

Marketing Strategy analysis of Soft drinks in China -- A case study of Genki Forest

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Abstract. As consumer attitudes change towards healthy consumption, this has led to the development of the healthy beverage industry. Genki Forest's sugar-free beverages are the leading product in this industry. Therefore, this paper focuses on studying and analyzing the marketing strategies of the Chinese soft drink brand Genki Forest in the current consumer environment. Research data in recent years has shown that traditional carbonated beverages in China have failed to meet consumer demand and have shown negative growth for three consecutive years. In a consumer environment where the conventional beverage industry is gradually falling out of favor, the emergence of Genki Forest diet soft drinks has broken this trend. The brand uses new media as its primary marketing strategy, focusing on Japanese moe culture, aligning with today's youth's collective aesthetic and consumption tendencies. However, the brand's use of disinformation for promotion can lead to a loss of brand credibility. Therefore, a detailed analysis of the brand's marketing strategy will help understand today's current situation and trends in the soft drinks industry. This paper uses secondary data as the primary research data and comprehensive analysis of the brand. These analyses have concluded that the brand's marketing strategy is forward-looking and innovative. It is closely aligned with modern Internet thinking to achieve a marketing approach more in line with the preferences of today's youth. At the same time, the brand has chosen to use online e-commerce platforms as the primary sales channel to effectively avoid the traditional sales methods of the beverage industry to occupy the conventional market.

Keywords: China, Soft drinks, Genki Forest, Marketing strategy.

1. Introduction

1.1 Research background

In recent years, with the improvement of consumers' health awareness, the demand for new health products in The Chinese market has increased daily [1]. Under the guidance of consumers' consumption concept and the national policy of promoting the development of healthy food, some Chinese beverage enterprises timely launched new healthy soft drink products [2]. In particular, the sugar-free carbonated drinks launched by Genki Forest Food Science and Technology Group Company Limited. are deeply loved by general consumers. According to the data of Imedia.com, China's carbonated drinks began to decline after reaching the peak of 18.107 million tons in 2014, and the output dropped to 17.444 million tons in 2017, showing negative growth for three consecutive years. It shows that China's traditional carbonated drinks have not met consumer demand. The advent of Genki Forest diet soda has broken the ice. With "zero sugar, fat, and calories" as its core product concept, Genki Forest launched the online celebrity product Bubble Water, which quickly occupied the soft drink market. In the following four years, Genki Forest company continuously invited celebrities to make endorsements, promoting and marketing its products on various variety shows. The company has launched more trendy and young-oriented health drinks, which young people favor. Based on the change data of brands in the Chinese beverage market from the Chinese Academy of

Sciences, Genki Forest achieved a compound growth rate of 334% [3]. Genki Forest ranks first among all beverage brands, including internationally renowned brands like Coca-Cola and Pepsi. Its growth has been astonishing, and the company has been valued at \$6 billion in just four years. Consumers greatly affirm the quality of its products.

1.2 Literature review

In their study of Genki Forest in 2021, Zhang and Liu considered that the brand used three main innovative marketing strategies [4]. Firstly, the brand uses a product innovation strategy, which refers to the term ‘zero’ sugar, to position the product as a healthy concept product and creates new product packaging that meets the preferences of young people [4]. The second innovative marketing strategy used by the brand is through the use of cultural concepts, Japanese moe culture, and new online marketing techniques such as new media and KOL [4]. Thirdly, the product uses a sales channel innovation strategy to gain an excellent market share. Its core channels are online e-commerce and offline small chain convenience store platforms [4]. Their research found that the brand has a vast online advantage against traditional beverage sellers.

Zhang recognized that due to the development of information technology, traditional beverage industry marketing methods had changed dramatically, of which Genki Forest is the most typical [5]. In his research, Zhang states that the brand’s core selling point of being healthy sugar-free and the adoption of internet thinking in its business strategy decisions has made it a highly competitive brand [5]. He also states that the unique marketing strategy of this brand is somewhat forward-looking and innovative.

