How to Protect and Increase Brand Equity?

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ABSTRACT

Vitasoy International Holdings Limited (“Vitasoy”) is the most successful beverage manufacturer in Hong Kong. Vitasoy products were centered on the high-protein soymilk drink that the company first produced. It holds a fairly large market share in Hong Kong and the Southern China markets by exporting to and manufacturing in these markets. Its brand images for the main products and the corporate image of the company are very high. However, profits from the sale of these products have been declining in recent years because of high operating costs and the most critical factor, the change in customer taste. In the meantime, Vitasoy’s competitors have been developing and introducing new products. They also develop more aggressive promotional campaigns supporting by outstanding promotional concepts and popular characters. This paper serves the purposes to analyze and evaluate the market situation externally and internally, and to formulate feasible marketing strategy in association with promotional campaigns that Vitasoy can protect and increase its brand equity as well as for strengthening dealer support.

INTRODUCTION

In order to have a clear picture about the existing market, we need to examine and analyze the company’s customers, competitors, target market and economic environment so as to identify the opportunities, threats and trends of the market. As Vitasoy is facing stiff competition, the following questions need to be answered before a feasible marketing strategy can be undertaken:

• What promotional strategy should Vitasoy adopt to protect and increase its brand equity?
• What campaigns that Vitasoy could use and suggest the most effective promotional means to ensure and strengthen dealer support?
• What is brand or corporate image and what are their roles in influencing consumer behavior?
• How brand or corporate image could be included in the development of a marketing strategy?

Customer Analysis

This is to analyze customers’ motivation and unmet needs and wants. Wants is the form taken by human needs as they are shaped by culture and individual personality. It was noticed that keen competition and the change in the taste of customers were attributed to the mild decline on the sales of Vitasoy’s main products in the last few years. This might also reflect changes on the current market segmentation and on customer’s buying motivation and the existence of unmet needs.

Market Segment

Market segment can be defined as a group of consumers who respond in a similar way to a given set of marketing stimuli. Despite the decline on the sales, Vitasoy is still the market leader in Hong Kong and the Southern China markets. This reflected that Vitasoy has targeted on the right market segment. Moreover, the brand images for the main products and the corporate image of Vitasoy are still very high.
This means that Vitasoy has a very good reputation and powerful brand equity. These are some of the sustainable competitive advantages that Vitasoy should be treasured and made use of and taken into account in revising its marketing strategies to dilute its competitors’ attacking efforts. Vitasoy should take a more aggressive approach by putting efforts to further invest and expand its business in these market segments.

Customer’s Buying Motivation and Unmet Need

The keen competition and the change in taste were the main factors attributable to the decline in sales. This reflected that customers’ buying motivation was vulnerable to the price as beverage products were not of essential commodity. Furthermore, the change in the taste also indicated that the customers tended to chase after new products. This means that Vitasoy’s current products cannot satisfy their needs and wants. Nevertheless, the effect of the competition is important and price-cutting can be one of the ways to stimulate the sales to a certain extent. However, it is the change in customers’ taste that is of the most devastating. The new customer requirement has to be addressed for Vitasoy in order to maintain the sales and market shares.

Competitor Analysis

In order to establish effective and competitive marketing strategy, Vitasoy needs to identify its competitors, their objectives and strategies, their strengths and weaknesses, their cost structures and to establish their possible reactions (Kotler, et al. 1998). There are two ways in identifying the competitors: from the industry and the market point of view. Vitasoy can apply Michael Porter’s five major forces that drive the industry competition to analyze its competitions (Michael Porter, 1985). Recently, Vitasoy’s competitors have developed new products and launched aggressive promotional campaigns. They have used outstanding promotional concepts and popular characters to promote their new products so as to capture more market shares. This means that the competitors are going to challenge Vitasoy’s market leader status so as to increase their market shares and profits.

Market Analysis

Market analysis means to analyze the market profitability and attractiveness. Vitasoy can apply the “strategic business planning grid”, or named GE model, developed by General Electric to analyze the market attractiveness. With the aid of the GE model and Michael Porter’s Five Competitive Forces theory, Vitasoy can grasp a clear picture about its business strength, industry’s attractiveness, opportunities that exist in the market, competitors’ strength, consumers’ and suppliers’ bargaining power and substitutes’ threat in the market. Vitasoy is the market leader in Hong Kong, and has occupied a fairly large market share in Southern China markets. In view of the increasing trend of economic growth in the existing markets, the market-size growth and the sales-forecast are still optimistic.

