

Analysis of Organization and Management Issues and Development Proposals of CHOW TAI FOOK

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Abstract. The topic of this article is based on the domestic jewelry market, taking brand marketing in the fast fashion consumption era as the starting point and choosing the top domestic jewellery enterprise--- CHOW TAI FOOK (CTF) as the research objective. Through the analysis of the internal and external environment of CHOW TAI FOOK (macro environment, competitive environment, market environment, the enterprise's own resources and capacities), this article uses marketing models (SWOT analysis) to evaluate the strengths, weaknesses, opportunities and threats and analyze this firm. At the end, this paper proposes some optimization plans in terms of advertising, product quality and product design according to its weaknesses so as to enhance the media exposure and keep building the best jewelry enterprise in China.

Keywords: CHOW TAI FOOK; management; business; marketing.

1. Introduction

Although China's jewelry industry started late with rapid development for just more than 30 years, the speed of development is staggering. In 2018, China has also become the second largest country in the jewelry consumption area. In 2020, the total retail sales of jewelry reached a market size of 610 billion yuan, and it has steadily ranked among the major jewelry consuming countries [1]. Chow Tai Fook, founded in 1929 in Hong Kong, China, has a history of more than 90 years. Up to now, it is the largest and most influential jewelry brand in China. Furthermore, its extensive retail network encompasses Greater China, Japan, Korea, Southeast Asia and the United States. As of September 2021, CTF has more than 4200 exclusive shops in mainland China, owning a wide-spread retail network [2].

This paper uses the methods of collection of academic literature and reorganization of the company's official data, studying and summarizing the main content of the research, including the following aspects: First, sort out the business model of CTF by combining an important model of SWOT analysis. Secondly, after examining the existing climate of the jewelry retail industry, this text analyzes the difficulties encountered by the company with regard to advertising promotion, goods quality, product distribution, and brand building. Thirdly, seeing the company's strength in the traditional offline store channels and the active practice of deploying online channels, many people suppose the company's practice in the new retail area has achieved initial results. Finally, in addition to the analysis mentioned above, this paper offers a number of recommendations for the company's growth as well as some fresh development concepts for other traditional jewelry companies.

2. Status quo of Chinese jewelry industry and business model of CTF

2.1 Current state of the Chinese jewelry sector

At present, China is the second largest jewelry market in the world after the United States, and the consumption of some important jewelry products has ranked among the top in the world. According to Bain Capital's annual luxury report, Chinese consumers are demonstrating great potential for jewelry consumption. The market scale of Chinese jewelry trade is rising year by year, and the trade growth rate is fluctuating. From 2014 to 2019, the market size of China's jewelry industry increased from 567.4 billion yuan to 750.3 billion yuan in 2019. Since 2017, the growth rate of China's bead jewelry industry has also increased year by year, and in 2019, the growth rate of the jewelry industry

reached 9%. Besides, it is worth noting that gold jewelry consumption accounts for half of China's jewelry consumption, Figure 1 provides a visualization of product structure of the Chinese jewelry market. However, the continued decline in the number of marriages in the coming years will have a certain impact on the jewelry industry, as wedding demand accounts for 50 percent of total demand. According to traditional Chinese wedding customs, jewelry is an essential part of marriage.