Zhang conducted a rigorous SWOT analysis of Genki Forest to examine the brand’s business strategy [6]. This study revealed that the brand’s main strengths are its compliance with contemporary health concepts and the packaging style favored by today’s youth [6]. Secondly, the brand’s marketing approach is distinctive, i.e., advertising is everywhere [6]. Zhang also argues that the brand uses a pseudo-Japanese formula to mislead consumers, which leads to a decrease in consumer recognition of the brand [6]. As the brand is an emerging brand, this has led to a low level of brand cohesion and weak capitalization behind the brand. At the same time, the brand’s product technology is familiar with a high degree of stimulability [6]. Therefore, the brand’s overall product competitiveness is insufficient.

Liang and Shi have researched Genki Forest on the zero-sugar interpretation [7]. They state that the brand uses a play on words, which means the company did not say the difference between zero sugar and zero sucrose [7]. Using this misinformation shapes a healthy drink that has great appeal to a younger demographic. They argue that the brand’s use of such false advertising tactics affects its credibility and hinders its subsequent development [7].

1.3 Research gap

Previous research has addressed several aspects of soft drinks: (4) the health hazards of soft drinks, (5) Studies of foreign soft-drink markets, and (6) studies on soft drink packaging. However, studies on soft drink beverages encompass several unexplored dimensions that lately have attracted research attention in other disciplines. Some of these unexplored Chinese localized marketing strategies appear important and worthy of investigation in the following context. An investigation of these issues is important because China is one of the largest markets in the world and has already developed its unique consuming preferences. Furthermore, previous empirical research has focused primarily on over-detailed marketing strategies. Very little research has been done from a macroscopic perspective.

1.4 Research framework

In this study, we seek to extend the range of research by addressing the gaps in the current situation of the Chinese soft drink market, consumers’ tastes and preferences, and the future development trend. The study investigates the impact of the particularity of the Chinese beverage market.

First of all, we will have an overview of the global soft drink market and its development status. Next, we will pay a special concentration on the local Chinese market and the existing circumstances of related companies. Then, we will focus on the leading enterprise---Genki Forest. We will analyze how it formulates marketing strategies perfectly adapted to Chinese consumers. The existing problems and future development direction of this enterprise will be analyzed. The research frame is formed by finding problems - seeking causes - analyzing causes - citing examples - finding solutions.

2. Method

2.1 Literature research method

This paper uses the method of citing literature. Through reading journals and papers, this paper understands that there is still insufficient research on the marketing of Soft drinks at present. By interpreting the Soft drinks industry report, this paper deeply explores Soft drinks' development status and prospects; through reading relevant books, this paper understands the concept and characteristics of marketing strategy.

2.2 Content analysis Method

In order to be able to analyze the marketing strategy of Genki Forest better, it will be explored in 3 different methods, which are Porter's five forces analysis, PESTLE analysis, and VRIO analysis. The use of Porter's five forces analysis will allow for a visual understanding of the attractiveness of the industry and the competitiveness of the brand within the industry. However, analyzing the Porter's Five Forces model for this sector alone only gives a general idea of the brand's positioning, so PESTLE analysis is needed to refine Porter's Five Forces analysis results. This is done by combining known environmental, legal, and policy information to analyze the brand's influence and competitiveness within the industry. Finally, the VRIO methodology focuses on the brand's sustainable competitiveness, strengths, and weaknesses to understand the brand. These analyses provide a more thorough understanding of the brand's current marketing strategy and market appeal.

The paper will also provide a secondary analysis of past studies that have already been conducted and discuss in-depth the marketing crisis faced by the brand, i.e., disinformation campaigns, etc. This paper will analyze the brand's marketing strategy regarding the known news and the voluntary and compulsory disclosures of the brand as a basis for a specific analysis of the brand's actions that jeopardize its reputation. These analyses will provide a more comprehensive understanding of the brand's marketing strategy.

