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RESEARCH ON THE MARKETING STRATEGY OF ZHOU
HEIYA IN YANGTZE RIVER DELTA ECONOMIC ZONE

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THE RESEARCH ON THE MARKETING STRATEGY OF ZHOU HEIYA IN YANGTZE RIVER DELTA ECONOMIC ZONE

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The purpose of this thesis was to give some recommendations on market strategy for a case company in a specific district, through analyze its current market situation and strategy. Zhou Heiya Food Company was chosen as case company, and the Yangtze River Delta Economic Zone in China was the target market where Zhou Heiya ran its business.

The theoretical part was composed by the literatures review of market environment analysis, marketing strategy research and research methodology. The thesis mainly used PEST analysis (Politics, Economy, Social and Technology) and SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) to explore marketing environment, and then utilized marketing mix and STP tool (segmenting, targeting and positioning) to conduct marketing strategy research. These kinds of secondary data were collected by using some professional books and material from some official website to make up the theory part.

The empirical part firstly made a simple introduction about case company Zhou Heiya and its competitor Juewei, then analyzed the current situation of the leisure food industry that the case company belongs to, as well as give a simple introduction about the Yangtze River Delta. After that, the thesis specifically researched and analyzed market situation and marketing strategy specific for Zhou Heiya. Meanwhile, in order to collect the primary data about Zhou Heiya's current market situation and marketing strategy in Yangtze River Delta, the qualitative research was selected and conducted in semi-structured interview, Some suggestions eventually were made based on the research and analysis.

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1 INTRODUCTION

The topic of the thesis is the research on the marketing strategy of Zhou Heiya in Yangtze River Delta Economic Zone. The thesis is trying to give some suggestions for case company Zhou Heiya on its marketing strategy by researching and analysed its current market situation and strategy. The reason why author chose Zhou Heiya as case company is that it is a quite famous and popular leisure food company with great reputation in author's hometown, and author is the royal customer for it. So the author has much interest and motivation to work on this paper.

In recent years, along with the rapid development of China's economic, people's life standard is getting better and better, meanwhile, people in China started to pay more attention to food variety. For this reason, the leisure food industry in China is growing quite fast in recent years, which reflects that people's demand for leisure food is increasing quickly accordingly. Zhou Heiya, as a leisure food company would get a great development opportunity under this positive market environment. Therefore, the most critical thing for Zhou Heiya is to grab this opportunity to achieve the goal of effective long-term development.

In addition, the Yangtze River Delta Economic Zone is the chosen district that will be analysed in the thesis. It is the most developed district in China with economic strength and large population, which accounts for 21,7% of Gross Domestic Product of China with only 2,1% of national land area and 11% of population according to the data from national Bureau of Statistic. Therefore, this district is always the most important and promising market for all business, and has the greatest opportunity but also the biggest challenge. Consequently, running a business in this district would face extremely fierce competition. Zhou Heiya has entered into this market in 2010, however, it did not perform well in this district as expected, so there must be some problems about its business mode and marketing strategy for Zhou Heiya in the market.

From the above, the thesis is going to make specific research on the company's current market situation and marketing strategy to help the company to figure out the

possible problems that may impede its pace of increasing development and growth, and then give some corresponding solutions to the problems, so as to realize the goal of rapid development for Zhou Heiya.

2 PURPOSE OF THE THESIS AND CONCEPTUAL FRAMEWORK

2.1 Purpose of the thesis

Since China is a large country with a huge amount of population, accordingly, the consumer market is fairly large. Meanwhile, with the increasing development of China's economy, the power of consumption of Chinese is getting stronger. The east part of China, which is the most developed area in China, is specially named by Chinese government called Yangtze River Delta Economic Zone. This district is highly attractive to all business for its economic strength, no matter what types their business are, they all will have great potential to realize their ambition there. Therefore, developing business in Yangtze River Delta Economic Zone is promising.

Similarly, it is also quite appealing to the case company Zhou Heiya, which specializes in the deep processing of cooked and stewed food, like duck, goose and vegetarian products. The headquarters and main market are in my hometown- Hubei province at the moment. Zhou Heiya performs particularly well concerning about market share and sales in Hubei province, so in recent years, it began to gradually expand markets to the country. Yangtze River Delta Economic has surely become a critical part in its expanding plan. However, since Zhou Heiya has just inroad into Yangtze River Delta market for a short time, the market share and sale for it are relative lower compared with its competitors. At the same time, its market coverage in this district is low, because of it is mainly concentrated on large city like Nanjing and Shanghai. Even though it performs not very well at the moment in Yangtze River Delta, in terms of market share and sales for its quality products, the author considers that there is a huge improvement space for Zhou Heiya. For above reasons, the thesis will research and analyse the current marketing situation and strategy for Zhou Heiya

in Yangtze River Delta, then identify problem ,so as to conduct an improvement proposal on business strategy for Zhou Heiya in Yangtze River Delta, which eventually helps to increase market share and sales in the market.

2.2 Objectives setting

Main research objectives:

1. To analyze current market situation for Zhou Heiya in Yangtze River Delta.
2. To analyze whole market situation for related industry with Zhou Heiya in China.
3. Listing its main rivals and explore theirs strengths and weaknesses compared to Zhou Heiya.
4. To explore the marketing environment in Yangtze River Delta Economic Zone of China.
5. To analyze current marketing strategy in Yangtze River Delta.
6. To analyze the chain store mode. Does the company need to make some change on products and chain store mode according to local conditions?
7. To find out the inadequacy of current market strategy in Yangtze River Delta Economic Zone.
8. To give some improvement recommendations on marketing strategy for Zhou Heiya.

2.3 Conceptual framework

The conceptual framework is the outline of the whole thesis. At first, the thesis described the main research purpose and listed a set of objectives prepared to be reached in the thesis. Secondly, the paper analyzed current situation and characteristics of leisure food industry. Thirdly, the marketing environment was analyzed by using the tool of PEST analysis (Politics, Economy, Social and Technology) and SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). And then, the paper utilized STP strategy (Segmenting, Targeting and Positioning) and marketing mix to segment, target, and position Zhou Heiya's market, and understand its current marketing strategy. Lastly, according to all the research and analysis, a series of im-

provement suggestions would be conducted in order to increase its market share and sales in Yangtze River Delta district. The conceptual framework is as follows.

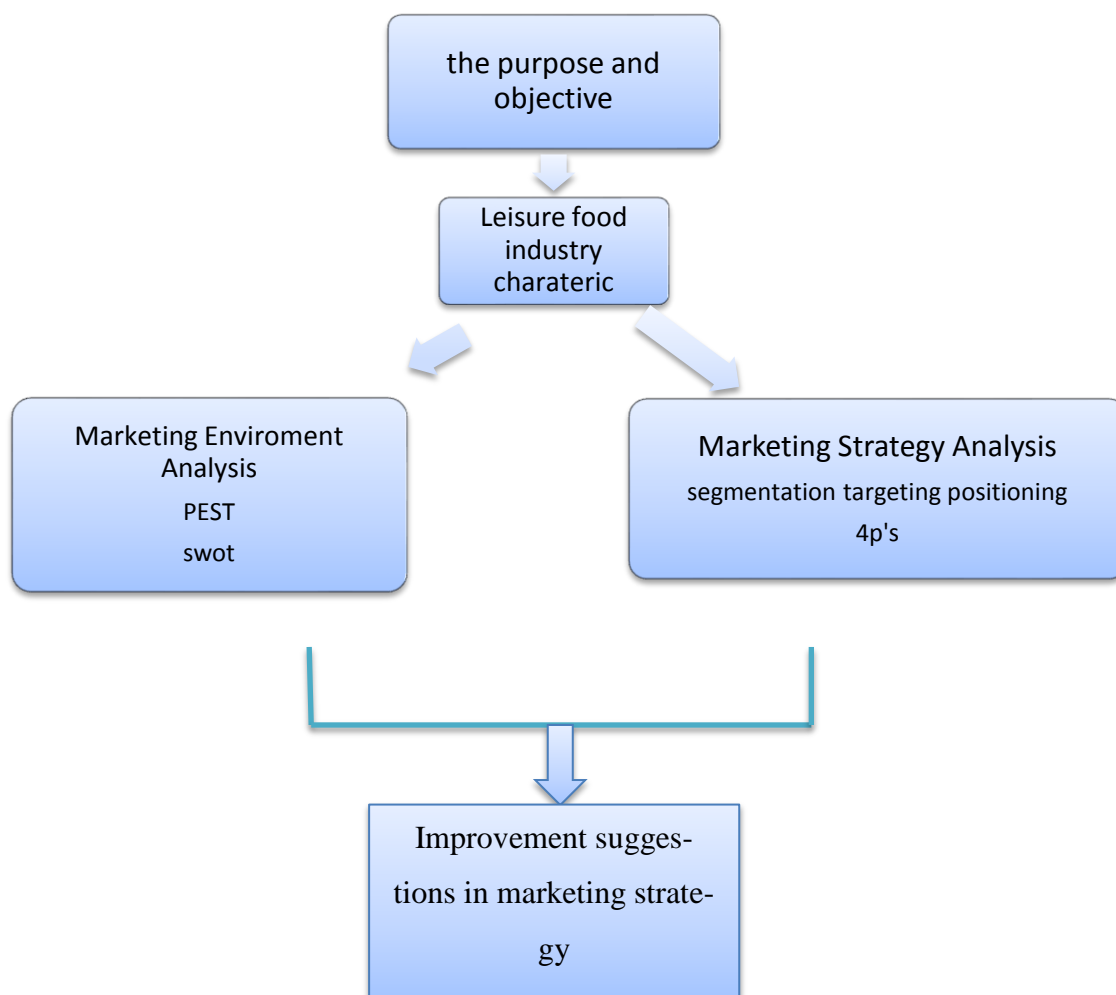


Figure 1. Conceptual framework of the thesis

3 MARKET ENVIROMENT ANALYSIS

3.1 PEST Analysis

PEST is an English abbreviation word of Politics, economy, social and technology. The PEST analysis is a useful tool that often used to describe the macro-environmental analysis. The so-called PEST includes four elements-namely, political environment, economic environment, social environment and technical environment.

There are external circumstances, which are not controlled and mastered by the company. (Jobber & Fahy 2015, 34).

Political forces have a strong effect on enterprise monitoring and management. It usually involves political system, policies, guidelines, laws and regulations and more. These issues control and affect business practices, especially the enterprise's long-term investment activities. For instance, when the government publishes some binding legal documents on enterprise, the business strategy of enterprise should be probably adjusted accordingly. In addition, the enterprise in competition should elaborately study policies and law which are closely relevant to commerce, like tax law and antitrust law. Meanwhile, It should also understand some regulations that are related to the enterprise, such as international trade law and intellectual property law and others. All these laws and regulations are able to greatly influence the operation and profit of an organization. (Jobber & Fahy 2015, 39-46).

There are three main economic influences on the marketing environment of companies: economic growth and unemployment; interest rate and exchange rates; and taxation and inflation. These influence factors have an important effect on the success of company by affecting supply and demand. Therefore, the company must conclude those economic influences that are relevant to their business and monitor them. (Jobber & Fahy 2015, 34-36)

Social forces include demographic statistic, income distribution, population mobility, lifestyle and values change, age distribution, and consumptive attitude. All these factors included in social forces have a great influence on the demand for corporation's products and service, and how the company runs. Studying demographics could help a lot when the company makes decisions about the market size and market increasing rate. Meanwhile, it plays an important role in estimating the quantity of demand for products or services. For instance, the older people usually care about health more than younger people. This means that the company that is selling healthy products may have more opportunities to get the older consumers. Conversely, Junk food would have a larger market share among the younger people. (Jobber & Fahy 2015, 37)

Technological forces mainly include research and development, for example, the development of new product and new technology and the transformation of distribution channel. Today, technologies, especially the network are changing people's way of life and consumption habit. With the popularity of the online shop, more and more people choose to shop online instead of going to physical store. Besides, with the advent of mobile devices like smartphone, the consumer would get all kind of information easily than before. Therefore, their judgment for a product might be affected by plenty of sound through network. (Jobber & Fahy 2015, 46)

3.2 SWOT Analysis

SWOT analysis stands for strengths, weaknesses, threats and opportunities. It is a scientific analysis method that combines the company's strategy, internal sources and external circumstances together by identifying the strengths, weaknesses, threats and opportunities of a business. Strengths and weaknesses belong to internal elements, meanwhile, external environment refer to opportunities and threats.

After identifying the SWOT, the next step is to know how to exploit the strengths and pursue the opportunities that have been identified. At the same time, company may wish to take action to counter the threats and weaknesses that have been realized in the business. (Doyle 2002, 86). Through using this SWOT method, companies are able to make a comprehensive, systematical and accurate analysis about what position the business is in the market, so that they could elaborate corresponding development strategy and plan according to that research result.

SWOT ANALYSIS



Figure 2. SWOT analysis (Website of agronomics consulting 2016).