Environmental Analysis

Currently people all over the world become more concern about their health. This is valid both in Hong Kong and China. Many of them are pursuing for healthy and vegetarian foods and beverages. As a result, many healthy products like high-protein soymilk drink and vegetarian foods have been turned into money trees. Some countries are imposing stricter regulations governing the alcoholic beverages and beers. Vitasoy should consider all these aspects when developing new products. The economic growth in Hong Kong and China in the first quarter of 2014 has been impressive. As such, the projected market
growth and sales, and the profit margin will be encouraging in those markets. In addition, more and more people are concerned with environmental protection. As such, the packaging of the products should also be environmental-friendly.

A SELF-ANALYSIS OF VITASOY

The following comments provided an analysis on the performance and critical key success factors of Vitasoy.

Performance Analysis
The setting up of manufacturing plant in the Southern China market enable Vitasoy to have a better control of its resources and served the market well, which are one of the reasons that made Vitasoy a successful and profitable company and thus become the market leader in the target market segments.

Existing Products
As the decline in the sales of the existing products is related to the economic downturn in 2009 and the change of customers’ taste, this indicates that the existing market segment is quite sensitive to price particularly Hong Kong and that the customers are chasing after new products. As such Vitasoy have to find ways to protect and increase its brand equity. However, Vitasoy still have a brand name image and corporate image, which gives it a sustainable competitive advantage to maintain the existing customers. Therefore, it will advisable for Vitasoy to maintain the production of existing products and at the same time developing new products in order to fill the customer need gaps.

New Product Portfolio
Should Vitasoy decide to develop new products, it should have unique features or have competitive advantages. Although there are many beverages in the market that are of thirsty-quenching, many parents perceived that the beverage as not so healthy. As such Vitasoy should develop new products that are both thirsty-quenching and healthy. The features of the new product can be as follows:

• Non-alcoholic, energetic beverages
• Using carbonated mineral water with aloe, a perceived healthy product, as base materials
• Using fruit juice to provide different favors to the new products, including orange, lemonade and grapefruit
• Add with good-to-health ingredients like vitamin C and electrolytes
• The packaging should be made of environmental-friendly substances, like recyclable or biodegradable materials

Financial Analysis
Although the sales is not satisfactory in the past few years, Vitasoy still have a large profit because of the large market share and the establishment of manufacturing plants in local market and Southern China as it reduced the operation costs such as distribution, inventory, warehousing and transportation. Since the company has a sound financial position, it can afford the huge costs arise from marketing research and developing of new products and associated advertising and promotion campaigns.
Critical Key Success Factors

After self-analysis, Vitasoy has four key success factors identified, which provided it with core competence in competing with other competitors so as to maintain its market shares and profit both in Hong Kong and Southern China markets.

• The setting up of manufacturing plants in each market country is needed. This enables Vitasoy to have a significant saving of production and operations costs as a result of reduction inventory, warehousing, distribution and transportation. Vitasoy can have a better control on the logistics support to the dealers and distributors and the customers to ensure high quality of service is provided to them.

• The high brand image giving Vitasoy the competitive advantage on the sales and advertising of its products because its customers will have higher brand loyalty and awareness.

• The high company image is the result of high standard of quality of products and services that Vitasoy have been delivering to its customers. As such, the customers have a very good perception on the company.

• The well-maintained profit margin and the good control on the production and operations costs provide Vitasoy with a sound financial position.

MARKETING DECISION AND STRATEGY

Branding is the selection and blending of attributes in such a way that they are uniquely attractive to consumers. Consumers view a brand as an important part of the product, and branding can add value to a product. Thus branding has become a major issue in product strategy requiring a number of decisions. Based on the analysis mentioned, Vitasoy should protect its brand equity by launching a counter-offence defense against the competitors’ attacks, and to expand its total market. To this end, Vitasoy should adopt the following marketing strategies:

Preserve Brand Equity – To Maintain Existing Product

Vitasoy should continue the production of the existing products. This can help preserve the existing brand loyalty, brand awareness and preserved quality. To reward and extend the customer loyalty, Vitasoy can continue to offer premium such as miniature of cartoon characters as collector’s items, to provide bulk-pack purchase at an even lower price, and to issue coupons with which customers can enjoy a further discount in future purchase of Vitasoy’s products. This can also help to boost the sales of the existing and ancillary products and to expand its market share.

