

Analysis of Ice Cream Industry Market Issues and Prospects: Example from the Chinese Market

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Abstract. The “ice cream assassin” was one of China’s Internet buzzwords in June-July this year, reflecting consumer dissatisfaction with overpriced ice creams in freezers that did not indicate their price. After the phenomenon festered online, the Chinese government introduced policies to curb the mess. China lacks a leading local high-end ice cream brand, and large companies such as “Zhong Xue Gao” have not established brand awareness in the minds of consumers. After consumers have experienced a “deceptive purchase”, it is challenging to repurchase related products. The critical factor for the survival of such a business model is that, in addition to the huge profit margin, it also reflects consumers’ demand for cultural and social levels. In the case of consumer demand and market supervision, China’s local high-end ice cream is expected to emerge as a leading local company to compete with foreign companies such as Haagen-Dazs.

Keywords: Ice Cream Industry; Market Issues and Prospects; Chinese Market.

1. Introduction

In recent years, the highest summer temperatures across China have exceeded 40 degrees, which makes ice cream, a popular summer food. According to Cui (2015), as early as 2014, China’s ice cream consumption reached 11.4 billion US dollars, consuming one-third of the world’s ice cream, overtaking the United States to become the world’s largest market, and is expected to continue to hold the top spot[1].

However, a class of ice cream called “assassin” by netizens has led to a unanimous boycott of most consumers. This type of ice cream is primarily domestic, and the price is high. In China’s major cities, major supermarkets, and convenience stores, can be found. As China is the largest ice-cream market, such negative news is not suitable for developing China’s local ice-cream industry, so it is urgent to find out why this mess occurs and how to deal with it in the future.

“Ice-cream assassin” is a synonym for “overpriced ice cream,” which is hidden inside the freezer without any price tag; when customers take an ice-cream to the checkout, the contrast between its unattractive packaging and the high price will make customers feel surprised, like being “backstabbed”. In many reports, the media are used to equate “high-priced ice cream” with “ice cream assassin”, but in this article, it seems that such in this article, such a practice is incorrect. This article believes that “high-priced ice-cream” cannot be called “ice-cream assassin” if the price is marked so that consumers know the high cost of “high-priced ice-cream” before they buy it. Such “ice-cream assassin” was widely seen in China’s major supermarkets and convenience stores until July 1, 2022, China’s State Administration of Market Supervision and Administration issued the “Price Indication and Prohibition of Price Fraud Regulations” came into force[2].

This article will explore and analyze the “ice cream assassin” emergence from two levels: the Chinese ice cream market and consumer psychology.

2. Problem Analysis

2.1 Leading local brand

This article believes that the lack of leading brands in China’s high-end ice cream market is one of the reasons for the emergence of the “ice cream assassin” the absence of this ecological position leads to the major manufacturers' hope to get a share of the pie. To the trend of registration of ice

cream-related enterprises, more than 5,000 enterprises were established in China every year from 2017 to 2021[3]. Since this year, China has added more than 3,000 related enterprises. However, in the Chinese market, from the perspective of product structure, Heluxue, Nestle, Baxi, Haagen-Dazs, and other foreign brands occupy most of the high-end domestic market and part of the middle market; Mengniu, Yili, bright and different products are mainly in the middle; Regional old ice cream enterprises, as well as many small and medium-sized local private enterprises, positioning low-end[4].

This discovery shows that in the inherent perception of most Chinese consumers, high-end ice cream seems to be synonymous with a few foreign companies, and domestic high-end ice cream brands have not formed their brand effect in the minds of consumers. This also sets the stage for consumers' "back-stabbing" psychological activity.