The Strengths and weaknesses mainly focus on the actual strength of the enterprises and the comparison with competitors. By identifying their own strengths, the enterprises would have a clear idea about what kinds of advantages they have compared with their rivals, and what would possibly make them successful. Generally, the strengths could be anything which are superior to its competitors, for instance, the quality, the style, applicability of products and so on. After that, they may make some specialized strategies and plans to maintain their strengths. Meanwhile, putting the sources and taking the actions focusing on their strong point. Accordingly, after analyzing and listing weaknesses of the business, the company would accurately understand what their disadvantages are compared with competitors, and then they should elaborate some concrete plan and countermove to mitigate their weaknesses, or even eliminate them. (Kotler & Armstrong 2016, 80)

The external opportunities and threats primarily pay attention to the change of external environment. Opportunities usually refer to the external environment that may provide possibilities and chances for company to develop their business. For instance, a city would like to transfer its downtown to another site, under this circumstance; the land agent who has economic strength as well as the land in that selected place

would get a best opportunity to develop its business. Threat basically means elements that could cause trouble for the business resulting from some adverse external environment. The external threats may be like new strong competitor, market demand reduction and others. For this situation, the company should first accurately define the threat as soon as possible, and evaluate it comprehensively, then take relevant actions and solutions to mitigate the effect or even remove it. (Kotler & Armstrong 2016, 80)

4 MARKETING STRATEGY

4.1 STP Strategy

STP, which stands for segmenting, targeting and positioning, is a critical marketing strategy to confirm the target market. The core elements of STP strategy involve decision related to market segmentation, targeting and positioning. There may be many reasons why firms do not try to serve all customers in the market rather to make careful choices regarding which customers to serve and how to go about serving them. (Kotler 2003, 279)

The basic purpose of STP strategy is to select and determine the target group or consumers based on the STP. Market is aggregation of various consumer demands. Any enterprise is not able to satisfy all customers' need, therefore, the firm should divide the whole market into a number of smaller submarkets that have common feature according to different demand and purchase power. (Kotler 2003, 279)

4.1.1 Segmentation

According to Jobber and Fahy(2015, 118-119), market segmentation is an approach, used by marketers, to divide a particular product or service market into a number of smaller submarkets based on a range of customer difference, like demand, purchase power, habit and so on. Every each customer group is a submarket that have common

feature. The enterprise could serve these submarkets effectively by identifying those groups of customers with similar requirements.

There are two reasons why it is significant for a company to segment its market. The first reason is that market segmentation could provide the company opportunities to make more profit. Many consumers are willing to pay a premium for the product or service that matches their need. Take airline for example, the ticket for first-class cabin is much higher than economic cabin. However, there are always some passengers who choose to sit in the first class. The passengers in first-class would enjoy better catering, comfortable seat and even considerate service compared with economic cabin, and only this kind of excellent flight service could match their needs. And for those economic passengers, they care more about reasonable price, therefore, the airline design two different condition cabins for those customers who have different needs. The second reason is that market segmentation is conducive to explore new market opportunity and develop new markets for enterprise. Through the market segmentation, the company could analyze and contrast the purchasing potential, satisfaction degree and competitive frame for every each small submarket, and then search out new market opportunity for company to accurately broaden its market. (Jobber & Fahy 2015, 118-119).

Since there are many benefits for company to segment the market, learning how to segment is fairly critical for the development of the company. Most notably, the company should clearly understand the criteria of the market segmentation. There are three main types comprising the segmentation method: behavioral, psychographic and profile variable. (Jobber & Fahy 2015, 119)

The behavior variables mainly refer to benefits sought, purchase occasion, purchase behavior usage and perceptions and beliefs. Since the purpose of segmentation is to identify difference in behavior, so it can be considered the ultimate basis for segmentation. (Jobber & Fahy 2015, 119-120)

Psychographic primarily looks at lifestyle and personality, According to Schiffman, O'Casey, Paladino & Carlson (2013, 687) segmentation was identified that customer should be segmented on the basis of their interests, views and activities. The purchas-

ing behavior is usually related with these variables closely, so the marketers could use them to do the research about the segmentation.

After finding the differences in the behavior, the marketers could utilize the research result to develop customer profiles based on different market segments, the profile segmentation mostly contains demographic, socioeconomic and geographic. Through creating a range of customer profiles, the enterprise is able to understand customers' actual need. (Jobber & Fahy 2009, 119-200; Website of Information Solution Group 2016)

The following figure shows the major segmentation variables used in consumer markets.

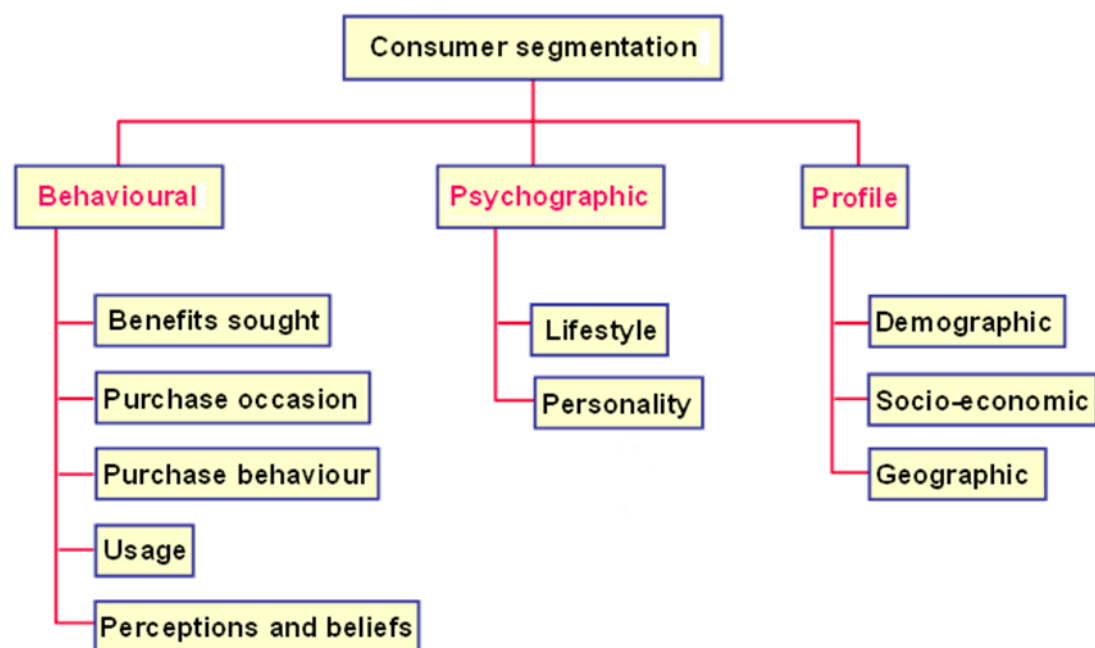


Figure 3. Segmenting consumer markets (Jobber 2010, 263)

4.1.2 Targeting

The marketing scholar McCarthy put forward into that consumers should be viewed as a particular group which is called target market. Once the market has been identified, the next step is to select target markets, and it is a quite important part in the

marketing strategy. A company needs to select one or several segments to serve based on the evaluation of the market. (Jobber & Fahy 2015, 128)

There are four target marketing strategies that company could use to select the target market: undifferentiated marketing, differentiated marketing, focused marketing and customized marketing. (Jobber & Fahy 2015, 128)

Undifferentiated marketing: Company chooses the whole market as its target market. The undifferentiated marketing strategy considers only consumer's need in common, not in difference. This strategy is more convenient for managers; because they just need to design a single product and develop only one marketing mix for the whole market. Meanwhile, it helps the company to ensure product quality easily, and this mass production would lower the cost of sale and production. But the company, who applies undifferentiated marketing, would face stronger competition if the opponents offer different products for different market segments. (Jobber & Fahy 2015, 128)

Differentiated marketing: Company divides the whole market into several segments based on group differences, and then develops various marketing mixes aiming at different segments, so as to satisfy specific consumers' needs and wants. By adopting differentiated marketing, company is able to probably expand the sales volume, and capture more market share and enhance reputation in the marketplace. But since company has to develop diverse marketing mixes for each segment, it would accordingly increase the management and operation cost for company. Moreover, the differentiated strategy would increase the production and sales cost because of the production differentiation. So by now, only the large powerful firms are equipped to adopt this type of strategy. (Jobber & Fahy 2015, 128)

Focused marketing: This strategy is particularly appropriate for companies with limited resources. Through adopting focused strategy, companies can concentrate on superior power to a specific segment, and pay attention to produce what the target segment actual needs and wants. Furthermore, it enables companies to lower production cost. Although they may enjoy this distinct advantage, there is still risk for companies that take the strategy. Because the target market scope is small and single product, once the customer's needs changed, the companies would probably get into

trouble if they were late to response to the alteration. Additionally, the companies would be seriously affected when a strong contender hits the target market. Companies who take this strategy usually have a deep knowledge of the target market, and this is the strategy that the majority of small and medium-sized enterprises should employ. (Jobber & Fahy 2015, 129)

4.1.3 Positioning

Marketing positioning refers to the strategy that enterprise creates a distinct and profound image for its brand according to the feature or attribute of its products or services. For customers, they hope to get as much as benefits from what they buy. Positioning is action that links the products or services to the value and benefit that consumers seek, thus, it is quite important for companies to positioning itself and make sure that their brand should be the first one come to mind when they think about needs or wants. (Jobber 2010, 131-132; Kotler 2003, 308)

According to competition situation in target market among the congeneric product, the companies shape a dynamic, eloquent and distinctive image for their products or services, aiming at customer's recognition level to the feature and property of the products, and then address them to the target consumers, so that the companies could obtain the consumer's identification to brand and products. The essence of positioning is to strictly distinguish the company from other companies, and make the target consumers recognize this difference, and then occupy a meaningful and distinct place in target consumer's mind. (Website of Baidu Baike 2016 ;Jobber 2010,131-132.)

Once the positioning strategy is agreed, the next step for the company is to figure out how to develop a positioning statement. There are four criteria that can be used when generating a successful positioning strategy. (Jobber & Fahy 2015, 133)

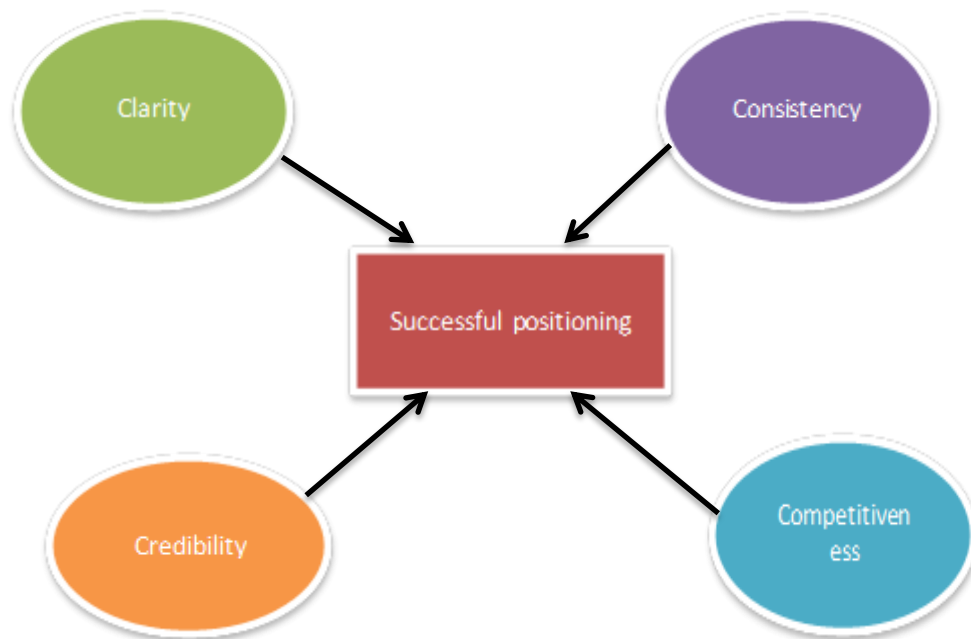


Figure 4. Keys to successful positioning (Jobber & Fahy 2015, 133)

- ♦ Clarity: The idea must be simple and clear, since simple positioning statement is more likely to be remembered, and then easier to impress the consumers.
- ♦ Consistency: The company must keep the positioning statement consistent. Consumers would be confused if companies change their positioning frequently, therefore, companies need to remain the positioning statement unchanged.
- ♦ Credibility: The differential advantage should be credible in customer's mind. Consumers are more inclined to choose the product with a credible image, and the product lacked of credibility would not attract and capture the target consumers.
- ♦ Competitiveness: The company must have some competitive advantages compared with its rivals. And it should provide some benefit to customers that the other competitor could not offer. (Jobber & Fahy 2015, 132-133)

4.2 Marketing Mix

Marketing mix is a key component of company's marketing strategy, which is a key business tool that the company used to do the marketing activity in order to promote a product or service. It is designed to meet the customer's requirement. "The marketing mix is a range of marketing decision that is designed and made in order to realize

marketing objectives. (Doyle 2002, 88) The marketing mix includes four essential elements: product, price, promotion and place. Nowadays, this 4P's framework has developed into 7P's, which added three additional variables: people, physical evidence and process. (Jobber & Fahy 2015, 9 &173)

4.2.1 Product

Product could be defined as anything that satisfies customers' needs or wants. It is the core element in the process of marketing, also a basement for all the activities that are used for running a company. The product can be a physical objective such as mobile phone, car or cake. It can also be intangible service like massage. In addition, there are many products combining the physical goods and intangible service, for instance, in the catering business, customers can enjoy not only the foods provided by the restaurant, but also the services served by waiter. (Jobber 2010, 303)

The key point is that what people buy is not the product itself, but the value it offers which just meets people's needs. For instance, people buy cosmetic because they hope that it would make them look more beautiful. Refrigerator is not bought for looking at, but rather to keep the food fresh. Hence, as successful firms, they should not focus on their product itself, but on improving their product offering ability to meet and satisfy the customers' needs and wants. (Doyle 2002, 32)

Satisfying the customer's needs and wants is the most crucial thing that must be considered in the process of designing and producing a product. For instance, KFC in China, when you walk into any KFC in China, you would find out that the food provided there is enormously different than in other countries. Surely, they sell those basic fast food like hamburger, fries and some western-style snack, but more important is that most of products it offers are the combination of Chinese and western food. So it quite appeals to Chinese customers, and it is the reason why the KFC is one of the most successful foreign enterprises in China. At the same time, KFC elaborates the Chinese market development plan and fairly understands the taste of Chinese customers, so it keeps on launching new products conforming majority Chinese taste, which make the company stays ahead of its competition in Chinese market.