Increase Brand Equity – To Launch Brand Extension

Vitasoy has a high brand name image and corporate image. These competitive advantages provide it with large bargaining power over the dealers. As such, Vitasoy should be able to launch new products as brand extension with fewer efforts. By extending the brand, the new products not only can increase Vitasoy’s brand equity but also can fill the existing product line and expand the total market. This can help plug the product and market gaps which, in a sense, hinder the expansion of its competitors’ market shares, and make the market segments less attractive to new market entrants.
**Target Marketing**

Seller needs to identify market segments, selects one or more of them, and develops products and marketing mixes tailored to each. Given the market leader status in Hong Kong and the fairly large market share obtained in Southern China as well as the setting up of manufacturing plants there, Vitasoy should launch the new products in these regions and markets. As the new products are of healthy and thirsty-quenching in nature, the market segments can cover from children aged 5 to teenagers to adults aged 60+, and to athletes. Moreover, as Vitasoy is to launch new product, it should apply concentrated marketing strategy so as to make use of its sound knowledge of the customer needs in the target market segments, and easier to find effective ways to fulfill them.

**Price Setting**

For the existing products, Vitasoy should apply predatory strategy such that the price is set just lower than that of the competitors in order to stimulate the sales and capture more market share. One of the essential points in launching new product successfully is to quickly get it penetrating into the market and being accepted by customers. Given the Vitasoy’s sound financial position, it should apply both market penetration and sealed-bid pricing strategies during the introduction stage. This means that the price should be set slightly lower than that of the competitors but still can cover the product costs. This can help the product to get penetrate into the market and make it be accepted by customers quickly, hence capturing larger market share.

**ADVERTISING STRATEGY**

Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Advertising used to keep consumers thinking about a product or service and to build primary demand. To cope with the marketing strategies mentioned previously, Vitasoy have to set up a set of aggressive advertising strategies so as to launch a counter-offensive defense against the competitors’ attacks. The company also has to decide how much to spend on promotion. These strategies are to be elaborated in the following paragraphs.

**Thinking Globally, Acting Locally**

As the same identical products are to be launched in Hong Kong and Southern China that with little cultural differences, the advertising commercials to be launched in those markets can be of identical with the message scripts in different dialects. This strategy can help to achieve in reducing the production cost and maintaining efficiency and consistency in the advertising efforts put in different markets (Kotler, et al. 1998). The only difference exist between these regions might be the types of advertising media available. Yet, most of the media mentioned later should be available in those markets.

**Advertising Expense**

As Vitasoy is to launch new products aiming to penetrate into the market quickly, it has to adopt above-the-line advertising. As such, it should prepare a higher but affordable advertising budget. To ensure the money is being spent effectively and also to achieve or even exceed the expected result, Vitasoy needs to set advertising objectives, design the core messages to be communicated to targeted market segments, select the appropriate advertising media, and then to evaluate the result of both the communication and the sales effect.
Advertising Theme and Objectives

To launch a new product by a market leader using the existing brand name, Vitasoy can establish the following theme and objectives. The advertising theme should make use of the unique features of the new products. Vitasoy can set the message around “A new thirsty-quenching yet healthy product by Vitasoy”. To advertise and promote the new products around the advertising theme, the following objectives can be set:

- To expand the top-of-mind awareness of the brand name to all level of target customer groups
- To inform the market about the features of the new products
- To change the perception of customers about beverages
- To persuade customers to buy the products now

Advertising and Promotion Tactics

In order to ensure that the new products can quickly penetrate into the market, the advertising and promotion campaigns will tentatively be launched for a period of two or three months in summer. The first burst of the advertising and promotion will commence a week before the launch of the new beverages at the all target markets simultaneously. The second burst of advertising will commence two weeks after the new beverages have been launched. These tactics can help to achieve high awareness of customers about the new product and persuade them to buy.

ABOVE-THE-LINE ADVERTISING AND PROMOTION CAMPAIGNS OF VITASOY’S NEW PRODUCT

Promotion mix includes advertising, personal selling, sales promotion and public relation a company use to pursue its advertising and marketing objectives. In order to promote the new products during the introduction stage, Vitasoy should adopt above-the-line advertising and promotional campaigns in the targeted market segments. Hong Kong, being one of the major markets in Southern China, is a good example to illustrate various types of the above-the-line advertising campaigns that Vitasoy can apply in its market segments.

