started to pay attention to the sugar content of food because excessive consumption of sucrose can lead to obesity, diabetes, heart disease, and other ailments. In China's sugar-free beverage consumers, 24-30 years old group accounted for the largest proportion, 35%, followed by 18-23 years old group, accounting for 34% (see Figure 2).

Sugar-free drinks are drinks that replace sucrose with artificial sweeteners, which reduces energy intake and weight. According to statistics, in 2021, Chinese residents over the age of 18 accounted for the largest proportion of obesity, and this group is also the main consumer of sugar-free drinks, which shows that some residents over 18 years old have a greater demand for sugar-free drinks because of obesity [5].

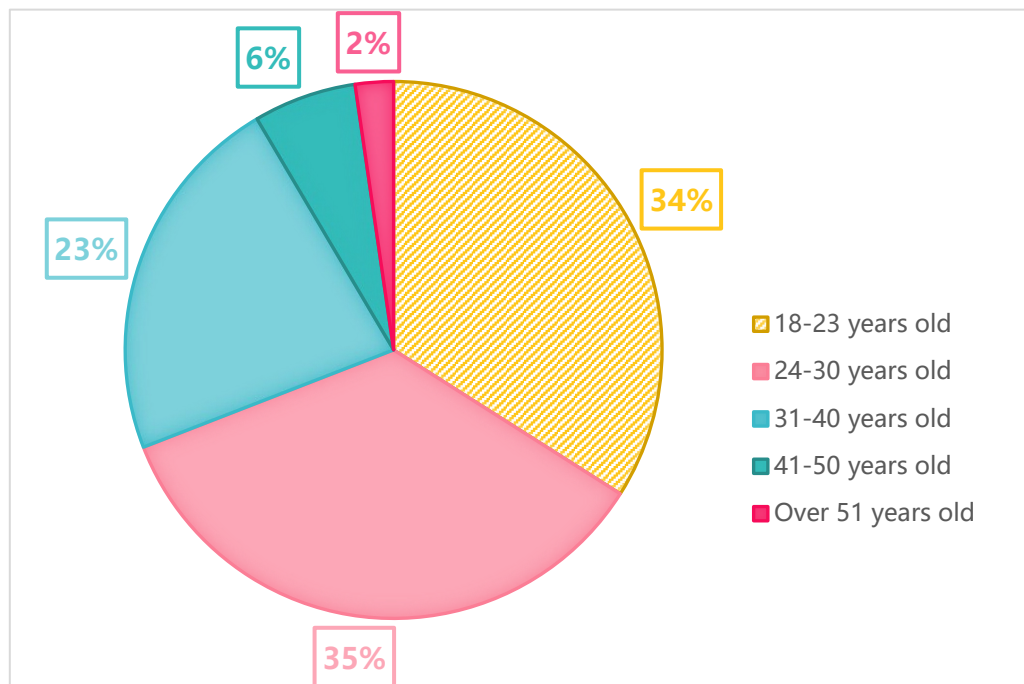


Figure 2: The proportion of consumers aged 18 and above in sugar free beverages in China (Data Source: Zhiyan Consulting).

### 3.4. Technical Environment

As people's health awareness increased, they started to pay attention to the amount of sugar they consumed. The market for sugar-free beverages is highly competitive, leading to deeper research and development into sugar content across the entire beverage industry as well as technical support for the continued development of sugar-free beverages [5] (see Table 2).