4.2.2 Price

In a narrow sense of the word, price is the amounts of money needed to pay for getting the products or services. To put it widely, price is the total values that the customer must pay for obtaining the benefits of using a product or service. Historically, price has great influence on consumers' purchasing decision.(Kotler & Armstrong 2016, 324).

In the marketing mix, price is the only factor that will produce revenue; the other factors are all represent the costs. Meanwhile, the price element is the most flexible one in the marketing mix, which changes very quickly. Besides, the price is the one that needs deep consideration most, even if a little bit mistakes on the pricing could bring about a great influence for the company. Thus, price is the hardest part for managers when making marketing mix strategy comparing with other marketing mix elements (Kotler & Armstrong 2016, 324).

Setting price is commonly a tough work for all managers; however, smart managers consider that pricing plays a significant role in achieving company objectives and creating value. (Kotler & Armstrong 2016, 325) Setting a proper and right price for the product or service would probably bring enormous benefit and profit to company.

If customers consider that the value of product or service is less than its price, they will not buy it. However, if the company set the price too low, which may lower than its cost, then it will lose money in business. Consequently, setting a right price is quite critical for the continuous development of company. The factors that influence the price setting mainly contain external and internal factors. (Kotler & Armstrong 2016, 335)

Internal factors affecting pricing include the company's marketing objectives, marketing mix strategy, costs, and organizational consideration. After target market and marketing positioning have been selected, then the marketing strategy including price, will be simply figured out.(Kotler & Armstrong 2016, 335) For instance, a garment company defines its target as young girl, so the price of their products should be comparatively lower to enable the target to afford the products. In this sense, the

pricing strategy is greatly decided by the already through-out marketing positioning. Pricing is a critical element in the marketing mix that helps company to achieve its objectives. By setting different price, the company is able to attract new customers or maintain regular customers (Kotler & Armstrong 2016, 335).

Cost is the key factor that affecting the price setting. Generally, the company will set price that could cover all its cost from production, marketing, distribution and so on. For example, they are some companies that are famous for their low-cost running, like Lidl, Ryanair and EasyJet. These companies with lower cost are able to set lower prices to create more sales and profits. If company costs more than its competitors to produce and sell a similar product, under this circumstance, the company will probably sell it in a higher price, which may causes less sales. Or if the company sells its product at the same price as its rivals, it will result in less profit. No matter what price strategy the company takes, it is always at a competitive disadvantage. (Kotler & Armstrong 2016, 329)

The external factors that affect the price setting include the market and demand, competition and other environmental factors. The costs set low limit for price, in the contrast, the market and demand set upper limit of price. So the company needs to understand relationship between demand and price. Price decision is changed with the different types of markets. For example, in monopolistic competition, there are many sellers in this market and the price competition is quite fierce, the enterprises could set the price by themselves but they need to be very careful, because of a little bit change on price would affect much on the sales. (Kotler & Armstrong 2016, 336-339)

Competitors' price also affects a lot on company's price setting strategy, for example, when consumers are planning to buy one product, they would compare the prices among all the other similar products before making buying decisions. So setting a comparative price based on its rivals' price is critical for company. In addition, the economic condition is also a significant factor that the company has to considerate when setting price, because the economic factors like boom, recession, inflation, and interest rates could have a great influence on consumer spending and company's production cost as well.(Kotler & Armstrong 2016, 336-339)

Since there are so many factors affecting the pricing strategy, the company needs to consider them carefully and seriously when making pricing decision, after that it should select the most suitable pricing strategy for its products or services. There are three major pricing strategies: customer value-based pricing, cost-based pricing and completion-based pricing. (Kotler & Armstrong 2016, 325)

Customer value-based pricing means that the customer perception about value is the first consideration when setting price. The company should not decide price just based on the product itself, but it should have an overall consideration about many related issues, like entire marketing mix element before making price decision. According to customer value-based pricing strategy, the company must assess customer needs and perception of value firstly, and then set the right target price based on assessment of customer needs and value perception. The setting target price will decide how much costs that company could bear and decide what kind of product it would design. In a word, the price should be set to perfectly match perceived value. (Kotler & Armstrong 2016, 325)

Comparing with value-based pricing, cost-based pricing is that setting price based on production, distributing, and marketing cost plus a fair profit (Kotler & Armstrong 2016, 329). The best price cannot be conducted by using this approach, because it only focuses on the cost and ignores the competitors' price and marketing demand when setting price, but it is still used by so many companies for its advantages. (Kotler & Armstrong 2016, 329-331)

The last approach is competition-based pricing; it means that the company set its own price according to its competitors' price. No matter what price the competitors' charge, the company must provide the customers superior value for that price. (Kotler & Armstrong 2016, 332) If the company recognizes the value that its product delivery is greater than its competitors, the company could set a higher price than its competitors'. Conversely, if the offering value is less comparing with its competing products, then the price should be a little bit lower than competitors'. (Kotler & Armstrong 2016, 332-333)

In a word, when a company plans to set price, it should firstly analyze the internal and external factors that affecting the price setting carefully and seriously, and then select the most proper pricing strategy that could help them obtain best return for their effort.

4.2.3 Place

Place in marketing mix refers to the distribution activities that make the products available to target consumers (Kotler & Armstrong 2016, 78; Jobber & Fahy 2015, 16.) Simply put, company chooses which distribution channel it uses for delivering its products to target customers, for example, selling product through online shop or physical shop (Jobber & Fahy 2015, 16)

The distribution channel can be divided into two types based on number of channel level: direct marketing channel and indirect marketing channel. Direct channel means that the company sells directly its products to final customers. In this way, it enables the producer to save the circulation cost because there is no intermediary in the distribution process. Besides, the producer is able to understand the change of market demand, and then adjust product mix immediately, so as to figure out corresponding measure and decision. The indirect marketing channel means that the producer sells its products to end customers through intermediary. This type of channel usually contains one or more intermediaries such as agent, wholesaler and retailer. For producers, this distribution channel could help them to share their business risk and increase coverage of products sales, eventually enlarge the market share of the product on target market. However, if there are too many intermediaries, the operation costs would be raised accordingly. Therefore, it is quite critical for company to choose a suitable and effective distribution channel.

Retailing and wholesaling are the two major intermediary channel links in the process of indirect marketing distribution. Especially the retailing, generally, everyone would be served by the retailers every day, and commonly they have the most direct contact with the end customer in the direct marketing distribution. (Kotler & Armstrong 2016, 408) Most retailing exists in the form of store such as supermarkets and

department stores. But with the improvement of technology, another retailing form occurred and became increasingly popular, which called online store. Online store, as a rising retailing distribution, grows fast and begins to gradually replace physical store. It becomes a popular form among the customers. (Jobber & Fahy 2015, 235)

There are some advantages that make clear why online store nowadays is so popular all over the world. Firstly, the issue of location becomes less important. For a physical store, a superior location is a quite significant competitive advantage for the physical store. In order to attract more customers, companies commonly must invest early and select carefully the best location. However, the issue of location is not important for online retailers at all. Secondly, advantage is flexibility; customers can purchase what they want through online shop that operates 24 hours per day, and every day of the year. There is no limitation of hours of operation for online shop. However, the physical store has fixed operation hours; customers must go there during that fixed time quantum if they plan to buy certain products. So the online store is more flexible than physical store. Thirdly, product range is also a comparative advantage for online retailer. Offline retailers have a limited carrying capacity because of the limited space of the physical store. On the contrary, the online shop do not have any limit on load capacity due to online retailers have a huge warehouse to supply the products that customers demand. Fourthly, doing business online may cost less than having a physical store. Online business just needs to establish a website which is relative cheaper, while the offline retailer has to invest early in the physical store location. Last but not least, online business is an efficient way for a company to inroad into global market, but the key is that how to attract the customer from all over the world to the website. (Jobber & Fahy 2015, 238)

Although there are so many advantages of online retailing, but the offline store is still a significant retailing form because it helps a lot for company to increase the brand awareness and brand building. Consequently, in order to a better development of product distribution and sales, the most efficient way is to build both online and offline store at the same time. (Jobber & Fahy 2015, 238)

4.2.4 Promotion

Promotion in marketing mix refers to activities that communicate the product advantage with customers and convince them to buy it. (Kotler & Armstrong 2016, 78) Promotion strategy plays an important role in helping company to engage consumers and achieve marketing objectives. The main purpose of promotion is to engage customers' attention and interest and stimulate their purchasing desire, so as to seek to expand products sales and increase profit. (Kotler & Armstrong 2016, 446)

Companies usually adopt two approaches to deliver product, as well as price message to the target market. The first approach is personal selling, which means that sales forces promote products to customers face to face. The other one is non-personal promotion, namely companies communicate message to mass market via mass media. This promotion approach mainly includes advertising, public relations, sales promotion and so on. There are many reasons why the company needs to carry out various promotion approaches. Firstly it could help company to delivery right product message to customer and guide buying behavior in time. Secondly, an effective promotion is able to stimulate purchase desire to expand market demand and then enlarge the market share. Thirdly, it could help to highlight products' features and increase market competitiveness. The company could promote its unique characteristics differentiating from competitors to attract more customers. Lastly, it could help in maintaining market share to strengthen market position. (Kotler & Armstrong 2016, 446)

There are five major promotional tools, respectively are advertising, sales promotion, public relations, direct and digital marketing and personal selling. (Kotler & Armstrong 2016, 447)

Advertising was defined in most marketing books as any non-personal communication of ideas, goods, or services by an identified sponsor. The specific media tools that are often used are broadcast, print, online, mobile, outdoors, and other forms. Advertising can help companies to build brand or product awareness in the early stage of product development, and reach a wide range of audience in a short time. Advertising can be performed via various kinds of channels, like broadcast, TV,

newspaper, print, online and so on. Companies need to choose the most suitable and efficient methods according their budget. (Kotler & Armstrong 2016, 447)

Sales promotion usually works closely with advertising. As advertising provides the reason why customers should buy products or services, the sale promotion offers reason to let customers buy now. Sale promotion refers to promotion tool that the enterprise uses to stimulate customers' buying desire and encourage purchasing behavior in a short term. The sales promotion can be seen everywhere, and the most frequently used sales promotion tool that can be found in daily life is consumer promotions, which contain various tools, like sample, coupons, cash refunds, premium, price packs, and contest and so on. For example, the supermarkets often launch free sample campaign when they try to introduce a new flavor or product. The main objective for sales promotion is not just to create short-term sales, but to consolidate the product's position in the market and to build long-term relationship with customers. (Kotler & Armstrong 2016, 515-517)

Personal selling is the interpersonal arm of the promotion mix. (Kotler & Armstrong 2016, 502) It refers to the activity that the company sends sales forces to face to face communicate product value with one or more potential buyer through oral presentation in order to persuade them to buy products or services. The requirement for sales forces is relative high because the effect of personal selling is directly decided by salespeople's overall quality. Along with the continuous development of technology, new products are emerging in an endless stream; as a result, there will be more requirements for the sales forces. For example, some large enterprises require the salesperson should be well-educated and well-trained professional. Meanwhile, he or she is able to offer value for customers and establish good and long-term relationship with customers. (Kotler & Armstrong 2016, 502-503)

The role of public relations is not to promote any concrete product or service, but to deliver enterprise's operation philosophy and value to the public. Using this tool well enables the enterprise to improve its brand awareness, image and reputation, to set a harmonious and friendly marketing environment, so as to indirectly promote products sales. (Website of Baidu Baike 2016)

Digital marketing is promotion that companies engage consumers and communicate customer value via electronic device such as smartphones, tablets and computers and other digital platforms. Nowadays, with the steep rise in internet usage and buying, as well as the rapid growth of digital technologies, digital marketing has become greatly important and useful tool to promote products and services for companies. In today's digital age, people are able to browse and receive message any time anywhere through the social media, news website, or online videos, in this way, the message spread fast from one end to the other. Consequently, the digital marketing today should be one of most important tools for companies to achieve marketing objectives. Especially, in young market, digital marketing even can be a complete way to engage customers. (Kotler & Armstrong 2016, 538)

5 RESEARCH METHODOLOGY

5.1 Qualitative research

According to Malhotra, (2012, 73) qualitative research is an unstructured and exploratory research methodology that provides insights into the problems about research objective. It is a technology that helps the researcher to explore and identify the problems or solutions to problems through observing, testing and analyzing the collecting unrepresentative and typically small samples. In order to gain a basic understanding about research objective, the qualitative research mainly uses unstructured or semi-structured interviews to collect the primary data. Besides, the conclusion of qualitative research was mainly described with words. (Malhotra 2012)

In this paper, the qualitative research will be used to do the marketing strategy research and analysis because this method is able to provide the correct and exactly official information about the Zhou Heiya's marketing strategy, and help the paper to do the further study.