3. Result

3.1 Current analysis

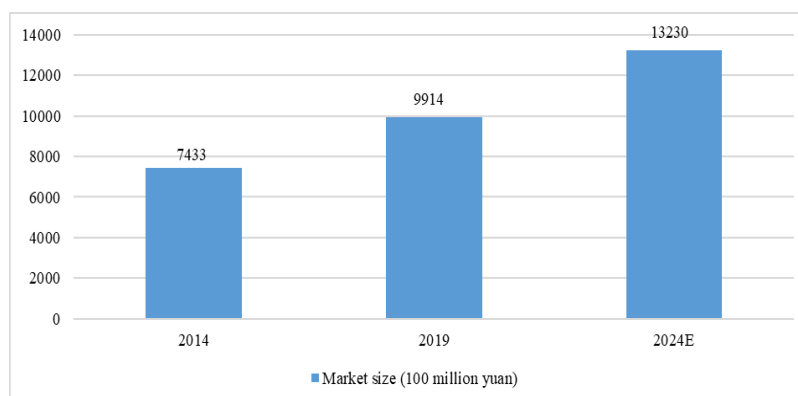


Figure 1. The scale and forecast of China's soft drink market in 2014-2024
(Data Sources: Frost&sullivan, data. iimedia. cn)

China's soft drink industry has developed quite well in recent years. According to data, the scale of China's soft drink market continued to increase from 2014 to 2019. In 2019, China's overall soft drink market sales revenue reached 991.4 billion yuan, with a five-year compound annual growth rate of 5.9%. With the development of China's economy, the improvement of residents' consumption level, and the increase in per capita consumption expenditure, China's soft drink industry has shown an overall good growth trend. According to the compound growth rate from 2014 to 2019, the size of China's soft drink market is expected to reach 13,230 billion in 2024. However, with the epidemic's impact in 2020, the domestic soft drink market prices have fluctuated. During the epidemic, most stores were closed. Due to the policy of home isolation and prohibition of social gatherings, people could not gather and celebrate with relatives and friends, which led to the soft drinks market size in China declining for the first time. At the same time, China's soft drink market will enter an era of slow growth.

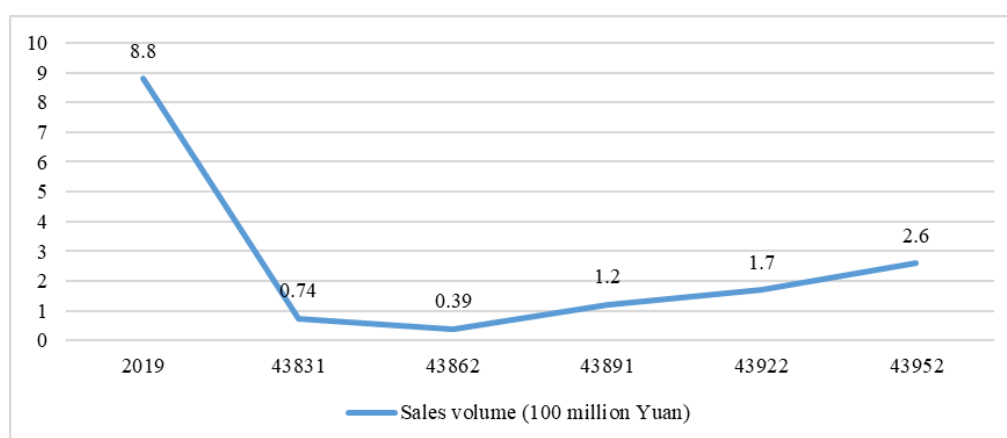


Figure 2. Sales Revenue of Genki Forest from 2019 to May 2020
(Data Sources: Yuanqi, data. iimedia. cn)

Genki Forest products have been on the market since 2018, and their products have been enthusiastically sought after by consumers because of the concept of "0 sugar, 0 fat, 0 calories". The data shows that the total sales of Yuanqi products in 2019 reached 880 million yuan. Then due to the impact of the epidemic, the sales of Genki Forest dropped to 39 million yuan in February 2020, and the sales in January and February both exceeded 100 million yuan. However, with the gradual improvement of the epidemic situation in China, the sales of Genki Forest began to recover slowly. As of May 2020, the sales performance of Genki Forest reached 260 million yuan, exceeding the total sales in 2018, with an average daily sales of 4.4 million yuan. According to the latest official financial report of Genki Forest, the sales of Genki Forest in 2020 will reach 3 billion yuan and continue to grow. The annual sales in 2021 will reach 7.5 billion yuan. The performance of Genki Forest is still in a period of rapid growth.