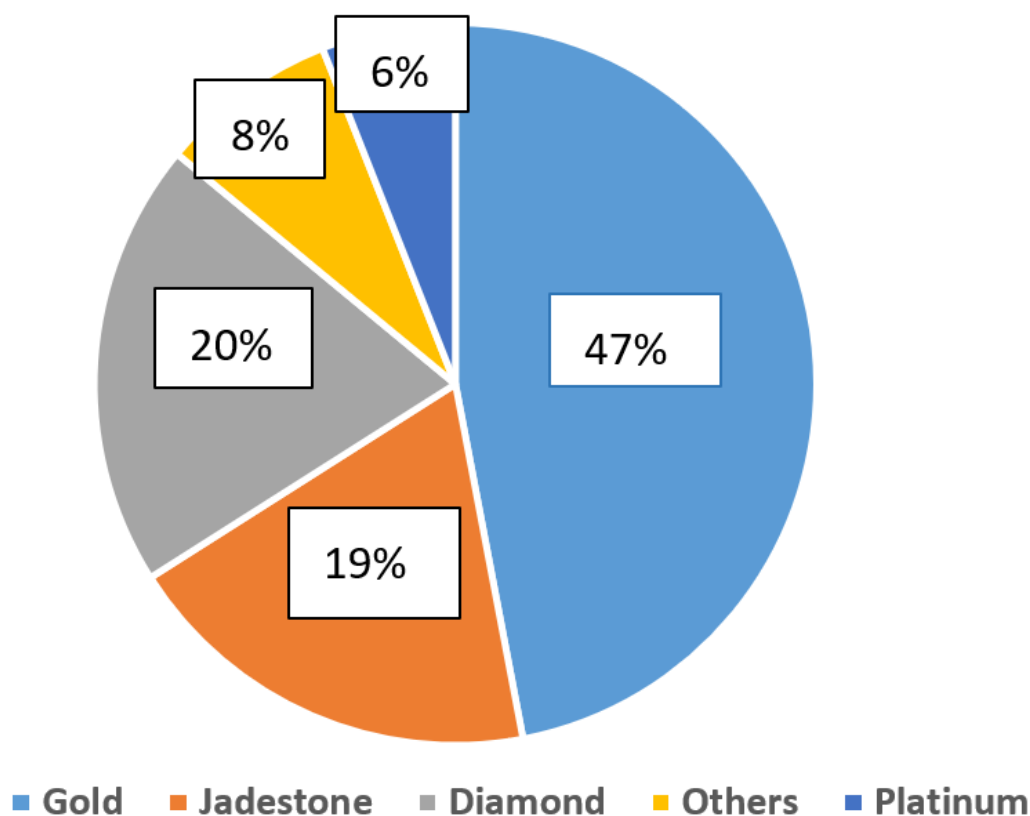


Fig. 1 Product structure of Chinese jewelry market

2.2 The introduction and business model of Chow Tai Fook

Following the core value of "sincerity and eternity", CTF has been constantly exploring technological innovation. With nearly 100 years of reputation for quality, innovative design and continuous innovation, CTF has been widely recognized by consumers in Hong Kong, Macao, Taiwan and mainland China.

Before entering the jewelry market in mainland China, CTF set up a good corporate image in the market. In order to let consumers know about this brand, CTF took a variety of opportunities to hold jewelry exhibitions all over the country. CTF set up special and attractive counters in the exhibit hall only for exhibition, but sales, so that consumers could understand not only the brand but also its products, inspirations and technology [3]. At that time, CTF focused on building corporate image and brand in the consumer's mind when the other mainland jewelers were more willing to earn money on trade fairs. What's more, CTF has reinforced the internal management, being strict with its product quality and striving to outperform other brands in product quality. At the same time, they have increased external advertising investment and attached great importance to after-sales service. Finally, through unremitting efforts, CTF won the recognition of consumers.

Through the analysis of CTF marketing strategy, it is undoubtedly innovative to explore a lot of new ways. First, CTF took the lead in introducing pure 9999 gold [4], which set up a standard to measure the quality of gold by its fineness and purity. Since then, CTF has become the first choice for Hong Kong people to purchase gold. Besides, instead of selling gold by the gram, CTF established

its own design team to offer gold jewelry at one-buy price [5]. When the price is fixed, gram weight is no longer the only standard to measure the price of gold. The third innovation was about its retail stores distribution. In mainland China, for jewelry retail, the physical store is in the main position, because the market is extremely competitive, and the more stores are opened, the more exposure there will be, then the transaction can be raised more. However, second-tier cities have been swallowed almost--- Chow Tai Fook has blazed a new trail: to sink to third and fourth tier cities, which is Chow Tai Fook's strategy - the "New Town model" applied to any store in the country, and the products are always sold at a higher price than any other jewelry brand in China [6].

2.3 Analyse SWOT model of Chow Tai Fook

Compared with other companies, Chow Tai Fook has many advantages. Above all, CTF has a considerable level and ability in jewelry processing and it owns rich advertising resources, which can reduce the cost of advertising input. In addition, the world's largest Diamond embryo supplier DTC (international Diamond Trading Company), one of the 125 authorized distributors in the world, can directly supply natural diamond stones. What's more, expanding chain stores to widen its business enables the store coverage and the popularity to be very high. Last but not the least, raw material procurement, production, goods sales and after-sales service are integrated together and the industrial chain is relatively complete, making it possible to reduce costs according to the economies of scale.

In terms of Chow Tai Fook's weaknesses, this paper has studied the following points. Firstly, raw material resources are limited and cannot be over-exploited. As a result, the product price is greatly affected by the supply of raw materials, and the cost price is always on the high side. In addition, the enterprise's own mechanism does not adapt to the market mechanism, the enterprise management level is also low, talent is difficult to retain, in recent years, a number of designers resigned from the company.