5.2 Data collection

There are two types of data in the research process, one is primary data, and the other is secondary data. Primary data is data that is collected directly by the researcher or author through the interview or survey; it is a kind of new data to a certain degree. On the contrary, secondary data is an old data that it already exists in somewhere, like the library and Internet. It mainly includes professional journals, books, newspapers, reports, theses and so on. These two types of data act as important roles in research process. For the theoretical part in this thesis, the secondary data were collected through some literatures from school library and some related website to provide a reliable theoretical background for the thesis. In addition, the secondary data were also used to introduce the case company and related industry, and to analyze the current market situation of leisure food in China. (Saunders, Lewis & Thornhill 2003, 245-247)

In order to gather a more detailed and exactly information about Zhou Heiya's marketing situation and strategy, the primary data were also used in this thesis. The paper utilized the semi-structured interview to collect primary data for further study in the thesis. In semi-structured interview, main questions needed to be listed in advance; meanwhile, some additional questions could be added according to actual state during the interview. The author has already had semi-structured interview with Mrs. Yang, one of the staff from marketing department of Zhou Heiya. The questions were mainly focused on the marketing mix strategy, marketing environment and current market situation. The semi-interview questions had already been designed and were sent to Mrs. Yang on January 11, 2016, at the same time, the interview was conducted via FaceTime on 18th January 2016.

5.3 Reliability and validity

Validity of research refers to whether the research findings or results are same on all occasions. Reliability means that whether the findings or results are really about what they appear to be about. In order to guarantee the reliability and validity of the research, all the sources and data should be professional and official, for example, if

the information comes from certain websites, the websites must be an official website or some kinds of authoritative websites. Moreover, the version of literatures from school library should be latest as can be. (Saunders, Lewis & Thornhill 2003, 101)

In order to guarantee the reality of the research in this thesis, all data used for research process had a reliable source. For example, all online data were from official websites or authoritative website. Meanwhile, all the books used in the paper were from SAMK library.

Concerning the interview questions, because the purposes and the objectives of the thesis were described and set already at the very beginning, so in order to guarantee the consistence for the thesis, all the interview questions were made and listed according to those objectives and purposes. All questions were made in Chinese which is the mother tongue of the interviewee, meanwhile, the semi-interview was also conducted in Chinese, so that the interviewee was able to totally understand the questions and give more accurate answers to support the analysis and research of study.

In addition, this thesis is a research about case company's marketing strategy in a specific district, so all the discussions in the study were around the marketing knowledge. In order to support the analysis and discussion in the study, the empirical part was developed based on the answers received from the interviewee who is the professional marketing staff in the case company. Moreover, all the practical recommendations for the case company would be conducted based on the research and analysis about company's current strategy. In this way, the reality and validity of the paper could be guaranteed.

6 INTRODUCTION OF ZHOU HEIYA FOOD COMPANY AND YANGTZE RIVER DELTA ECONOMIC ZONE

6.1 Introduction of Zhou Heiya

Zhou Heiya Food Company was founded in 1997 by Zhou Fuyu. At the beginning, it was just a small store which sold processed duck meat in an inconspicuous street. After several years of efforts, the business was gradually developing and getting strong. Since June 2006, Zhou Heiya Food Company officially started to operate in formal enterprise mode. The headquarters of Zhou Heiya is located in the city of Wuhan, capital of Hubei province. The Chinese brand name "Zhou Heiya" is the combination of surname of founder and the feature of its products; "Zhou" is the surname of the founder Zhou Fuyu, and "Heiya" means "black duck", which is the main characteristic of products that the company sells.



Picture 1. The brand logo of Zhou Heiya (Website of Zhou Heiya 2016)

Zhou Heiya is a leisure food company, which specifically sells processed duck, goose, meat byproduct and vegetable. Until 2015, the number of staff on active duty was over 3000, moreover the company owns about 187 chain stores in the city of Wuhan and 600 stores over the country. In 2011, Zhou Heiya was named as China Famous Brand by Hubei provincial government because of its product quality and good brand reputation. At present, Zhou Heiya is concentrated on expanding market over the country.

The enterprise devotes itself to spreading happiness to its customers. The goal of Zhou Heiya Food Company is being a century brand and going to the world. And the enterprise's mission is bringing a healthy life and pleasurable tasting experience to customers by its products. (Website of Zhou Heiya 2016)



Picture 2. Zhou Heiya stores distribution map in China (Website of Zhou Heiya 2016)



Picture 3.Zhou Heiya store in Beijing (Website of Dazhongdianpin 2016)

6.2 Introduction of Juewei Food Company

Juewei Food Company, as the biggest competitor in market for Zhou Heiya, was founded in 2005 by Mr. Dai in Changsha. The products that Juewei sells mainly include processed duck, chicken, meat byproduct and vegetable category, which are really similar with Zhou Heiya's product categories. Juewei is the number one food company in the industry. It has more than 5000 stores and 28 subsidiary corporations around the country at present. Actually, Juewei only had 61 stores in nationwide in the first year of operation, afterwards, from 2006, Juewei made a market expansion plan, and then started to rapidly grab market share over the country by adopting franchisee mode for enhancing its brand awareness. Until now, the Juewei franchisee can be found in almost every city in China, no matter how small the city is. (Website of Juewei 2016)

6.3 Introduction of Yangtze River Delta Economic Zone

Yangtze River Delta Economic Zone is an economic region in China that includes Shanghai municipality, Zhejiang, Jiangsu and Anhui Province. The original Yangtze River Delta contained only 16 cities. In 2010, Hefei and Jinhua are among six cities

that joined this Economic Zone, and then the amount of cities reached 22. In 2013, Wuhu, Wenzhou and the other eight cities entered into the Economic Zone; finally, there are totally 30 cities in the Yangtze River Delta Economic Zone. The total population in the district is 216,934,900 (2015), and area of region is 354,400 km². Yangtze River Delta is home to quite complex and extensive transportation network. It is a transportation hub in the eastern China which is comprised by railway, highway, waterway and airway. (Website of National Bureau of Statistics of China 2016)

Shanghai is the financial center of China and also the flagship of China's economy. The growing up of Yangtze River Delta Economic District is dominated by Shanghai, as well as by other key cities such as Nanjing, Suzhou, and Hangzhou. The Yangtze River Delta Economic Zone is the most advanced economy in mainland China, and the most active economic zone in China. It accounts for 21,7% of Gross Domestic Product with only 2,1% of national land area and 11% of population. It is considered as the most critical engine for prosperity of Chinese economy. (Website of Baidu Baike 2016)

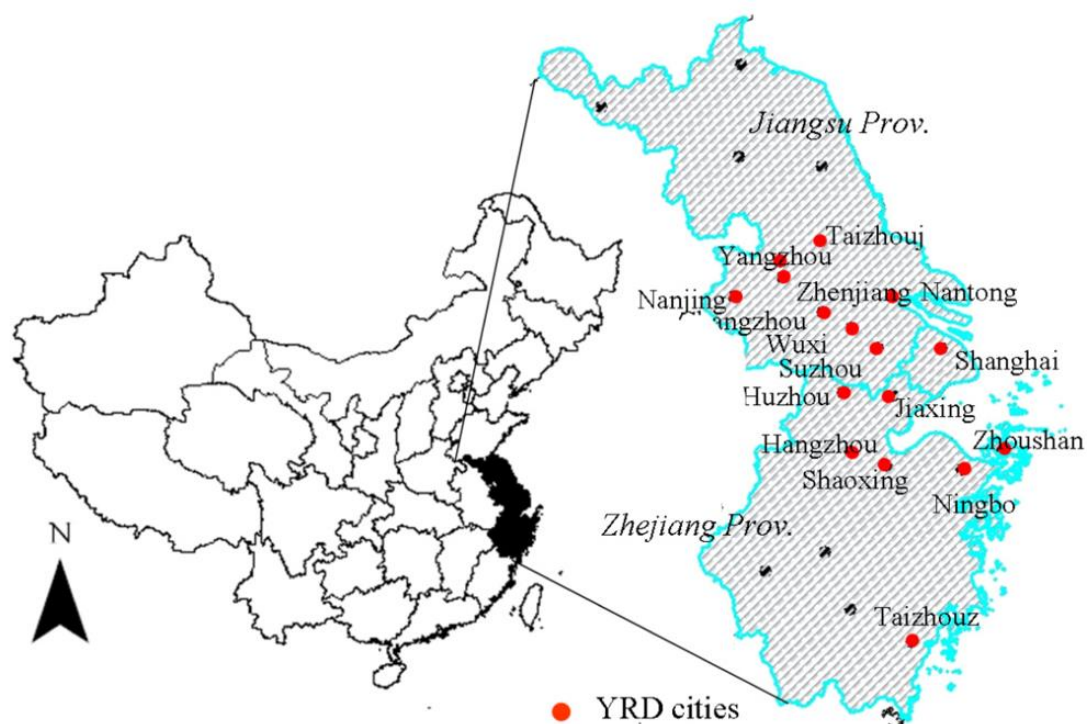


Figure 5. Map of Yangtze River Delta Economic Zone (Zhang, Uwasu, Hara & Yabar 2010)

The average personal income and consumption level have always been at the forefront of the country and well above the average national level. Taking an example of Zhejiang, in 2015, Zhejiang province produced 4,2886 trillion Yuan of GDP, which increased by the rate 8% comparing with 2014, at the same time, the annual per capital GDP is 77644Yuan, which is far more than average national level of GDP per capital of 49351Yuan. In addition, the per capital disposable income in Shanghai, Zhejiang and Jiangsu are well above the national average as well, as shown in following figure.

Table 1: The comparison between Yangtze River Delta Economic Zone and Nationwide in terms of Economic data (Website of National Bureau of Statistics of China 2016)

Currency: RMB

	GDP	GDP per capital	Per capital urban disposable income	Per capital rural disposable income	Urban residents Per capital annual living expenditure	Rural per capital annual living expenditure
Jiangsu province	701,164,000,000,0	87995	37173	16257	24966	12883
Zhejiang province	428,860,000,000,0	77644	43714	21125	28661	16108
Shanghai city	249,649,900,000,0	100031	52962	23205	36946	16152

Nationwide	635,910, 000,000, 00	49351	28843.85	10488.88	19968.08	8382.57
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Because of powerful economic strength, Yangtze River Delta has always been the key market for all companies, and of course includes Zhou Heiya. In addition, because of the huge market size with about 2,17 hundred million residences, it is one of the most potential and attractive markets in China for all business. For this reason, the competition in this district is fairly fierce. (Website of National Bureau of Statistics of China 2016)

6.4 Market situation for Zhou heiya in Yangtze River Delta economic zone

There are totally 30 cities in Yangtze River Delta Economic Zone. Zhou Heiya have covered only five cities among all cities, which respectively are those first-tire cities: Shanghai, Hangzhou, Ningbo, Nanjing and Suzhou. According to the statistics from official website of Zhou Heiya, the total amount of Zhou Heiya's chain store in this district is 172, including 34 in Shanghai, 22 in Hangzhou, 1 in Ningbo, 13 in Nanjing and 7 in Suzhou. It seems that the company has a large number of stores in these five cities, however, in terms of the economic strength and population amount, this number of stores is far from enough. Juewei, as the main competitor of Zhou Heiya, has a total of 806 franchisees in this Yangtze River Delta Economic Zone. Besides, Juewei opened 472 stores in those five cities where the Zhou Heiya has already covered. This number is almost nearly the total amount of Zhou Heiya store over the country. In the terms of number of stores, Zhou heiya is nothing compared to Juewei. Actually , physical store is a quite efficient promotion tool to attract customers for the food companies like Zhou heiya and Juewei, hence, the more stores companies have , the more brand awareness they have. Juewei opened its first franchisee in Yangtze River Delta district in 2006. However, Zhou Heiya did not enter this market until 2010. For these two reasons, the brand awareness for Zhou Heiya in Yangtze

River Delta is far less than Juewei. (Website of Zhou Heiya 2016; Website of Juewei 2016)

7 INTRODUCTION OF LEISURE FOOD INDUSTRY IN CHINA

Leisure food, as fast moving consumer goods, is the snack that people enjoy after having meal or in their free time. With the rapid development of modern society, eating is not only a matter of filling up our stomachs, but also eats more healthy and varied diets. Under the influence of this perception, the leisure food industry is growing up fast. After years of growing up, the total demand for leisure food market has been over a hundred billion. Also the market capacity is increasing at a geometric rate, meanwhile, the consumer market is rising rapidly, and the annual increase rate is at 25%. In the last few years, there are about thousands of leisure food companies registered in China, all these information shows that there is huge development potential and living space for leisure food company in China. (Website of ChinaIRN 2015)

At present, leisure food industry market in China presents a series of characters of large amount, small-scale, and low concentration degree.