2.2 Consumers' perception of the new brand

As mentioned earlier, local Chinese ice cream brands are concentrated in the middle or lower tier of the market, with Yili, for example, accounting for 19% of the entire Chinese ice cream market. This indicates that in the Chinese market, consumers mainly prefer to buy low- and mid-tier ice creams, i.e., affordable ice creams. Therefore, in the eyes of many consumers, "domestic ice cream" equals "low price". Because of its successful brand effect, the minds of consumers have long established the "Haagen-Dazs" equal to "high-priced" expectations for high-end ice cream such as Haagen-Dazs. Therefore, such high-end ice cream brands will not let consumers have a "back thorn" feeling even if the price is higher. However, for some domestic brands, their positioning in the "high-end" did not establish a brand image in the minds of consumers, which will allow consumers to associate with the previously purchased domestic low-end products. Thus, the psychological activity of a big astoundment will appear when they hear the price of the "ice cream assassin". If there were a price tag guide, this chaos would be well improved, but for most shopping malls and convenience stores, the ice cream in the freezer is no price tag guide. Many ice-cream brands mixed when an "ice-cream assassin" mixed in a pile of "affordable ice-cream", which will cause serious misinformation to consumer screening.

This raises a new question, why do consumers, knowing the high price of the "ice cream assassin", still choose to buy it rather than put it back in place to find another ice cream.

The first reason comes from the special nature of the product itself, ice cream, in some shopping malls or convenience stores. When the flow of people during the time, the checkout time will be long. In the hot summer months, ice cream tends to melt, even in air-conditioned rooms. The price of ice cream in the freezer and packaging without an explicit label can only be learned through the salesclerk scan code[5]. Therefore, the special nature of the goods will determine the consumer's difficulty in making a second choice.

Another reason comes from consumers' self-esteem, in the traditional perception that it is shameful not to have wealth. The unit price of "ice-cream assassin" is less than 60 yuan, and this price is not a huge number for the main target group of ice-creams. And according to statistics from China Green Food Association, the main force of Chinese ice-cream market consumption is mainly women, which is low compared to the cosmetics that women often buy (often hundreds of thousands of prices)[6]. However, most consumers think they are willing to pay for ice-cream is far less than the unit price of the "ice-cream assassin". The delicate girl who can afford to buy expensive bags and cosmetics is squirming for a dozen dollars of ice-cream, which will inevitably have a negative impression in the eyes of others. Therefore, even when they hear about the high price of "ice cream assassin", consumers will choose to buy it to maintain their self-esteem. After such a purchase experience, many consumers also said that they would not buy similar "ice cream assassin" in the future, for the following reasons.

2.3 Consumption custom

For the frozen drink market, the influence of consumer purchasing behavior the main factors are taste and price[7]. Taste is only determined after the first try. In other words, the price will be the

dominant factor when consumers try new ice cream for the first time. The “ice cream assassin” hides its actual cost and makes consumers think it is “cheap ice cream”, which will have a serious negative effect on the minds of consumers.

From the consumer’s psychological expectation, the “ice cream assassin” is not worth such a high price. The consumer’s choice of ice-cream comes from experience, that is, whether the experience of buying and tasting the ice-cream is excellent (mainly in terms of texture and taste). The second is from its packaging, which will show the taste of ice cream, ingredients, and in some food packaging, even the price. However, unfortunately, the “Ice Cream Assassin” packaging does not show its corresponding price, and its packaging does not reflect its “high-end” compared to the affordable ice cream. In the consumer’s psychological expectations, “ice cream assassin” should belong to the “affordable ice cream”, therefore, after learning the high price of “ice cream assassin”, a huge sense of disparity will lead to the consumer’s and such disgust, will continue to taste the taste of ice cream, psychology will be called “primacy effect”.

From a psychological point of view, consumers feel “betrayed” when the purchase process is underway, which will give consumers a preconceived mode of thinking, that is, because of the initial negative evaluation of the price of the “ice cream assassin” and thus radiation to the packaging taste and so on. This will create a solid resistance to “Ice-cream Assassin”.