On the Customer Side – First-Line Advertising

The following are the first-line or major advertising and promotion campaigns to be launched when the new products are introduced to the markets. This is to paint directly or use stickers to display advertisement on bus car bodies. The three major local bus companies in Hong Kong occupies over fifty percent in market share of total franchised transport. They carry some five million passengers each day. Moreover, bus panel advertisement not only is eye-catching to those buses passengers but also can draw the attention of pedestrians and other users such as drivers and passengers of private cars and trucks. The costs for this advertising will be quite high.

Trackside Motion Advertising at Mass Transit Stations

Another means to place of the advertisement is to making use of the trackside motion at the platforms of the Mass Transit Stations. This method is to broadcast television commercials by overhead projectors onto 3 meters by 1.5 meters screen fixed on the trackside platforms. The advertisement will be broadcasted at each location 19 hours each day with an average looping time of 4 minutes at a frequency of 285 spots per location. In addition, Mass Transit is introducing digital panel zones in various busy
stations and Vitasoy can do the promotion and advertising via this new channel. Mass Transit also operates an Airport Express Line linking the Hong Kong International Airport and the urban city. As such, there are chances to promote the Vitasoy’s brand and products to tourists from all over the world. This will pave way for Vitasoy to launch the products even beyond Hong Kong and Southern China in future. The cost for using this advertising media for broadcasting a 60-second television commercial for a period of two months is quite significant.

**Using Teenagers Idols or Cartoon Characters as Product’s Live Tag**

To secure the children and teenagers’ brand loyalty are of utmost important to the success launch of Vitasoy’s new products because they can influence their peers and their parents most. Nowadays, many popular singers, performers, actors or cartoon characters have become children and teenagers’ idols. Vitasoy can invite one of those idols and to make a deal with famous cartoon company like Walt Disney to adopt its cartoon characters to film a 60-second commercial for promoting its new products. This commercial will then be broadcasted on television, in theatres, cinemas or via the aforesaid trackside motion advertising media. The expenditure of using this type of advertising will be mainly spent on the engagement of the idol, the copyright fee in using the cartoon characters, and the production of commercial.

**On Customer Side – Second-Line Promotion**

The following advertising and promotion can be adopted when such timing arrives. Hong Kong may bid some major international events such as the Asian Games or Ruby Seven in the future. This will give a very good opportunity for Vitasoy to promote the new products by serving as the exclusive sponsor of the event. For other countries like Japan, same kind of sponsorship can be offered to favor sports of Japanese, like the Japan Leagues national football matches. This again may cost several million Hong Kong dollars to get the exclusive sponsorship.

**Sponsorship to Television Fun and Game Programs**

In Hong Kong, many people enjoying watching television fun and game programs. These programs’ watching rates are very high. Some well-received and popular programs can reach a few million audiences. That means these programs can be a very effective advertising media to promote a company’s product apart from ordinary television commercials broadcastings. As these programs need a lot of prizes in terms of money and products, Vitasoy can sponsor these programs by offering its new products plus cash coupons as prizes. This can help to promote its products effectively across a large population of customers although it provides no means of customer selection.

**Company Visit**

Vitasoy should further promote the brand awareness and loyalty to children and teenagers so as to “engrave” its brand name and products as well as company image in their mind. This can help to create a habit or preference among them to buy its products when thinking of beverages. To this end, Vitasoy can invite schools, student unions or community associations to organize students and teenagers touring its manufacturing plants in Hong Kong and Southern China. During the visits, Vitasoy can provide information to them about its company profile and product lines; to offer them a free tasting and give them products or gifts with company logo as souvenir so as to secure the brand and company images in their minds.
On Dealer and Distributor Side

Dealers and distributors also play an important role in launching the new products. As such, Vitasoy must gain and secure their supports. The following are two effective ways in strengthening their supports.