Chow Tai Fook's business opportunities are worth exploring. To begin with, the rapid growth of China's national economy drives the significant growth of China's jewelry market. In the short term, due to the impact of the COVID-19 outbreak in the first half of 2020, the Chinese government complied with the "no-gathering policy" and actively cooperated with COVID-19 control, which delayed the wedding reception. However, with the control of the epidemic, wedding bars released in the second half of 2020, which promoted the sales of gold jewelry in the short term. According to the National Bureau of Statistics, the year-on-year growth rate of gold retail sales accelerated to "7.5%" in July from "-41%" in January 2020. Moreover, due to the improvement of consumption power and diversification of demand in the future, as well as the consumption influence of young people in the jewelry industry, the market size of China's jewelry industry will continue to grow in the next few years. It is estimated that the market size of China's jewelry industry will be about 944.5 billion yuan in 2025. Furthermore, foreign competitors are still not stable. More specifically, to break into the mainland market, many overseas jewelers have made great efforts, but so far with little success, since there are political, economic and institutional reasons for the slow progress of overseas jewelry brands entering the Chinese market. In addition, the current jewelry trading platform is too small and scattered, which is also a very important reason.

The paper also analyzes the external threats of Chow Tai Fook. A big threat is the development of many other well-known Chinese jewelry brands, such as Chow Luk Fook, Chow Tai Seng and Chow Sang Sang, with whom Chow Tai Fook closely overlaps in terms of product design and advertising promotion. Compared with them, CTF does not have many significant advantages to make consumers buy its products.

3. Difficulties CTF encountered in the process

3.1 Advertisement promotion

The marketing promotion of the CTF lacks innovation. For enterprises, brand marketing is the process of introducing the brand concept into consumers' hearts. Among them, marketing plans and

strategies are the key. However, Chow Tai Fook currently focuses on products and mainly relies on physical stores and print advertisements for publicity. It spends less on brand spread and therefore pays little attention to brand marketing. In the past, CTF depended on opening intensive stores to increase its popularity. However, with the continuous development of "Internet Plus", the operation of retail stores has become more and more difficult.

3.2 Goods quality

In recent years, the quality of the products has been worrying. Since this year, Micro-blog users have posted nearly a hundred tweets complaining about the breakage of Chow Tai Fook's jewelry, and they complain about the difficulty of returning or replacing products and the lack of credibility of the brand. Moreover, the high price is the impression of Chow Tai Fook left of the reporter when they have visited many shopping malls. The price of CTF's pure 9999 gold is generally more expensive than other brands, even with a difference of 20 to 30 yuan per gram.

Then, the next aspect to explore is the reasons that cause product quality. A Shenzhen jeweler told an author: the jewelry industry is developing too fast, and there are too many people and enterprises crowding into this industry. People are impetuous and they want to earn quick money [7]. In recent years, the rapid growth of the domestic jewelry consumption market has also brought some worries to the industry. Owing to the sudden increase in the demand for gold and jewelry products, some enterprises quickly enter the jewelry industry, resulting in poor manufacturing technology. In addition, the price of gold has continued to rise this year, labor costs have risen, rents have risen and gold processing costs have increased too. In order to reduce costs, some jewelry manufacturers are starting to cut corners from jewelry design to gold processing. For instance, the ring is becoming especially "thin", although the cost is saved, but it is difficult to ensure quality.

3.3 Product distribution

With the rapid rise of online shopping, Chow Tai Fook Jewelry has followed the trend of the era, but the results have not been as good as expected. CTF is creating social media platforms such as RED and TikTok which are the most popular social apps among youngsters, but from the feedback of the account's core data index (number of fans, short video traffic, thumb up number, the comment number, etc.), many people think the performance of the existing media flow is weak. Meanwhile, as an enterprise account on the social media platform, the e-commerce function of the account has not been effectively achieved.

In the context of today's e-commerce era, young consumer groups are undoubtedly an important part of network platform users. Based on this, Chow Tai Fook has set up corporate accounts on TikTok and RED respectively to promote short videos of the products. Nevertheless, it is worth mentioning that the number of followers of the official account in TikTok platform is only 203,000 when there are only 186,000 fans in RED as well. In addition, the average number of viewers in the live broadcasting room of the online store is less than 1,000, and the live broadcasting room is conducted just once every 2-3 months on average. Overall, in terms of the traffic feedback from these basic live broadcasting data, combined with CTF's huge membership system, the performance of the social media platform is still far from the ideal.

3.4 Brand building

Brand awareness is considered as a process of cognition and recall for brands in different environments (Keller 1993, Aaker 1996) [8,9], so brand awareness plays a very important role in the process of consumer purchase. The research discovered that Chow Tai Fook lacks brand awareness and brand personality. At present, Chinese jewelry brands are full of similar products, and many people are still relatively unfamiliar with Chow Tai Fook, so they will not establish special emotional connection and emotional identity with this brand. As a result, when consumers compare brands in their purchase process, if they are faithful to the brand, they will buy it at a reasonable price. Consequently, it is crucial for CTF to build strong brand awareness and enhance brand loyalty.