From the results of most consumers’ feedback, the flavor of “Ice-cream Assassin” is comparable to that of “Affordable Ice-cream”, and some consumers even gave it inferior to “Affordable Ice-cream”. From this result, consumers do not agree that the “Ice Cream Assassin” flavor is worth the high price. Such preconceptions influence consumers’ purchasing experience and subsequent decision-making. In this mode of thinking, the taste of “Ice-cream Assassin” has become unimportant, and consumers’ shopping experience is already terrible. What’s worse, the famous domestic high-end ice-cream brand “Zhong Xue Gao” was exposed to the news that its products still do not melt at a high temperature of more than 30 degrees, also provoked consumers to the exact positioning of high-end “ice-cream assassin” quality concerns if the high price cannot buy taste. Now that even the essential quality cannot be guaranteed, the high premium paid for these “ice-cream assassins” seems to be no justification. The good thing is that after the experts’ disinformation, the products under “Zhong Xue Gao” do not seem to have quality problems. Still, after such a storm, “Zhong Xue Gao” and the “ice-cream assassins” are also receiving attention. The image in the minds of consumers is already negative, and now it is irreparable.

However, in Li’s report (2017), some scholars proposed the concept of “ice cream” that does not melt, and it was even touted as an “Internet celebrity” product at the time[8]. In such a comparison, it is difficult to think that consumers’ dissatisfaction with the “ice cream does not melt” event is only due to quality concerns, more like an “ice cream does not melt” topic to vent their dissatisfaction. We can even venture to guess that if other foreign high-end ice cream brands developed ice cream to achieve the effect of not melting, the network should be a touted argument. The punishment in 2019 was given to “Zhong Xue Gao” for falsely claiming that its products are water-free, which led to an outpouring of emotion online this summer[9]. From another point of view, it also proves that the negative “primacy effect” caused by such “deceptive” sales cannot be ignored.

Therefore, in a situation where repeat customers are so scarce, what profit model does “Ice Cream Assassin” rely on to stand in the Chinese market in the past few years?

3. Business model

Different from the affordable ice-cream thin profit marketing model, on the surface, the “ice-cream assassin” business model is more like a one-time consumption. By selling at a higher price, it widens the gap with the cost. Even if the number of repeat customers is small, “ice cream assassin” can still maintain a stable income. But in fact, such a business model is no different from fraud. However, in all walks of life, there are a few cases of businesses that position themselves at the top end and sell for much more than similar products, but consumers do not treat them with the same disgust as they

do the “ice-cream assassin”. This attitude is mainly caused by the “betrayal” feelings mentioned in the previous analysis.

The “Ice-cream Assassin” could have presented its suggested retail price on its packaging to inform consumers, thus avoiding negative emotions when purchasing. This paper argues that the company responsible for the “Ice Cream Assassin” was not unaware of this, but rather was aware that only through this “fraudulent” consumer model could the “Ice Cream Assassin”. The company is not ignorant of this. Because there is no brand effect, consumers disagree with the high pricing and cannot compete with foreign high-end brands. And the affordable ice-cream market is firmly in the hands of leading local companies like Yili. From the mouth feel packaging are not worthy of praise. Therefore, these manufacturers choose to enter the industry barriers of are relatively weak “affordable ice-cream” market (high-end ice-cream market for taste, quality, brand, and other requirements are higher). Still, the pricing is much higher than the “affordable ice-cream” strategy to profit. Unfortunately, supermarkets, convenience stores, and other management of ice-cream prices are not in place. Consumers consider their self-esteem but also do not mention this with others. If not for this “suspected ice-cream quality problems” exposure, such chaos will continue for a long time.

Although “ice-cream assassin” refers to the high-priced ice cream that appears in the freezer without a price tag, there are still many ice-cream manufacturers who choose to put their products on the Internet for sale, and this article believes that this may be a good way out for China’s local high-end ice cream companies. Take the “quality problem” of Zhong Xue Gao as an example.