Vitasoy can offer a loyalty scheme to selected dealers and distributors with good performance records and high reputation in customer service. The loyalty scheme may include the following benefits which they can enjoy:
• A delayed invoicing – double what of the existing market practice
• A higher credit amount
• A longer payment period – double the market practice
• A higher rebate offers on purchase
• A special purchase price offers to staff members of dealers and distributors

Vitasoy can also organize co-operative advertisement with dealers and distributors. This includes placing advertising in the Internet web site of dealers, like Walt Disney and to organize joint promotions. In order to secure and strengthen the relationship with the valuable dealers and distributors, Vitasoy can absorb all the advertising cost so incurred.

EVALUATION OF THE ADVERTISING AND PROMOTION CAMPAIGNS

Vitasoy should evaluate the communication and sales effects of advertising on the new products. This can be achieved by carrying out pre-testing and post-testing before and after the advertisement are broadcasted or launched. Vitasoy can apply direct rating, portfolio tests to find out the efficiency and effectiveness of its advertising.

Communication Effect

Vitasoy should apply the following types of pre-testing and post-testing to evaluate the communication effect of the advertising. Advertising pre-testing includes the following three methods (Kotler, et al, 1998):
• Direct Rating – Advertisers will expose a consumer panel to alternative advertising and asks the panel members to rate the advertisement. The direct rating indicates how well the advertising get attention and how they affect consumers. Whilst this is considered as an imperfect measure of the advertising’s actual impact, a high rating may indicate a potentially more effective advertising.
• Portfolio Tests – Customers will be requested to view or listen to a portfolio of advertisements, taking as much time as they need. They are then being asked to recall the contents so as to test what they understand and remember and to what extent so as to evaluate the effectiveness of the advertisement. Their recall level indicates the ability of an advertisement to stand out and its message to be understood and remembered.
• Laboratory Tests – This is to test customers’ physiological reactions such as heartbeat or blood pressure to an advertisement. The tests measure an advertisement’s attention-getting power but show little about its impact on beliefs, attitudes or intentions.
**Post-Testing**

Vitasoy should apply the following advertising post-testing to assess customers’ awareness on its product and the advertising impact in the target markets, and to compare the effectiveness of their advertising with their competitors:

- **Recall Tests** – customers who have come across with the advertising will be asked to recall all they can remember about the advertisers and also the products. This is used to test the power of retention and awareness of customers about the advertising.
- **Recognition Tests** – customers will be asked to read an advertising and point out what they have seen previously. This will help the advertiser to assess the advertising impact in different market segments and to compare their advertising campaign with that of their competitors.

**Sales Effect of Advertising and Contingency Measures**

It is quite difficult to measure the sales effect than of the communication effect of advertising. Yet, Vitasoy can evaluate the sales effect by comparing the past sales figures with past advertising expenditures. Having carried out the evaluation on the communication and sales effects of advertising launched, Vitasoy can have a clear picture on the efficiency and effectiveness of advertising for new products. It also needs to monitor and be alert to any response of the competitors. If there is any sign of adverse effects of advertising or aggressive attacks to be launched by the competitors, Vitasoy must take quick and pro-active actions to stop the adverse effects or to tackle any possible strike-backs from the competitors.

**CONCLUSION**

In facing the competitors’ fierce attacks on the market shares and profits, Vitasoy should expand its brand by developing new products so as to protect and increase its brand equity and expand the total market. Given its competitive advantages and core competence in Hong Kong and Southern China markets, Vitasoy should launch the new product in those regions and to adopt concentrated market coverage strategy. That means, Vitasoy should use one set marketing mix apply on all different markets so as to make use of its great knowledge of the customer needs in those market segments.

In order to promote the new products, Vitasoy should adopt the above-the-line advertising and promotion campaigns so as to quickly penetrate into the market and get the products widely be noticed and accepted by the customers so as to capture more market shares and increase the capability of profit generation. Vitasoy also needs to secure and strengthen the relationship and partnership with dealers and distributors to gain their commitments and supports. Apart from the introduction stage of new products, Vitasoy still have to carry out advertising evaluation regularly so that it can pro-actively and promptly take actions should such market situation prevails.

In addition, Vitasoy also need to closely monitor the sales figures, marketing budget and expenses so as to ensure that, on the one hand, sufficient funding is maintained while on the other hand, the resource will not be wasted hence the jeopardy to company’s financial condition and profit margins. Finally, Vitasoy should keep close monitoring to and being highly sensitive on the response and movement of its competitors so that it can take prompt and pro-active actions to launch counteroffensive defense to competitors’ possible attacks.
REFERENCES