Genki Forest mainly focuses on "0 sugar, 0 fat, 0 calories" healthy products. According to the official user statistics report of Genki Forest, among the people who buy Genki Forest sparkling water in 2021, the proportion of women will be as high as 70%, which reflects the female When consumers choose drinks, they pay more attention to the concept of health. Female consumers are more concerned about the safety and economy of products when purchasing products. According to the report, users under the age of 34 account for 72.99% of the total sparkling water consumption users of Genki Forest in 2021. The main consumers of Genki Forest are young people because young consumers attach great importance to the concept of healthy products. Consumers buy Yuanqi Sensen because they pursue healthy and delicious carbonated beverages. Genki Forest induces consumers to buy under the promotion of trends and health concepts. Judging from the continuous increase in sales of Genki Forest, consumers are more pursuing the quality and design of products. Comparing the earliest sugar-free cola and today's Genki Forest sugar-free sparkling water products shows that consumers are no longer habitually buying a single brand of products. On the contrary, consumers

prefer to compare all aspects of different products on the market and choose better taste and design, healthier products.

3.2 Problem analysis

There are two problems in the marketing strategy of Genki Forest.

Firstly, Forest's marketing mistakes have caused a crisis of brand trust. Genki Forest's products are mainly "Japanese" packaging. Genki Forest adopts Japanese style in the brand name of its bottle body, overall packaging, design, and advertising and style, especially the product's logo, which uses Japanese characters rather than Chinese characters [8]. The Japanese style is everywhere in the details of some packaging. Genki Forest adopts the Japanese simple and cold design style in marketing advertisements and packaging [9]. In the marketing advertisements, not only are the models dressed in the style of young Japanese students, but even the background also adopts prominent Japanese elements such as cherry blossoms. This makes people wonder whether Genki Forest is a Chinese brand or a Japanese brand. The "Japanese"-based marketing concept of Genki Forest's purpose is to attract young people who pursue Japanese culture. Although this "Japanese" packaging style does attract young consumers, it has established advantages for the early development of Genki Forest. This also lets Genki Forest suffer much pressure from society and public opinion. Suppose Genki Forest still insists on developing the so-called "Japanese" marketing style. Once consumers identify it as a "pseudo-Japanese brand", it will be difficult for the company to be whitewashed in future brand building, and Genki Forest will also be difficult to have more breakthrough development. It is even less likely to become a national brand in the eyes of the Chinese, and it will even be despised and boycotted by consumers.

Secondly, in terms of the marketing concept, Genki Forest madly promotes its products as "0 sugar, 0 calorie, 0 fat" healthy products, which is why consumers buy them. Still, with consumers' health awareness, With continuous improvement, many consumers found that the milk tea products of Genki Forest contain crystalline fructose. Subsequently, according to the official response of Genki Forest, the product is only 0 sucrose, not sugar-free. This is in sharp contrast to the "0 sugar, 0 calories, 0 fat" healthy products that are wildly promoted in the marketing of Genki Forest. The sugar-free propaganda of Genki Forest is suspected of misleading consumers to buy, which has caused anger and a boycott of consumers. The move of Genki Forest is tantamount to self-destruction because the core of its products is "0 sugar, 0 calories, 0 fat", which is also the bottom line of its brand and the main reason consumers buy its products. This move undermined the trust between the brand and consumers and severely damaged its corporate image [9]. This makes consumers no longer able to buy the brand's products with confidence, and the trust between the brand and consumers is also irreversible.

4. Discussion

4.1 Production strategy

Firstly, Genki Forest takes great insight into the core concept of driving brand value. Regarding 0 sugar and 0 fat drinks, an obvious market concept to be emphasized and amplified. As the public pursues a healthy lifestyle, labels such as "sugar control" and "zero sugar" have become a new trend. Following the tendency, Genki Forest concentrates on "zero sugar" and "low sugar" in the product development and positioning, from bubble water to milk tea. This fully ensures the drink's taste and meets consumers' strong demand for sugar-free, so the product is well in line with the health concept [4].