In terms of production technology and new product development, the local company is always far behind foreign brand, it cannot keep pace with the development of the market. The local enterprises mainly focus on the low-end leisure food market, while the middle and high-end leisure food market have been monopolized by foreign-owned enterprises. In other words, the foreign-owned company and joint venture enterprise hold the absolutely dominant position in leisure food market. (Website of ChinaIRN 2015)

The production of leisure food is closely connected with the agricultural resources. Different areas have different agricultural resources, thus, the concentration level of leisure food industry is relative high in the specific region. Because of this, it has

formed numerous specific resource advantage leisure food types that lead the development trend of China's leisure food industry. At present, there are already a lot of specific leisure food companies for a specific region, such as Hunan spicy food, Anhui nuts group, Fujian candy legion and so on. (Website of ChinaIRN 2015)

In consumer market, the creative space for China's leisure food is still large, there are many categories that needed to be subdivided. The traditional hand-made leisure food would be gradually disappearing from customers' vision; instead, more and more detailed categories and flavor would appear in the market. (Website of ChinaIRN 2015)

7.1 Consumption characters in leisure food industry

The first character is that the young women became the main customers for leisure food industry. In the early year, children were always the main target market for leisure food companies. But recent years, the young women are gradually becoming the main target, because they have strong buying power and purchase desire, also more easily to accept the new products. The young women from 18 to 35 years old are the mainstream population leading the trend of food consumption. And for students, the price and taste are the key points that they pay more attention to. (Guo 2012, 15)

The second feature is that customers pay more attention to product quality than before. With the improvement of living standard, and because of the constantly arising of the food safety, people increasingly emphasize food safety and their health. Safety, natural and nutrition have become the main requirements when customers pick up the food product. Thus, for food producer, selecting natural and quality material to produce quality products is the most efficient strategy to follow this consumer demand. The philosophy of Zhou Heiya Food Company is "customer first, team second, shareholder third", which is perfectly match current customers' requirements for food. (Guo 2012, 16)

The third feature is that customer loyalty is low in leisure food industry. Generally, the continuous extension of market capacity for a company comes from two aspects,

one is the new coming customer, the other one is to attract old customer to buy products frequently. In the short run, the second issue plays more vital role in enhancing the short term sales and market share for company. Leisure food is typical fast moving consumer goods, so the randomness of customer purchase is relatively high. Once the customers taste one product and accept it, the customers would probably give up their previous like and turn to purchase new products repeatedly. Thus, lots of leisure food firms regularly arrange free foretaste activity to attract customers. Similarly, every time when Zhou Heiya Food Company launched new flavor or new products, it would have free taste activity in its physical stores. (Guo 2012, 16)

The fourth one is that products renew quickly in leisure food industry.

Pursuing fashion and individual character is the value for current young people. For this reason, companies in leisure food must carry out product differentiation by adding different fashionable elements frequently to attract more young people. Besides, innovation is also a significant and efficient strategy for companies in leisure food industry, for example, constantly updating flavors and packaging. Zhou Heiya has realized this feature for a long time, so it frequently launches different fashionable packages and new flavors to attract customers. (Guo 2012, 16)

Lastly, the homogeneity of products is serious. At present, the amount of companies in leisure food industry is numerous due to the low entry barriers and comparatively low technical content for production; consequently, it leads to homogenization of leisure food gradually. Among the numerous brands, the value of product largely depends upon the brand value. (Guo 2012, 17)

7.2 The challenges that leisure food industry faces

With rapid development of China's economy, the production cost, human cost and delivery cost are increasing constantly. Meanwhile, the fierce competition makes the product price remain in a lower level. In addition, customers' sensitiveness to price cause that the company cannot raise price readily. As a result, the increase rate of cost is higher than price. Furthermore, in order to seize more market share, the mar-

keting costs are keeping increased. Finally, under all these circumstance, almost every food company's profit is now falling. (Guo 2012, 18)

The customer's character of being fond of the new and tired of the old is particularly obvious in food industry. Along with the continuous enrichment and development of product types in leisure food industry, customers' alternatives for leisure food are getting more and more. Because of this, almost every product category in leisure food industry could probably develop a micro-subdivision and form a relative stable customer group. Therefore, understanding the change of customers' need is the most critical task for every enterprise. (Guo 2012, 18)

With the frequent occurrence of food safety incident, leisure food companies are facing with the pressure coming from supervision department and customers. Currently, there are still various safety problems in the process of food production, for instance, over-standard of food additives and insanitary production environment, so the companies in food industry need to pay attention to every detail of their production. (Guo 2012, 18)

7.3 Business mode in Leisure food industry

7.3.1 Chain store

Chain store is one type of business mode. It refers to a shop that is directly operated by the head office. Namely, the organization directly invests, operates and manages the chain stores. Under this mode, the head office is in charge of every transaction of all stores, and the chain stores must totally submit to head office's direction. The main feature of chain store is that the ownership and management should be centralized and unified in the organization's head office, and all members and sections in enterprise should be centralized leadership and unified management by headquarters. For instance, the management of human resource, purchasing, planning, advertisement, accounting and guideline for management should be centralized and unified in the headquarters. The enterprise must carry out the unified cost accounting system;

meanwhile every single chain store must practice the standardized management. (Ai 2013)

Advantages of chain store mode

- There is no intermediary from production to sales. The enterprise is able to face the customer directly, so that they could make more operating profit comparing with franchisees.
- It enables the company face market directly which helps the organization to obtain the most efficient and latest market information, so as to understand the real demand characteristic of customers.
- Since the enterprise has more direct control over the operation, the chain stores could be manageable easily.
- Because of the chain stores are directly managed by the headquarters, the product quality could be unified and assured; also the reputation of product could be maintained well.
- The direct chain's characters of centralized purchasing and unified stock will lower the purchasing cost, so that the company has cost advantage in general compared with other companies that adopt franchisees.

Disadvantages of chain store mode

- The direct chain stores need larger investment. It also involves the great number of employees, complex system and difficulty in organization management. In addition, the investment risk and stock risk are also relative big for the direct chain shops compared with franchisees.
- The direct chain store is managed and operated by people sent from headquarters, the chain shop does not have decision-making power, hence, the market exploitation progress will be slower and lack of flexibility. (Ai 2013)

Zhou Heiya is the typical example that insists on adopting chain shop mode. In order to ensure the product quality and enhance brand reputation, Zhou Heiya has decided the business mode since the beginning of market expansion. Under this chain store mode, Zhou Heiya has been being with a good reputation for many years. The company keeps a steady development and growth with this good reputation. However, its speed of development and market expansion are still too slow when comparing with

Juewei. Over about ten years, Zhou Heiya only has about 600 stores throughout the country while the Juewei has about 5000. This huge difference, in the final analysis, is due to the business mode Zhou Heiya took. The chain store has plenty of advantages for business operation, but it can limit development and market expansion speed. For this reason, Zhou Heiya is far behind Juewei in terms of market share and market coverage rate.

7.3.2 Franchisee

Franchisee, is the other kind of business mode, namely organization authorize the service mark to the franchisers, so that the franchisers are able to attract customer by using the brand, reputation and image of the franchise chain headquarters. Before franchisers open the stores, the headquarters needs to teach its own experience and technology to the franchisers. Meanwhile, it must assist to open the store and operate daily business. The both sides must sign a franchisee contract, and the company headquarters will charge the franchise fee, deposit and premium from the franchisers. The core characteristic for franchisee mode is that the headquarters only provides the necessary support about image, brand and training to franchisers, and every single franchisee will operate as a separate store and bear legal liability independently. (Ai 2013)

Advantages of Franchisee

- It helps the organization inroad into a new market as quickly as possible and accelerates the fund withdrawal. Meanwhile, the enterprise is able to effectively expand its market rapidly and occupy more market share.
- The franchisee enables organization's headquarters to save capital investment and reduce investment risk, so that the organization could concentrate on the production and brand promotion.
- The organization is able to effectively explore blind market area with the assistance of franchisers, especially the market penetration and development to the secondary and the tertiary market.
- Every single franchisee has a relative strong flexibility, initiative and autonomy in the process of decision-making and daily operation.

Disadvantages of Franchisee

- Because of the issue of interest ascription, a lot of promotion campaigns and brand building are difficult to be implemented in place in franchisee. This does benefit to the integral development of brand. In addition, since food industry is an industry, which is lack of loyalty, the franchisers are easy to switch to other brands.
- The enterprise will face brand risk, if the franchisee does not operate in accordance with original company mode, or if customers' complaint cannot be dealt with as soon as possible in franchisee. These entire possible problems will cause damage to the enterprise's brand image and reputation. (Ai 2013)

Juewei is the typical representative who took this franchisee mode. It has been adopting the franchisee pattern from 2006 in order to open as many stores as possible in the whole country. Until 2015, the number of Juewei stores across the country is over 5000, which is a huge amount comparing with its rivals. The sales of Juewei mainly came from those franchisees. Taking this franchisee pattern helped a lot in saving funding and in reducing the investment risk during market expansion. In addition, franchisee pattern assisted Juewei Company in grabbing market share at high speed. Although this pattern brought much benefit for rapid development of Juewei Company, it also brought certain problems. Recently, the Juewei's food safety affair continuously arises. In terms of quality control and operation supervision, the franchisee pattern performances relatively weak compared to chain store pattern. As a result, it leads to the constantly occurring of food safety issue. In addition, the local supervision departments do not make effort in supervision that also results in the weakening of management in franchisees.

7.3.3 Franchisee + Chain store pattern

In consideration of pros and cons of franchisee and chain store, more and more enterprises adopt the business mode that combines the franchisee and chain store. This means that enterprise has both franchisee and direct chain store; these two types of

store operation patterns could complement each other to gain higher profit. The pattern of “franchisee +direct chain” means that the firm builds up certain direct flagship chain stores for extracting mature operation mode, and then attracts franchisers to copy its successful operation mode to open franchisees . However, as anything has two sides, there are also certain disadvantages about this combined pattern, since it needs two totally different strategies to manage the stores, the company may need to invest plenty of manpower, financial and material resource for implementing it. (Ai 2013)

8 ANALYSIS OF ZHOU HEIYA’S MARKETING ENVIRONMENT IN YANGTZE RIVER DELTA ECONOMIC ZONE

8.1 Macro environment analysis-PEST

The operation and development of Zhou Heiya is affected by external factors, mainly including political environment factors, economic factors, social factors and technology factors. These four external factors have great influence on the process of the strategy making and its implementation. So the paper would analyze that external environment of Zhou Heiya in Yangtze River Delta district by adapting PEST.

8.1.1 Political environment

Support from the government

From the 12th five-year plan, Chinese government is accelerating the transformation of economic growth mode and readjusting the economic structure. They try to archive the economic transition by putting expanding domestic demand as breakthrough to readjust economic structure. The food industry is exactly a mainstay industry in domestic consumer market, so that it would face a promising development prospect under this expanding domestic demand policy. (Website of News of China 2015)

Strict legal provision

Chinese government has a clear legal provision in related to food safety. There are several critical laws that Zhou Heiya must obey during the operation, like Trademark Act, intellectual property law and food safety law. For past few years, food quality and safety problem arise constantly. These issues are highly valued by Chinese government, so the government enacted and published several more vigorous regulations and criteria for food industry. This kind of strict supervision and monitoring, on one hand, is a challenge for the development of food industry, which may raise the threshold for companies who intend to enter into food industry. However, on the other hand, it is an opportunity for Chinese food industry to make overall upgrading and development. Similarly, for Zhou Heiya, this is an opportunity as well as challenge. The opportunity is that it will eliminate some companies in food industry which are not qualified to produce, for example, there are a lot of fake Zhou Heiya stores in the market. Some of them are not even qualified for production, so they would probably receive harsh punishment and even be forced to terminate its business. Additionally, it would encourage Zhou Heiya to produce safer and healthier food so as to build a more positive image and brand reputation. Conversely, the challenge is that the cost on manpower, material resources and financial resources will be increased obviously in order to comply with the laws. (Interview answer 2016)

8.1.2 Economic environment

Recent years, the leisure food industry in China has been making a rapid development. With the improvement of living standard, Chinese customers pay more attention to the diversity of food. Meanwhile, since the improvement of the production technology in whole leisure food industry, the prospect of whole leisure food industry is quite optimistic.

Because of the predominant geological location and geographical environment, Yangtze River Delta is the biggest economic district in China and the most powerful economic center defined by Chinese government. It accounts for about 20 percent of China's Gross Domestic Product and undertake one third of its imports and exports.