Table 2: Status of relevant patent applications.

numbering	Patent name	applicant	Application date	Open Day
2021116779 21.8	Sea cucumber sugar-free anti-fatigue drink and preparation method thereof	Shandong Dian Youyou Biotechnology Co., Ltd	2021/12/31	2022/6/3
2020115198 34.5	A method for making sugar-free beer fruit fermented juice	Gansu Hezheng Ba Ba Beer Special Fruit Group Co., Ltd	2020/12/21	2021/3/9
2018106944 41.4	Beauty type sugar-free sparkling plant drink, preparation method and main ingredient composition thereof	Nanjing Medical University	2018/6/29	2018/11/27
2018800722 57.4	Taste adjustment using pectin and xanthan gum blends in hypoglycemic and sugar-free beverages	PepsiCo Company	2018/11/7	2020/6/19

## 4. Chi Forest Marketing Strategy SWOT Analysis

### 4.1. Strengths

#### 4.1.1. In Line with the Contemporary Health Concept: "Zero Sugar, Zero Fat and Zero Calories"

Consumers today are more likely to choose healthy, nutritious and delicious foods. This is especially true in the wake of the recent epidemic of crown pneumonia, which has made people more aware of their health, conscious of their diet choices, and less likely to consume excessive amounts of sugar and high-calorie foods.

Although consumers are well aware that consuming too much sugar can easily lead to obesity, high blood lipids, high blood pressure, and other issues, there are still instances when they are unable to curb their cravings for sweets and sugary beverages [6]. Therefore, the Chi Forest has been loved by many consumers because its primary "zero sugar, zero fat, and zero calories" feature not only satisfies consumers' cravings for sweet beverages but also helps them feel less "guilty" after consuming naturally popular drinks [6].

#### 4.1.2. The Appearance Is Attractive, Contemporary Internet Popular Drinks

White outer packaging with a straightforward "zero sugar, zero fat, zero calories" statement along with small fresh images of peach, Kaman orange, and other flavours makes Vitality Forest Sparkling Water packaging stand out from other complex packaging appearance drinks on the shelf and appeal to consumers visually [6].

The brand considers the product's appearance from the point of view of the consumer when designing the packaging because it is well aware of young consumers' preference for expensive Internet celebrity products. This allows the brand to not only highlight the product's features and set

itself apart from competing brands, but also to draw attention to the product quickly so that customers are willing to pay for appearance [6].

#### **4.1.3. Proficient in Marketing Strategies, Advertising Can Be Seen Everywhere**

In the early days, Chi Forest employed a range of marketing techniques, heavily invested in advertising, and managed to infiltrate every aspect of our life, whether it was through offline advertising in bus stops, metro stations, and elevators or online advertising on Douyin, Weibo, online complex, etc [6]. This frequent connection makes it easy for consumers to observe the brand [6]. This has helped to encourage the quick expansion of the brand's recognition and progressively strengthen its impact in the beverage market after becoming seen, understood, and familiar with an increasing number of consumers [6].

### **4.2. Weakness**

#### **4.2.1. New Beverage Brands That Are Comparatively Uncompetitive**

As the Chi Forest brand enters its seventh year of existence in 2023, its strength and popularity continue to grow, but in contrast to PepsiCo, Nongfu Spring, and other major brands that have a significant market share and have developed a deeper understanding in consumers' minds, how to consistently improve their competitive advantages and brand characteristics is the challenge that the Chi Forest brand faces.

Overall, the current weaknesses of Chi Forest are also more apparent; how to stand out under multiple competitive pressures, there is still a long way to go. This is true regardless of the reputation and experience accumulation of well-known brands, or the good layout and strong support behind the online and offline channels of various tea brands [6].

#### **4.2.2. Late Start, the Background Is No Match for Established Enterprises**

Chi Forest has a lot of challenges in entering the core packaged water business of Nongfu Spring. A person from a drinking water plant in Zhejiang told the city that the quality of natural water is mainly determined by the original turbidity, pH value, mineral trace elements, molecular group structure, etc., so the water source is the core resource of natural water, and a good water source must also meet the conditions of easy exploitation and transportation [7]. Therefore, natural water is a limited resource, and the first entrants have mastered the first-mover advantage, and today, Nongfu Spring has twelve water sources in the country, while the Chi Forest has only five [7].