Secondly, enlarging the production line helps expand the marketing exposure and take more market share. Unlike how Coca-Cola uses the strategy of designing almost every product around the concept of cola, Genki Forest gradually expands the product line from sugar-free soda sparkling water to milk tea, coffee, functional drinks, and other categories. Genki Forest gives consumers more choice and makes itself more competitive in the industry [5]. That also takes advantage of customers' brand

equity to attract them to try new products. Thirdly, an appropriate pricing strategy plays cleverly on consumers' psychology. When target customers are less sensitive to price, it's relatively easy for Genki Forest to price at a high premium. The retailing price of its sparkling water is 5-7yuan, which is higher than the average price of ordinary drinks like tea or cola. Despite this, the price will be reduced to the range ordinary people are willing to accept, forming a positive process to attract the main consumer group[6]. Genki Forest made the unique online pricing strategy from the customer object source by querying historical price data found. In addition to routine electric business platform promotion, basic product prices are slightly high or flat in the convenience store, to a certain extent meeting online feedback offline, inspiring new consumption opportunities. Even in different convenience stores in the same city, the price gap will reach 0.5 ~ 1 yuan. For people close to the central business district and the core office area, the demand for specific brand goods is often rigid, and the consumer demand will not change greatly because of the small price difference.

4.2 Promotion strategies

The target customer group of Genki Forest is mainly young urban white-collars. Although the audience scope is relatively small, these people have a strong consumption power and are willing to accept new things, which is more conducive to the short-term explosive promotion of the product.

The marketing channels of Genki Forest are mainly composed of traditional channels, which are large and medium-sized supermarkets and convenience stores. In the start-up stage, the company first established the marketing strategy focusing on traditional channels and took the lead position in metropolis and medium-sized cities. The city administration, first of all, encourages a large quantity of salesman to quickly construct their promotion network to foster the coverage process of Genki Forest products. For instance, Beijing's capital has been chosen to retail sparkling water in convenience stores. Nowadays, convenience stores perfectly fit the daily routine need for white collars and show an attitude toward the busy city life. As a result, they are getting more popular with the young generation.

In addition to channel laying, the consumption upsurge considerably radiates to the third and fourth-tier cities, quickly obtaining the rapid expansion of offline channels.

Genki Forest uses modern channels to enhance brand heat, playing the strong appeal and influence of new media. They quickly harvested several key opinion leader KOL groups through the paid promotion of those. Combined with the unique grass-rooted culture of the platform and the trust chain between KOL and "fans", it is not difficult to realize the effect of spreading from point to surface. In addition, the vitality of Genki Forest also makes full use of the "live with goods" Internet trend. Li Jiaqi and other belt cargo host broadcast cooperation; Frequently sponsored various TV shows and entertainment series [10]. The recruitment of endorsement and online and offline advertising greatly increased the product's sales in a short time and achieved a breakout.

5. Conclusion

In conclusion, this study focuses on analyzing the marketing strategy of Genki Forest through the use of secondary data. This article found that the brand focuses on zero-sugar drinks as the core of its campaign to meet the strong desire of young people for a healthy concept. The brand has chosen to expand its product assortment to meet the needs of a broader range of consumers and is primarily using e-commerce platforms as its main promotional channel. In contrast to the traditional beverage industry, the brand has focused on online sales, complementing offline convenience store chains. This strategy is very much in line with the consumer perception of young consumers. The brand also uses the Japanese Moe culture as a design. This design concept aligns with the young consumer's desire for style. This makes the brand highly competitive in the beverage industry. The brand has chosen to use internet celebrities and stars to promote its products to be better known.

This research can be beneficial to the reform of the traditional beverage industry. As the conventional beverage industry is predominantly sold offline and is out of touch with the buying

habits of younger consumers, this study's structure could effectively inform new entrants or giants in the industry.

The study also has some limitations because the paper only analyses one brand. Therefore, to have a more comprehensive understanding of the beverage industry's current situation and development prospects, a comprehensive analysis of the traditional beverage industry and the emerging beverage industry should be conducted.

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