Currently, there are 30 cities included in the Yangtze River Delta district, where Shanghai, the financial center of China, is the most famous one. Besides Shanghai, there are other cities like Suzhou, Nanjing, Hangzhou and so on, all these cities included in the Yangtze River Delta district performs quite strong when it comes to the economic issue. For instance, the Nanjing city, which is the provincial capital of Jiangsu province, ranking fifth in terms of economic performance in mainland China. In 2015, the GDP of Nanjing is 960 billion US dollars, and the growth of GDP is 9,2% comparing with the figure of 2014, meanwhile, the per capital GDP in Nanjing is 18000 US dollars, which is two times of last year. The economic level decides the standard of consumption. Only the residents who make enough income, could they have extra money affording those goods, which are not necessary for the daily life. (Website of National Bureau of Statistics of China 2016)

The increase of citizen's income is the basis of the snack consumption. According to the government report, the economic performance of Yangtze River Delta district keeps a good trend in 2015. Along with the rising of economic level, people's consumption standard and purchase power are continually increasing. The demand for leisure food is continuously increasing as well. According to figures, in 2009, the market capacity of leisure food has reached over 40 billion RMB, but consumption per head was only 23,6g, while it was 3,2 kg in the developed countries. At present, the market capacity of Chinese leisure food industry grows at a geometric rate. In 2014, the annual sales for leisure food in whole Chinese market have exceeded three trillions of RMB, and the increase rate of consumption market is about 25% per year. Combining these data, it is believed that there are still huge development interspaces and market potential for leisure food industry in China. (Website of Askci 2016)

8.1.3 Social environment

Demographic situation

Until 2015, the total population in Yangtze River Delta is about 216,93 million. This huge amount of population illustrates a promising issue, namely there is a huge consumer market in this district. (Website of National Bureau of Statistics of China 2016)

Family situation and age structure

Because of one-child policy, annual population growth is significantly slower and the size of family is getting smaller and smaller. The family of three members is the most predominant family type in today's China. With the one-child policy, the parents lay greater emphasis on the healthy growth of their children; meanwhile, along with the increase of income, the parents are able to provide various foods to their child. Furthermore, as a result of declining fertility and increasing longevity, the phenomenon of aging is increasingly serious. This issue of aging population is especially evident in Yangtze River Delta Zone. The old people focus more on health and longevity, therefore, Zhou Heiya's feature of health, nutrition and tasty is especially favored by the old people. Meanwhile, the old people have more leisure time, which will probably have more demand for leisure food.

The transformation of life style

As the China's economic development and living tempo quickens, the way that people live and work has already been completely transformed. Eating is not only a matter of filling up the stomachs anymore, the demand for health and nutrition in the food overrides the basic feeding needs. People pay more attention to the health and start to pursue eating healthier and well balanced. The leisure food, with the characters of nutrition and convenience, is getting more and more affection and favors from customers and gradually occupying more and more important position in people's daily life. The modern diet stresses health, variety and balance of the food, and reflects the concept of modern consumption. Similarity, the consumption way and concept also permeate into the consumption of leisure food, with the improvement of life standard, the requirements for the leisure food's quality and taste is becoming higher and higher.

As life standards rise, people are increasingly aware of the importance of relaxation, for this reason, the life quality has become an important indicator to measure well-being. Along with the transformation of life style, the leisure food consumption increases accordingly, this creates ample opportunities for the development of leisure food. In addition, constantly emerging of food safety issues profoundly affects the customers' behavior, which makes the customer pay more attention to the product quality and brand, and turn to other consuming place with food safety guarantee like chain hypermarket and leisure food stores. Zhou Heiya, as a leisure food company,

has been always selling its products in its own brand monopolizing shops. At the same time, it has always had a good reputation among the customers for its quality products, for these reasons, Zhou Heiya is able to have credit with customers, so as to attract more customers.

8.1.4 Technological environment

For Zhou Heiya Food Company, the technological factors refer to the technology of production, processing, storage and transportation. For past few years, the company invested a large amount of money to technological process and equipment upgrading for maintaining the quality of products. For example, Zhou Heiya introduced a preservation technology from Germany and Italy, called Aroma. By using this Aroma pack; Zhou Heiya's products can be kept fresh for a longer time, so that the customers could taste freshest products with their original favor. Moreover, this preservation technology is able to isolate pollution during the transport and selling, and guarantee the food safe and quality. (Website of ChinaByte 2015)

In addition, the improvement of logistical technology also plays an important role in development of Zhou Heiya. For example, the cold-chain logistic enables Zhou Heiya to keep products quality and freshness during the long-distance transport, also it provides guarantee for customers who make an order from online shop to receive the best products of Zhou Heiya. (Website of ChinaByte 2015)

8.2 SWOT Analysis

8.2.1 Strengths

Zhou Heiya takes business mode of chain shop which is easier to manage and control the operation of chain shops compared with franchise pattern which is used mostly by its competitors. In addition, this business mode could remain unified flavor and also ensure the quality of products, which is an obvious advantage for the Zhou Heiya.

Zhou Heiya has stricter criterion for selecting its raw materials, which can ensure quality and flavour of its products. It is also an important advantage for the company to compete in the market.

Zhou Heiya has mature management channel and complete capital chain. The chain store mode of Zhou Heiya makes its management channel simple and easy, which directly lowers the operation and maintenance cost. Accordingly, it decreases the Zhou Heiya's operation cost, and enhances company's competitiveness. The simplification of the management channel could step up production and sale; meanwhile, it accelerates the flow of fund which thereby provides the sufficient capital for the continuous development of company. In November 2011, Zhou Heiya had obtained the investment from Tiantu Investment Corporation, and had financed 60 million in the preliminary round. In June 2012, it got financing of 1, 5 hundred million in the second round, which financed 2,1 hundred million in total. These abundant funds provide huge motivation for the further development of Zhou Heiya. (Website of Sina 2012)

In 2010, Zhou Heiya established e-commerce department preparing for starting its business online, this was again a successful attempt to increase its sales. Setting up a shop online could make up for the deficiency of the tradition chain store pattern, and could mend the circumstance of market demand exceeding supply. Meanwhile, it is more easy and convenient for customer to buy its products anytime, anywhere, especially for those customers in area that Zhou Heiya's store have not covered. The customers buying online would enjoy the home delivery service, which is convenient and fast. So far, Zhou Heiya has set up online store on those most famous websites like Tmall, Jingdong, Yihaodian and so on. Based on the statistics that Zhou Heiya lately declared, the total sale from online shop has been over 150 million RMB in 2015, which accounts for about 10 % of the annual sales. In the light of this amount, the Zhou Heiya got a remarkable result on the e-commerce compared with its competitors which have online shop as well. (Website of ChinaByte 2015)

8.2.2 Weaknesses

Market coverage for Zhou Heiya is low compared with its competitor. In 2015, the number of Zhou Heiya's chain shops has already reached 600, but it still cannot compare with the number of JueWei's franchisee store, which has over 5000 stores all over the country. And Zhou Heiya insists on the chain shop not the franchisee; consequently, the development speed of Zhou Heiya is far behind its rivals which all take the business mode of franchise. In addition, even the Zhou Heiya has 600 stores over the country, but almost 80% of them are concentrated upon Hubei province. Meanwhile, its marketing network only refers to about ten provinces and cities such as Hubei, Hunan, Beijing and Shanghai. The stores coverage is very low outside of Hubei province. There are about 30 cities in the Yangtze River Delta, but Zhou Heiya chain stores only covered 5 cities among the whole Yangtze River Delta, while its main rivals Juewei has opened franchises in almost all cities. As a result, this kind of low market coverage is the primary reason why it has a relative low market competitiveness compared with its competitors. (Website of Zhou Heiya 2016; Website of JueWei 2016; Interview answer 2016)

Besides, the chain store pattern causes low brand awareness in a way. The rivals Juewei and Jingwu all took franchises mode to expand market; as a result, they occupied more market share and thus have relative higher popularity than Zhou Heiya. Because of the slow speed of expansion, Zhou Heiya does not have many chain stores in Yangtze River Delta, which caused the customers in many cities do not know Zhou Heiya. For example, based on followers number on a social media account, the Zhou Heiya has 87,838 followers, while the Juewei get 410,000 followers, which is five times more than Zhou Heiya. This reveals the fact that the market awareness and publicity of Zhou Heiya is far below than Juewei. (Website of Sinaweibo 2016)

The chain store mode results in that the expansion cost for Zhou Heiya is much higher than its competitors who adopted franchise pattern. For Juewei, it does not have to spend much on opening a new store in a new place, since the franchisees usually take all costs by themselves. The thing that Juewei needs to do is just providing its technology and right to use the brand. On the contrary, Zhou Heiya must take all those

expansion costs by itself, which requires a great deal of manpower, material and financial resources.

8.2.3 Opportunities

The rapid development of E-commercial brings great opportunities for Zhou Heiya Food Company. With the coming of Internet age and the development of online business, the company could advertise its products through network platform; at the same time, the rapid development of online business provides a better sale platform for the company. Zhou Heiya should take full advantage of this emerging platform, to display its products and make more consumers know its brand, so that they may have a desire to buy Zhou Heiya's products from physical store and online shop.

The huge market capacity and potential of leisure food industry offer significant growth opportunities for Zhou Heiya. For the past few years, Chinese leisure food industry has already gotten such a big improvement. The food categories are getting increasingly plentiful, while the requirement of customer for quality and nutrition of food is growing continually. As the paper described before, the capacity of Chinese leisure food market is already quite large. According to incomplete statistics, it has already reached 3 trillion RM. However, even though the total capacity is quite large, the consumption per head is far below than amount in developed countries. For example, according to statistics, the total consumption population for leisure food in USA accounts for about 97% of USA population, and the consumption weight per capital for leisure food was about 3,2 kg per year, which is far more than China. So there are still a lot of room for Chinese leisure food industry for growing and improvement. Currently, the leisure food industry is still evolving fast, and it is predicted that the market capacity of leisure food will continually increase at a range of 15% to 20% per year. Therefore the leisure food would be the most promising industry for coming decade, this would be big opportunity for Zhou Heiya. (Website of CFIIN 2014)

The support from government would be a wonderful opportunity for Zhou Heiya. Since the food industry has greatest contribution to China's GDP growth, the Chi-

nese government has taken the policy of tax-cut for the industry. Consequently, the food company like Zhou Heiya got a better development with the support of government. In this context of the overall business environment, Zhou Heiya Company got great opportunities to develop its business with the transformation of consumption habit and exploitation of consumption potentiality. (Interview answer 2016)

Rapid pace of life in today's society provides a good development chance for Zhou Heiya. The products that Zhou Heiya sells are quite convenient to enjoy, the customers could eat them at anytime anywhere, which just accord with people's fast-paced life. So that the company could take advantage of this feature as a selling point to attract more customers. (Interview answer 2016)

8.2.4 Threats

The biggest threat for Zhou Heiya is the fake stores. From year 2009 to 2015, there are almost 300 fake stores over China mainly in Wuhan city, until now, still some fake store are located near Wuhan railway station where the pedestrian volume is fairly large. In the Yangtze River Delta district, there are also many fake stores selling their products in the name of Zhou Heiya but the flavor and quality are totally far from the real Zhou Heiya food. Those fake stores who sell fake Zhou Heiya's products make a bad influence on the reputation of Zhou Heiya. (Interview answer 2016)

The similar company founded by brother of founder of Zhou Heiya poses a threat for development of Zhou Heiya. In 2010, Zhou Changjiang, the brother of the founder of Zhou Heiya, established his own new brand called Zhou Hongya that sells similar products with similar flavor with Zhou Heiya. Moreover, the decoration style of the chain store also looks very similar with Zhou Heiya's store. All these similarities put the original Zhou Heiya into a state of embarrassment. In order to maintain the product quality and reputation, Zhou Heiya always insists on the principle of no franchise, no agent and no teaching technology. However, Zhou Hongya Food Company adopted franchise pattern to exploit the market. He knows clearly the secret recipe of Zhou Heiya, which is the key competitiveness for Zhou Heiya. As a result, this franchise pattern touched the core interest of Zhou Heiya because Zhou Hongya spread the se-

cret receipt to other franchisees. This situation is extremely unfavorable for Zhou Heiya to retain competitive advantage and expand its business to all over the China. (Interview answer 2016)

The competition that Zhou Heiya faces is extremely fierce. Besides Zhou Heiya, there are so many other brands in the leisure food industry which concentrate on the duck products in the same field, like Juewei, Jingwu, HuangShanghuang and so on. The market entry barriers for leisure food industry are low. There are not many requirements for company who intends to enter this industry. As a result, the quantity of companies is numerous in the industry; accordingly, the competition is extremely intense. Meanwhile, the homogeneity of products is serious. For example, Zhou Heiya has researched and developed firstly and creatively duck tongue products, which were quite popular among customers after being launched. Nevertheless, Because of the popularity of duck tongue products, a large amount of companies started to develop same products. Until now, almost every company has this duck tongue products, which causes the benefit loss for Zhou Heiya to a certain degree. (Interview answer 2016)

In addition, many big companies in leisure food industry which mainly sell other categories of food, according to the authors' life experience in China, there are usually almost ten leisure food stores in just one common street, which also reveals the fact that Zhou Heiya really faces a fierce competitions in the market. Moreover, the large amount of competitor in the industry also means that the customers have plenty of alternative options when they make buying decision, so it is also a threat for Zhou Heiya Food Company.