Most jewelers have no brand awareness and are still in mass production without innovation. In the face of similar products in the market, it is tough for consumers to have the desire to purchase them. As a result, it is hard for consumers to distinguish Chow Tai Fook from other jewelry brands of the same type. Now that the products are similar, companies must make breakthroughs. In this respect, DR Diamond Ring sets a good example of which core value is "love only one person in the whole life", and its purchase method is that a man can only buy one ring with his ID card in his life, and this brand culture is known by the majority of Chinese people. As a result, Chow Tai Fook may lose customers due to its lack of brand identity.

3.5 Product design

While Chow Tai Fook has a lot of good designers, many people say its designs are old-fashioned, as the consumer base shifts to the young group. According to the statistics of CBN Data, before 2018, the number of post-1995 consumers in China only accounted for less than 15%, and the consumption amount accounts for less than 10%. However, in the past two to three years, the consumption level of young people is getting higher and higher, and the demand is increasing. Despite the continuous innovation of gold jewelry and the development of new production technology introduced to the retail market, such as 5G gold, it still cannot meet the aesthetic of the youngsters to the maximum extent. They want more diversity and fashion in design. At the same time, for the whole category of jewelry brand, innovative plain gold jewelry is also a category that should be gradually paid attention to.

4. Development proposal

First of all, enterprises should increase more marketing channels to attract consumers through social media and expand their market share. For example, enterprises can interact with customers through various social platforms, such as Micro-blog, Wechat, RED and TikTok, and increase the speed of video update on social platforms.

Besides, it is possible to expand its exposure on the Internet by cooperating with well-known influencers. What's more, to open different themes of flash shops, a temporary store where retailers set up in the core business area for a relatively short period of time (several weeks) to promote its brand and expand exposure) is also a good choice for CTF to increase brand awareness, and it can create a more close interaction experience with consumers by fusing more elements of science and technology.

Second, CTF needs to strictly control the quality of its jewelry products and manage to gain an edge in product quality so improve product quality is a top priority [10]. Starting from small things and focusing on details is the first step. Quality inspection and supervision steps should also be strengthened in the process of product realization, and it is necessary to formulate detailed management standards for each link. In addition, customers and employees are the best quality supervisors, and customers' feedback should be investigated and rectified in a timely manner. "Customer's dissatisfaction is the direction of enterprise improvement", improving the customer's satisfaction and loyalty is the magic weapon for the longevity of an enterprise. As for the employees, the front-line informants of supervising product quality are familiar with every detail of the manufacturing process. Therefore mobilizing their enthusiasm and initiative is the best measure to improve quality. At the same time, to do a good job of after-sales service and timely deal with the after-sales problems is good for achieving brand loyalty.

In addition to working hard on product quality, companies also need to focus on product design. Jewelry as an obvious durable consumer goods for the female, the demand for design style needs to be thought about with young women's work and life needs: born in the 80s and 90s and influenced by the "family planning" country policy, they are mostly the only children in their family and equipped with distinct personality and strong self-consciousness. At the same time, owing to the national policy of universal higher education, most of them have received higher education, and more young women are among the "white collar" class OI (Office Lady), so the commuting style is the

main personal image style in their lives. As a result, under this premise, the demand of young consumers for jewelry styles is more obviously inclined to simple and classic styles that match their personal image of Office Lady, which can facilitate them to switch easily between working scenes and casual scenes. Even when choosing a wedding ring, they tend to avoid exaggerated designs and complicated techniques because of the practicality of daily wear, and at the same time, they also want their gold jewelry to have a certain degree of innovative ideas on the basis of the classic and versatile styles. They hope that both the technology and design concept can represent their unique and distinctive personality and attitude to lives. At this point, it is necessary to Chow Tai Fook's guidance on brand intrinsic value to win the favor of young consumers.

5. Conclusion

In general, to study sales is to study what consumers want. Chow Tai Fook Jewelry has made many technological advances which include refining the pure 9999 gold and innovated the "one-buy price" pricing strategy, and it also has excellent suppliers. Nevertheless, Chow Tai Fook still faces many problems such as narrow advertising coverage, uneven product quality, single distribution channel, and lack of the brand story. In response, the company should use more diversified marketing tools to meet consumers' needs through a wider range of products, and do a better job in product differentiation and market segmentation. Besides, it is extremely important to launch different products according to different consumer groups. It is also significant to strengthen external brand publicity, and actively convey the brand image to the consumers.

A great man said it well: Because of the cohesive corporate culture, enterprises can create century-old stores that carry dreams, which is true for "Chow Tai Fook" and all brand's development. In order to create a long-lasting jewelry brand for China's jewelry industry, enterprises must carefully cultivate internal strength and enhance the construction of corporate culture.

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