Its brand name “Zhong Xue Gao”, in Chinese pronunciation, is similar to “Chinese ice cream”. The English name of the brand is “Chicecream”, which is a combination of “Chinese” and “icecream”. When Chinese and foreign consumers first encounter the brand, they can easily associate it with “China”. According to the study, the cultural pursuit of ice-cream is also very important to consumers[10]. In its website and advertisements, “Zhong Xue Gao” closely links its brand to traditional Chinese craftsmanship and culture, thus attracting consumers to buy. This close connection with culture also supports its high price. Because of its online sales channel, when it comes to holiday discounts, the cost of “Zhong Xue Gao” ice-cream is reduced by more than the already thin margin of “affordable ice-cream”, which will also attract many consumers to buy. This shows that “Zhong Xue Gao” has built up brand awareness through online sales, and because it is tied to Chinese cultural attributes, it has found a reason for the high price of ice-cream. Then it slowly moved to the offline channel, where consumers already had a certain understanding of the local high-end brand “Zhong Xue Gao” in their minds, which made it easier to sell. However, according to 2021 statistics, online ice-cream consumption only accounts for 20% of the entire Chinese market, which means that most consumers still choose to buy ice-cream in convenience stores, supermarkets, etc. Local high-end ice-cream brands such as “Zhong Xue Gao” adopt the business model described above and cannot effectively reach most consumers. Thus, consumers cannot distinguish “Zhong Xue Gao” ice-cream from affordable ice-cream when they see it mixed in the freezer. Therefore, when consumers see “Zhong Xue Gao” ice-cream mixed with affordable ice-cream in the freezer, they cannot distinguish it from affordable ice-cream, thus creating a feeling of “betrayal”. In addition, because “Zhong Xue Gao” is closely bound to the Chinese tradition and has developed into one of the leading enterprises of high-end domestic ice-cream, this “quality problem storm” has generated doubts in consumers’ minds about the whole “Chinese high-end ice-cream industry”. This “quality problem” has created doubts in consumers’ minds about the “Chinese high-end ice-cream industry”. This will not be conducive to the construction of its brand image but will also hinder the development of the entire Chinese high-end ice-cream industry.

4. Prospects and Summary

With Häagen-Dazs and other high-end ice cream brands in China taking hold, Chinese consumers are not unable to accept high-priced ice cream. The critical reason for not accepting domestic high-priced ice cream is that domestic brands are not deep in the hearts of consumers, as analyzed in the

previous article. Therefore, using the Internet to quickly spread the brand image and deepen the consumers' impression has become a desirable choice.

As mentioned earlier, according to 2021 data, online consumption of ice cream in China only accounted for 20% of total sales. However, in 2020, online consumption will be only 5% of the total[6]. While in 2020, the Chinese government imposed strict epidemic prevention and control policies on many areas of the country, prohibiting citizens from going out. This has forced many consumers to go online in large numbers. And in 2021, this quarantine policy has a substantial concession, and many consumers began to resume offline consumption. In such a background, online ice-cream sales but also higher than in 2020 by 15%. This not only shows the success of online channel marketing, which ice-cream brands did in 2020, but also shows the unlimited potential of online channel sales, and we have reason to believe that this figure will continue to rise in the next few years. Therefore, Chinese local high-end ice-cream brands can try to deepen their online channels and not blindly expand their offline channels. Relying on live streaming on online platforms such as Tik-Tok and Taobao to bring goods, they can first build up enough brand awareness and influence to provide for future offline sales.

However, it is necessary to be wary of ice-cream such as “Zhong Xue Gao”, which relies on “cultural bundling” for sales promotion on the Internet. Such a binding strategy is suitable for attracting consumers' attention when promoting and thus making purchases. Still, it does not have much relevance to the taste and quality of the ice cream itself. Ice-cream as a food, although, as mentioned above, it carries cultural value, the social value will become one of the factors for consumers to consider the purchase. However, taste and quality are still the most important to consumers. If you are obsessed with strengthening their “cultural attributes” and ignore the taste and quality of their products, the product will not be able to gain a foothold in the Chinese ice-cream market in the long run.

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The “ice-cream assassin” reflects the chaos, on the one hand, the chaos of China's ice-cream market regulation. At the same time, it also reflects the current situation of local high-end brands (consumers do not recognize their high prices). By analyzing the birth of the term “ice-cream assassin” through the “first cause-effect” and analyzing the current situation and future of “ice-cream assassin”, we can conclude that the “sense of disparity” is a crucial factor in the poor reputation of the local high-end ice cream industry. With proper market regulation and reasonable market strategies, we believe local high-end ice cream brands will have a bright future.

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