9 MARKETING STRATEGY

9.1 STP strategy

9.1.1 Segmentation

Market segmentation for Zhou Heiya in Yangtze River Delta is based on the demographic and behavior. The demographic segmentation includes many variables such as age, gender, income, occupation, and religion. Demographic segmentation is one of most generally used segmentation type among all variables, which could help the company to subdivide a huge population into a specific customer group. (Website of Marketing 91 2016)

Demographic Segmentation

The first variable of demographic segmentation which would be used by Zhou Heiya is age. Spicy is the main character for Zhou Heiya, different age group have different acceptance about the spiciness. According to interview answer, the target market can be divided into three range: teenage market (3-19 years old),young and middle-aged (20-49 years old), and the old (above 50 years old).

The first range teenager demographic has relative lower acceptance for the spicy food, at the same time, they do not have independent capability of payment, so that they could not be the loyal buyer to Zhou Heiya. Despite all this, because the teenagers are able to accept new things, also recently, they could get more pocket money from their parents than before, thus they may be not the most loyal but prospective consumers. In addition, the old demographic market is also restrictive concerning the willingness to buy, because they prefer the light food which is healthier for body. So they are not the main potential clients for Zhou Heiya. However, in order to win the customers as much as possible, the company still can develop new flavor which is lighter and acceptant by the elder. The young and middle-aged group is the main target market for Zhou Heiya, since this age range people are more likely to try and accept the new things. Meanwhile, they prefer strong flavor than plain, for these reasons, Zhou Heiya is able to become popular among this age group. In addition, this

age group has stable source of income to ensure their consumption power, moreover, they are willing to share things with their friends and families, which in some way could take effect on promotion.

Gender is also an important variable for Zhou Heiya to segment market. According to the interview result, females are the major buyers for all kinds of Zhou Heiya' products, which account for 60% of all purchases concerning about the purchase frequency. Commonly, the female buyers would do the purchase 1,5 times every week, while the male buyer's purchase frequency is 1 time per week. (Interview answer 2016)

Customer Behavior

Some people may purchase products for their own use, some may purchase for others. In other words, they buy them as a gift for others like relatives or friends. For most buyers of Zhou Heiya, they generally buy and enjoy the food for themselves, but based on interview, there are still some consumers buying products as a gift, and the number of this kind of buyers is getting more and more. There are two types of people, which would buy them as a gift. One is local people who are going to visit friends. In China, visiting someone's home with some gifts is a quite significant manner, and Zhou Heiya is a good choice for them when selecting the present. The other one is traveler, Chinese people like to buy some local food from sightseeing district as a gift for relatives or friends, and Zhou Heiya is a positive choice for those travelers since its products could represent the distinct flavor of Hubei province. (Interview answer 2016)

9.1.2 Targeting

After segmenting different specific customer groups, the target market is needed to be defined by company. According to the analysis made above and interview results, it can be known that the young and middle-aged customer group is the first main target market for Zhou Heiya in Yangtze River Delta.

According to characters of young and middle-aged market, the group can be divided into two parts. Firstly, young people, which includes students and white-collar workers. The students, especially college students, have much more free and recreation time and stable economic support from their parents, so they have certain spending power. Furthermore, they like food with strong taste better than light flavor., so the spicy food appeals to their tastes. In addition, there are a large number of universities in Yangtze River Delta, so that the college students are critical target customers for Zhou Heiya. The other type , the white collar workers especially female, which commonly has stable financial source as well, is able to bolster theirs daily spending. In addition, white collar workers may be quite busy for their job, so the convenient and fast food would be first choice for them during peak work. Zhou Heiya's character of convenience is exactly corresponds with their requirements. Moreover, it could provide certain nutrition and energy for them. Consequently, young people are the leading target customers for Zhou heiya. (Interview answer 2016)

The people who buy the product as a gift are another target customer group for Zhou Heiya in Yangtze River Delta. The cities included in Yangtze River Delta like Shanghai, Hangzhou, Nanjing and Jiangsu, are the popular sites for traveler in China. So that those travelers who plan to choose local products as gifts for friends or relatives would be important target group. As a gift, it must look like a gift not just with a common package, therefore, Zhou Heiya produces a gift box with a special package and content, this kind of idea attracts a lot of people who plan to select presents. (Interview answer 2016)

In addition, the family with children is also an important target for Zhou Heiya. The parents hope to provide a variety of foods for their children. Meanwhile, children are easy to be attracted by all kinds of foods. In addition, families buy frequently some leisure food to enjoy in their family time, so they are the other customer type that Zhou Heiya mainly targets in Yangtze River Delta Economic Zone. (Interview answer 2016)

9.1.3 Positioning

The positioning of Zhou Heiya in Yangtze River Delta Economic Zone is same with other district. The distinct flavor and convenient packaging are the main reasons that attract most of customers to buy. The distinct flavor could capture and retain customer. Meanwhile, the convenience of Zhou Heiya's packaging ensures that the customers could enjoy its products anywhere at any time. In addition, price is the other important issue to grab customers. Zhou Heiya expects that the customers could think of its products first when they feel like eating some snack in leisure time, meanwhile, it hopes that all the customers could feel pleasure when tasting its products. Consequently, Zhou Heiya has positioned itself as leisure food with spicy-based, which is the food that people enjoy in their leisure time or recreation period, accordingly, the positioning reflects the enterprise philosophy of Zhou Heiya: Spreading happiness. (Interview answer 2016, Website of Zhou Heiya 2016)

9.2 Marketing mix

9.2.1 Product

Zhou Heiya has three product lines: duck, goose and vegetable stuff. The duck products are the main items for Zhou Heiya, which are most popular among all products, as well the feature products for the company. Among the duck products, the pot-stewed duck's neck and tongue are the top two items that sold best. Vegetable product is another category that is specially developed for those vegetarians and some customers who do not like the poultry products. This kind of products diversity plays a significant role in attracting more potential customers. (Interview answer 2016)

Products flavor

Zhou Heiya provides unified products for national market, so the flavor is same over the different area. For example, the flavor of its products in Yangtze River Delta is identical with Hubei province. Even though the people in Yangtze River Delta have a different preference with Hubei local concerning about tastes, the company still offers the same products with same flavor in Yangtze River Delta area. People in

Yangtze River Delta prefer sweet flavor to spicy food, so the vegetable products with plain flavor will be more easily accepted by local people.

Packaging

The Zhou Heiya's products mainly are sold in two forms: unpacked products and packaging products. Unpacked product: the bulk product refers to the various products without packaging in the offline physical store. It includes all types of products that Zhou Heiya sells. And customer can go to the store and decide how much weight they are about to buy, and those foods they buy will be just put in a plastic bag. (Interview answer 2016)

There are totally six types of packages for Zhou Heiya's products sold in online shops and offline stores. Different packages have different prices with different volumes. Products with Aroma pack are the feature products for Zhou Heiya. Aroma pack is a new added package method produced by the Germany and Italian equipment. It uses sealed wrapping, and the box is full of the fresh-keeping gas. This packaging is able to remain the flavor and color, at the same time, it postpones the length for preservation. The products with Aroma pack is the most popular among all products. (Interview answer 2016; Website of Zhou Heiya 2016; Website of ChinaByte 2015)

The following are the pictures of those six packages.



Picture 4. The products with Aroma pack (Website of Yi Haodian 2016)



Picture 5. The product with special packaging which is only offering in offline store (Website of Zhou Heiya 2016)



Picture 6. Mini packaging (Website of Zhou Heiya 2016)



Picture 7. Gift box packaging (Website of Zhou Heiya 2016)



Picture 8. The packaging with only one single product (Website of Zhou Heiya 2016)



Picture 9. The packaging with one single product only offering in online shop (Website of Zhou Heiya 2016)

9.2.2 Price

Zhou Heiya takes competition-based pricing as its pricing strategy, which means the company set its own price based on competitors' price, so the price of Zhou Heiya products is about the same price with its rivals.

Zhou Heiya used to implement national uniform price, means no matter where the customers bought products, the price always remained same. So the price in Yangtze River Delta was same as in Hubei province. About four years ago, it has realized that national uniform price is not suitable in all cities. As a result, Zhou Heiya started to set different price level for various cities based on the local economic strength and store rental level. Even though there is some difference concerning price in different cities, the actual price difference is quite small. In addition, Zhou Heiya will probably adjust products' price flexibly on the basis of change of raw material cost, commodity price level and other related costs. (Interview answer 2016)

In addition, the price of products will be different on the basis of different packaging, the bulk products without any packaging is the cheapest, while the gift box is most expensive.

The following tables are the price lists according to different packaging in Shanghai

Table 2.The price for Zhou Heiya's feature products with Aroma pack in Shanghai (Website of Sinaweibo 2016)

Products	weight	Prices/RMB
Duck tongue	150g	49,9 /per
Duck neck	320g	32,9/ per
Duck wing	250g	26,9/ per warp
Duck leg	220g	22,9/ Per warp
Duck head	280g	26,9/ per warp
Duck flippers	245g	26,9 / per warp

Table 3.The price for Zhou Heiya's feature products without packaging in Shanghai (Website of Sinaweibo 2016)

Products	Price/RMB
Duck tongue	108/ per 500g
Duck neck	40,8/per 500g
Duck wing	37,8/per 500g
Duck leg	33,8/per 500g
Duck head	39,8/per 500g
Duck flippers	40,8/per 500g

Table 4.The price for Zhou Heiya's gift box in Shanghai (Website of Sinaweibo 2016)

products	Price/RMB
Classic gift box	228/ per box
Fad gift box	128/ per box
Extreme gift box	328/ per box

9.2.3 Place

Chain store pattern

Although almost every company in the industry adopt franchisee pattern, Zhou Heiya has been insisting on business mode of chain store. Because it has always believed that quality is the core value of the brand. The chain store is able to guarantee product quality and enables the company to face market directly, which helps the company obtain the most efficient market information, so as to understand the real demand characteristic of customers in time. It is precisely because of the chain store strategy; Zhou Heiya is possible to enjoy a better brand reputation than its rivals. In addition, there is no intermediate link from producing to selling under chain store mode, so Zhou Heiya could make more operating profit from individual store.

Site selecting

Zhou Heiya's physical stores are mainly located in place with a large pedestrian flow, like business center, railway station, or airport. And there is usually more than one store located in one same commercial district. There are mainly two reasons why Zhou Heiya does this kind of site selecting. In the first place, it helps to attract more customers in crowded places by taking advantage of Zhou Heiya's brand effect. Secondly, more than one store in one district is a type of exclusive competitive strategy, it does not only make things convenient for the customers, but also put the competition pressure on its competitors. For example, in Shanghai, Zhou Heiya built three chain stores near the Shanghai Bund so as to enhance brand awareness and engage more customers. At present, Zhou Heiya has three branch warehouses over the country, one of them is located in Shanghai, which could ensure that enough supplement for the chain stores in Yangtze River Delta. (Interview answer 2016)

Online shop

In 2009, Zhou Heiya established electronic commerce department, and then opened its first online shop on Taobao which is the biggest online shopping website. Until now, Zhou Heiya has built online shop on those famous e-commerce platforms, such as Jingdong, Yihaodian and Tmall. "In 2014, the online shop sales account for about 10% of total sales, and it may probably increase to 30% in the following five year", said by manager of Zhou Heiya. Comparing with offline store, the profit margin of

online shop is slightly lower. Because transportation for online selling has to match the whole cold-chain logistics, accordingly, the logistics cost would increase. In addition, the marketing cost for online shop is much higher than offline store; as a result, the net profit was diluted by rising of these two costs. (Website of ChinaByte 2015)

Other distribution Channel

Besides online and offline stores, at present, Zhou Heiya also has distribution channel in some entertainment venues in Shanghai, like night clubs and karaoke Places for customers to enjoy in their recreation time. (Interview answer 2016)

9.2.4 Promotion

Internet marketing

Nowadays, with the rapid development of smartphone, tablet, and other electronic devices, people can browser messages any time anywhere. Internet marketing has become one of the most popular and useful methods to promote the products in today's world. Currently, Zhou Heiya mainly adopts We Media platform to make its internet marketing.