### **4.3. Opportunities**

Consumers have been paying more attention to the topic of healthy eating over the past several years and are continuously looking for ways to lead active and healthy lives. In terms of diet, there are already many companies and even the entire society heading intentionally in the direction of health to satisfy customer demand for a healthy diet, to provide consumers with healthy food, and to actively react to market changes and advances. Erythritol is a pure plant extract that is identical to sucrose and can be directly absorbed by the body, making it the major raw material for beverages. Erythritol was discovered by Chi Forest after research on sugar replacements used globally [1]. Whether or not the market in Chi Forest has plans to test and introduce new products in the future, if it stays focused on the idea of healthy eating that doesn't contain sugar and fat, in line with satisfying today's consumer demand and purchase choices for healthy drinks, there will be more room for profit growth [6].



#### 4.4. Threats

The technical threshold is not high, "0 sugar 0 fat 0 calories" is highly substitutable.

Although the main "0 sugar" of Chi Forest is not without sweetness, it is based on "erythritol", which is a natural sweetener that has no calories and is directly expelled from the body, not taking part in human metabolism, its benefit is that it guarantees the beverage's sweetness while achieving zero calories and no weight [1]. However, this is not a Chi Forest-specific technology, and it is simple to duplicate. The director of R&D of Chi Forest said that there are no deep-seated barriers in terms of technology in beverages, and people who understand beverages can imitate them through several experiments as long as they study the ingredient list a little, and can almost completely replicate them. In this era of frequent Internet celebrity explosions, if enterprises want to continue to develop and gain a long-term foothold, they still need to rely on core competitiveness to achieve long-term market stability [1]. Since there are hardly any technological obstacles for beverage items, Chi Forest has a difficult time increasing the core competitiveness of its products [1].

### 5. Competitor SWOT Analysis

Chi Forest's competitors in Chinese beverages mainly include: Nongfu Spring, Heytea, Wang Laoji, Sprite, Coca-Cola, and Qizheng and so on. All of these brands compete with Chi Forest to varying degrees. Their products may attract the same consumers in terms of taste, packaging, price, etc., thus becoming competitors of Chi Forest.

Among them, Nongfu Spring Company, founded in 1996, is a benchmark enterprise for packaged drinking water and beverages in China, engaged in the production and sales of fruit juice drinks, functional drinks, tea drinks and packaged drinking water; Founded in 1920, Shenyang Bawangshi Beverage Co., Ltd. is a national beverage enterprise with a history of 100 years, and it is also one of the only domestic beverage companies in China funded by national capital.

#### 5.1. Strengths: Water Advantage

For beverage enterprises, especially pure water enterprises, high-quality water sources are undoubtedly the greatest competitiveness. Nongfu Spring has 12 natural water sources in China, which is unique in the whole industry. Bawangshi Beverage Co., Ltd. has its own high-quality water resources, and the mineral well in the factory area is a deep circulation underground well with a depth of more than 120 meters, which is a mine listed as a national mineral resource with excellent water quality.

#### 5.2. Weakness

##### 5.2.1. The Product Is Relatively Single, and the Research and Development Strength Is Not Strong

The products of Pawang's old soda have fewer flavors and lack uniqueness. Consumer nostalgia tends to fade over time [8].

##### 5.2.2. The Water Supply Is Located Far Away

Nongfu Spring insists on constructing factories and filling water sources; the production bases are located in deep mountains and ancient forests, and the development of these water sources has also caused the transportation cost of Nongfu Spring water products to be significantly higher than that of pure water companies. Additionally, because the logistics and transportation lines are too long

and oil prices have been rising repeatedly in recent years, Nongfu Spring natural water prices have been forced to increase [9].

### **5.3. Opportunities: The Rise of Domestic Brands with Confidence**

With the strengthening of the country's economic strength and the improvement of domestic product quality, local domestic brands have taken advantage of the momentum. Young consumers have witnessed flourishing progress in the growth stage of China's economy, and their confidence in local brands is strong, and many domestic products and time-honored brands are gradually renewed, looking for a new development model; Young consumers are more open to domestic products and more willing to try, which gives the rise of domestic products, is the opportunity for the revival of Bawang's old soda, and also brings further development opportunities for Nongfu Spring [8].