We media is a general term that means a network platform operated by an individual or an organization. And the We media marketing refers to activity that the individual or organization spreads information or message through its own social network account. We media marketing nowadays is a very popular and significant promotion tool for companies in today's China. The main We media marketing tools that Zhou Heiya uses include official website, SinaWeibo, TencentWeibo and official WeChat platform. At present, Zhou Heiya's official website does not work well as a promotion tool, because the traffic for its official website is relative low. However, SinaWeibo has undertaken task to spread information and communicates with customers as a promotion tool and platform, which even replaces official website as the most important tool. And according to the interview answer, the SinaWeibo has the highest activeness among all the We Medias at the moment. (Interview answer 2016, Website of CNKI 2016)

The main tasks for Zhou Heiya's official SinaWeibo are listed as follow: 1. Release official related information; 2. Hold regular Weibo campaign to encourage purchasing; 3. Post current hot spots affairs to increase customer agglutinant; 4. Interact with followers or customers; 5. Publish the latest promotion information. "For promotion on We Media, the main effect is to ensure the activeness of We Media more, and keep the customer agglutinant" Interviewee said. (Interview answer 2016)

In addition, WeChat is an important platform for promoting products as well. For example, Zhou Heiya has a promotion activity, namely if customers follow Zhou Heiya's official WeChat account, they would immediately get a coupon which can be used for their next purchase. In this way, the customers would be stimulated to buy the products for using those received coupon. Meanwhile, the official WeChat is able to get more followers to help to spread a variety of products and promotion information to a wider range of people. (Interview answer 2016)

Advertising

Advertising is a necessary tool for increasing brand awareness and encouraging products sales. Zhou Heiya uses various advertising types to promote products, for example, outdoor billboard, brochure, and some posters in place with large pedestrian flow. (Interview answer 2016)

Road Show

Zhou Heiya often organizes road show to do promotion in Yangtze River Delta. Road show is a kind of outdoor product promotion and introduction activity. The company is able to capture customers' eyes and engage customer to the campaign by holding road show. The road show could help the company to enhance its brand awareness and reputation. Meanwhile, it plays an important role in making customer knew products clearly and stimulating the customers' desire to purchase products, so as to increase the products sales. (Interview answer 2016)

Zhou Heiya's road show usually includes two parts: entertainment activity and selling. The activity is divided into four zones: stage zone, exhibit and sell zone, game zone and interactive zone. There are various dance performances and game loop, at

the same time, the staff will hold free foretaste activity, and sell all kinds of products as well. (Interview answer 2016)

Joint promotion

Joint promotion means that two or more enterprises or brands have collaborated to carry out promotion activities. The biggest benefit of this approach is to obtain maximum promotion effect with fewer expenses. And sometimes it could reach the goal that the separate marketing is not able to. Generally speaking, the enterprises that hold joint promotion are interest-related to some extent.

Zhou Heiya has made many joint promotions in nationwide including Yangtze River Delta. For example, in 2014, Zhou Heiya made a co-promotion with Wang Laoji, which is a beverage enterprise mainly selling herbal tea. If customers buy Zhou Heiya's products over 40Yuan, they will get a can of Wang Laoji for free; obviously, this joint promotion increases products sales and brand awareness of both parties. (Interview answer 2016)

Sponsorship

Sponsorship is an activity that to support an event or activity by providing fund or material. Through the sponsorship activities, Zhou Heiya could not only efficiently increase brand awareness and reputation, but also expand its social influence. Zhou Heiya, as a leisure food company, has been applied itself to provide pleasant tasting experience for customers, for this reason, in related to sponsor event selecting, the recreation and leisure activities are always the first choices to sponsor.(Interview answer2016)

10 PROBLEMS IDENTIFIED AND RECOMMENDATIONS

10.1 Problems identified

Market expanding speed is slow

Marketing expanding speed of Zhou Heiya Food Company is rather slow compared to its competitors. There are totally 30 cities in Yangtze River Delta Economic Zone, and actually all these 30 cities possess strong economic strength compared with other cities in China. For this reason, the whole economic district should be a potential market for all companies, of course, including Zhou Heiya Company. However, Zhou Heiya only opened chain stores in five cities in this district, respectively Shanghai, Nanjing, Suzhou, Hangzhou, and Ningbo. The market coverage for Zhou Heiya's products in this district cannot be compared to its competitors, like Juewei and HuangshangHuang. And the main reason for this situation is because of its business operation pattern.

As analyzed above, Zhou Heiya has been adopting the business pattern of chain store, and insisting on the principle of no franchisees. This chain store mode would be able to help the company to build good brand reputation, but it restrains the development of the company at the same time. Brand reputation is important for a company, but the profit is critical for the sustainable development of a company as well. In order to maintain the brand reputation and product quality, Zhou Heiya has been always insisting on adopting regular chain shop pattern to expand the market. However, because of the limitation of this pattern, the expansion speed for Zhou Heiya is relative slow compared to its main rivals, for this reason, the quantity of its chain stores is far behind its main competitors which all adopt franchise chain pattern.

Problems on site selecting

As analyzed in the marketing mix part, the criterion of site selecting is the place with a large pedestrian flow. Almost all the Zhou Heiya's stores are located near railway station or commercial center, which has a large pedestrian flow. However, this type of location choosing principle ignored the convenience of other places, for example, the place that is near the residential area. The young family with children is one of main customer forces for leisure food industry, and the residential area must have this kind of families, so the purchasing power in these areas is strong which cannot be ignored.

In addition, sometimes, the company did not make a clear research about the customer flow for certain places. For example, the pedestrian flow in City God Temple of

Shanghai is extremely large, only one store there totally cannot meet needs of that region. As a result, the customer satisfaction declined because they had to wait for a long time to get the products. Similarly, because of the unclear research about the pedestrian flow and amount of potential customers, the company sometimes opened too many stores near one place at same time, for example, there are three Zhou Heiya's stores in Shanghai Hongqiao railway station, which respectively are located in west exit, tickets hall and second floor of waiting hall. This dense distribution of stores caused that the supply of Zhou Heiya's products in there exceeded demand. Moreover, this kind of repeat store did not acquire good effect, conversely, it increased the waste of various resources and the investment of operation cost, consequently, the return on investment is rather low. (Website of Zhou Heiya 2016)

Problem on product

The characteristic flavour of Zhou Heiya is spicy with a little bit sweet, but some local people in Yangtze River Delta have a low acceptance for spicy food. Zhou Heiya currently sells same products across the country; as a result, this may decrease its sales in the district where the locals do not like spicy products, like Yangtze River Delta. Even though many people living and working in Yangtze River Delta are not the local people, it is still significant to grab more customers and increase the market share in the district.

Too many fake stores in the market

There are too many fake stores in the market that had a bad influence on Zhou Heiya's brand reputation and product sales. There are a large number of fake Zhou Heiya's stores in Yangtze River Delta, but Zhou Heiya Company does not have any efficient solution or strategy to deal with this situation. If the company just lets them develop in the market, those fake products would damage the company's brand reputation. Meanwhile, the existence of fake stories in market would affect sales of real Zhou Heiya. (Website of Ifeng 2016)

10.2 Recommendations

Change business pattern

The single business pattern leads to low market coverage rate and brand awareness of Zhou Heiya in Yangtze River Delta, so the first suggestion for Zhou Heiya is to change its business pattern. Zhou Heiya should adopt the business mode that is a combination of the chain store and franchisee, which means that the company adopts mainly chain store mode supplemented by franchisee mode. For example, Zhou Heiya could open chain stores in first-tier cities like Shanghai and Nanjing, while having the franchisees in those second or third-tier cities. The franchisee mode may lead to quality problem or because of it is not easy to manage and control the operation of those franchisees. So when the franchisee mode is adopted, a supervision department for franchisee will be established accordingly to ensure product quality and correct operation and management of franchisees.

Strategy on Site selecting

Site selecting is a long-term investment, so the company must make deliberate decisions when planning to set up a new store. Firstly, if Zhou Heiya tries to open several physical stores near one place especially in business center at the same time, it should make more clear market research about the pedestrian flow and amount of potential customers, as to avoid the situation that supply exceeds demand.

Secondly nowadays, Zhou Heiya mainly opens its stores in the place like business center which has a large pedestrian flow. This site selecting strategy is too single minded, so according to author's opinion; site selecting for Zhou Heiya commonly should be divided into three types: business center type, outskirts and residential quarter. The pedestrian flow in residential area and outskirts is not as big as in business center, but the customer source is stable while the operation cost is relative low, so the outskirts should not be belittled. The company needs to make diverse choices when deciding store site.

Besides, as a leisure food, Zhou Heiya could sell its products in small packages in automatic vending machines like other snack food. It can be seen that so many vending machines in various places in cities sell mainly snack food and beverage. Zhou Heiya should also try to sell products through the machine. It firstly could lower the cost of manpower, and then it could play a promotion role in product selling, last, it

provides convenience for customers because they could get products easily from more places.

Catering to local people

According to the problem identified in last chapter, the author considered that the company should change its flavor to cater to local people, for example, the locals in Yangtze River Delta prefer sweet to spicy food, then the company should launch some products which have more sweet with less spicy taste. Nowadays, the market competition is extremely fierce, especially in the place like Yangtze River Delta, all companies want to meet customers' demand to the best possible extent, and they are always trying to make various efforts to attract customers and to gain more market share, so the Zhou Heiya should also make their best effort to satisfy the customers. Except launching new products with light flavor in the district, it could also change its original products a little bit to lower its degree of spiciness. In this way, the company may be able to gain more customers.

Fight against counterfeit

The presence of a large number of fake stores had a fairly bad influence on Zhou Heiya's reputation, meanwhile, it causes profit loss to a certain degree. So the company must take some drastic measures to fight those fake stores with all its forces.

Firstly, Zhou Heiya should establish a special department to anti counterfeit. The main task for this department is to make clear research about those fake stores, for example, make clear their specific position and main products and collect necessary data which is able to prove their counterfeit behavior. After identifying clearly those fake stores, Zhou Heiya could report those fake stores to industrial and commercial administration. For those stores whose counterfeit behavior are not enough to be reported and punished, Zhou Heiya should post the specific information about those fake stores on its social media account, also utilize local media like local newspaper and radio to release information on fake store and inform all the customers of presence of those fake stores.

In addition, since China is a country with large area, there might be some fake stores in some small cities or towns, which cannot be found by Zhou Heiya's anti-

counterfeit department. So the company could hold a reward campaign to encourage people to highlight fake stores, the people would be given award if they report fake store or their counterfeit behavior, this on the one hand will help the company to fight against fake stores, on the other hand, it would arouse public concern about fake stores.

Last, the company should announce the concrete and detailed method to discern the true stores from fake stores in the nationwide via social media account and newspapers, so the customer could discern the fake stores by themselves through the announced approach.

11 FINAL WORDS

Currently, the competition in Chinese leisure food industry is quite fierce; meanwhile, the market competition in Yangtze River Delta Economic Zone is extremely intense as well. For these reasons, Zhou Heiya Company must establish scientific marketing philosophy, and generate proper and correct business mode and marketing strategy, so as to occupy more market share and make more profit.

The thesis took Zhou Heiya as the research object. By analyzing the micro-environment, industry environment and its main competitor, it can be seen that there are many opportunities along with challenges for Zhou Heiya in Yangtze River Delta. In addition, there are some deficiencies when Zhou Heiya operates its business in the district, so the paper firstly identified certain problems that need to be amended, and then gave several suggestions for Zhou Heiya on the basis of those problems. However, because the complexity of the industry and the market environment, also it is the first time for author to make this type of practical research, so please do excuse her if there are certain shortcomings in the paper

Last but not least, by the process of finishing the paper, the author has a deeper understanding of the academic knowledge learned in SAMK in those three years;

meanwhile, the process that put the theoretical knowledge into practice situation is also a further study about business and marketing in actual world for author. Now, the author is prepared to work in an actual company and apply her theoretical knowledge into the real work.

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INTERVIEW QUESTIONS

1 Marketing situation in Yangtze River Delta Economic Zone

- 1.1 How many competitors for Zhou Heiya are there in the Yangtze River Delta at moment?
- 1.2 How much market share it accounts for in Yangtze River Delta at the moment? And who is the leader in the market?
- 1.3 What is the market objective for Zhou Heiya in Yangtze River Delta Economic Zone?
- 1.4 What kind of chain pattern the Zhou Heiya adopts in Yangtze River Delta at the moment?
- 1.5 Does Zhou Heiya insist on using the current Chain store mode? Is there any possibility to change into other Chain store mode?
- 1.6 What about the market environment and situation of leisure food industry at present?
- 1.7 What are the strengths, weaknesses, opportunities and threats for Zhou Heiya in Yangtze River Delta Economic Zone?
- 1.8 What is the segmentation targeting for Zhou Heiya in Yangtze River Delta Economic Zone?
- 1.9 What is the market positioning for Zhou Heiya in Yangtze River Delta Economic Zone?

2 Marketing Mix

Product

- 2.1 Is there any difference on flavour between Yangtze River Delta Economic Zone and other districts, did the company change its flavour to cater to local customers?
- 2.2 What kinds of products are most popular in Yangtze River Delta?

Price

- 2.3 Because the economic condition of Yangtze River Delta Economic Zone is relatively better than other districts in China, so that, is the product price higher than other districts? Or it remains same.

2.4 If the price is same, is there any possibility to put up price in order to get more profit?

Place

2.5 What are selection criteria for the location of physical stores?

2.6 Is there any production center in Yangtze River Delta Economic Zone?

2.7 How the company keeps enough supplements for chain stores in Yangtze River Delta Economic Zone?

Promotion

2.8 What kinds of promotion approaches mainly were used? And which one was the most efficient way to attract customers?