### **5.4. Threats: Competitive Pressure**

In recent years, the beverage industry has developed rapidly, with low barriers to entry, with more than 24,000 soft drink companies so far. So many companies compete in the same market, resulting in increasingly fierce market competition. At the same time, many enterprises lack professional teams, it is difficult to ensure first-class product quality, innovative spirit, only rely on simple imitation and copying of other brand products, resulting in serious homogenization of market products, causing consumer fatigue and even disgust. In the end, it is not conducive to the overall market development [8].

At the same time, other domestic brands of beverages are also actively exploring, through product upgrades, channel development and powerful marketing means for marketing, which will also cause severe market competition pressure.

## **6. Suggestion**

### **6.1. Boost the Brand's Commitment to Health**

"0 sugar, 0 fat, 0 calories" is intimately associated with Chi Forest, because it has been its representative word since Chi Forest's production. There is still a long way to go before other soft drinks change their well-established high-sugar product labels. Chi Forest can therefore easily compete in the "sugar-free" market. However, as was already noted, "0 sugar 0 fat 0 calories" is extremely fungible, and more and more new and established brands are getting on board, so Chi Forest's health concept needs to go beyond this.

In order to strengthen the concept of brand health, in terms of promotion strategy, Chi Forest can consider participating in health-related promotional activities, since it is impossible to raise the entry threshold for sugar-free beverage competition, then enhance brand awareness, to establish a name for itself through health-related activities and draw in customers, a company may engage in cross-border cooperative public welfare initiatives with health-related brands and promotional activities at health-related festivals, among other things.

### **6.2. Launch Large Bottled Products to Tap Deeper into the Sinking Market and Expand the Consumer Base**

In addition to the first and second-tier cities, more and more merchants have begun to compete for the sinking market of the third and fourth tiers, and relatively cheaper large-bottled beverages may be a breakthrough for Chi Forest to seize market share.

Large-scale beverages are cheaper than normal capacity and small-capacity beverages, and can



shorten the time for consumers to repurchase, and can expand a new group of consumers for Chi Forest.

However, whether large-bottled beverages can gain more consumer recognition depends largely on whether the price advantage of large-packaged beverages is obvious and can be sustained. It is undeniable that many consumers who are accustomed to buying large bottles of beverages are also more price sensitive, so the price factor is very important. Chi Forest needs to launch more cost-effective large bottles to achieve its goal of expanding its consumer base.

With the diversification of demand at the entire consumer end, different beverage capacities match the needs of different markets, channels and consumer groups, which is an important trend for the future development of the entire FMCG market [10].

## 7. Conclusion

Through the research of the domestic beverage market and the analysis of the marketing status of Chi Forest, this paper draws the following conclusions:

Chi Forest, a latecomer to the beverage industry, uses this beneficial sugar substitute ingredient as a source of sweetness in its products. As the first company in the sector to use "erythritol" extensively, Chi Forest has also capitalized on its unique "0 sugar, 0 fat, and 0 calories" marketing strategy to become a dark horse in the beverage sector. The popularity of Chi Forest has made more new and old brands enter the sugar-free beverage track, and the low technical threshold of sugar substitute makes Chi Forest face huge crises and challenges. At the same time, after sparkling water, it is difficult for Chi Forest to develop new products, and the sales of burning tea, fruit tea, and bodybuilding light tea are not ideal. In the face of internal and external troubles, the existing marketing strategy of Chi Forest can no longer adapt to the current marketing situation, and new marketing strategies cannot be delayed.

In terms of products, Chi Forest should pay attention to product research and development, and doing a good job in products is the last word. In order to meet the changing needs of consumers, it is necessary to constantly adjust and update its products to keep up with the changes of the times. Build and train R&D team to seek innovation, develop different series and levels of products, and establish a more complete price system to meet the needs of different consumers.

The age group of consumers Chi Forest is targeting is young and differs from the general population's age range, thus improvements should be done in this area to broaden the consumer base.

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