

Features of the Construction of a Communication Strategy in The Chinese Market by The Example of Moutai

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Abstract

This paper explores the peculiarities of the Chinese communication strategy of the company in the domestic market. The Moutai brand in the alcoholic beverage market in China is regarded as the leader among the producers of the national Chinese drink - baijiu. In this study, the authors identify baijiu as an integral part of Chinese culture, which is widely used in marketing support of modern Chinese brands.

The study is based on general methods, which allowed us to analyze a significant amount of literature on the topic of the article and highlight the main features that helped the Moutai brand to take a dominant position in the production and sale of spirits. Despite some problems of the Moutai brand, for example, with the registration of a trademark, it can be noted that consumer demand for Moutai baijiu only grows every year.

Successful construction of the communication strategy of the brand can be explained by the existing cultural ties between the brand and the target audience, the correct positioning of the brand in the market and established distribution channels. A key factor is the brand's availability on major online marketplaces such as Taobao and Tmall, which expands the audience and dig out potential customers.

Keywords: communication, communication strategy, alcoholic beverage industry, Moutai, baijiu.

Introduction

Humankind became acquainted with alcohol already in the Paleolithic era. At the disposal of the people of the Stone Age were likely to fermented fruit juice (wine), fermented grains (beer) and fermented honey (honey drunk). In his

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study J. Chrzan (2013) said that the etymology suggests that honey was the very first intoxicating drink. The word mead - from mede (medieval English) and meodu (Anglo-Saxon) - comes from ancient Indo-European languages such as methy (Greek) and madhu (Sanskrit). In Sanskrit and Greek, this word meant both "honey" and "intoxicating drink."

China is also no exception. The earliest evidence of alcohol consumption in China dates back to around 7000 BC. Alcoholic beverages were widely used in all strata of Chinese society as a source of inspiration, for receiving guests, as a remedy for fatigue, and sometimes not at all for their intended purpose. From 1100 BC e. until 1400 AD, China passed and repealed laws to ban the production of alcoholic beverages forty-one times. However, it was beyond the power of even the emperors to prohibit or ensure complete abstinence from the use of alcoholic beverages. Now we can say that there is fierce competition in the alcohol industry. However, this type of alcoholic beverages as a baijiu always holds a special place in Chinese culture.

Background And Methodology

Baijiu (白酒) literally translated as a white alcohol and it is a term used to refer to grain distillates produced in China. This is actually a whole family of different alcohols, which may differ from each other.

Archaeological evidence suggests that the Chinese began to produce alcohol about 9000 years ago. In 1983, archaeologists found artifacts from the Jiahu civilization (7000-5800 BC) during excavations in the northwestern Chinese province of Henan. In a research study by S.G. Haw (2012) mentioned the analysis of the pottery showed traces of alcohol made from grapes, honey, hawthorn fruits and rice. This is one of the oldest finds of alcohol distillation in the world.

The first step towards the invention of alcohol in ancient China was the opening of "qu", which became the basis for all subsequent Chinese alcoholic beverages. In the course of experiments, chefs discovered that natural yeast is formed when grain ferments. During the Han Dynasty (206 BC-220 AD), a drink made from a combination of grains and "qu" became widespread. It was called yellow wine (黄酒 huángji) and was essentially an undistilled yellow wine. Xiao-Wei Zheng, Bei-Zhong Han et al (2016) mentioned the wine is very popular among the Chinese aristocracy and many artists and poets sang of his taste.

In the time of the Yuan Dynasty process of distillation been brought to perfection, and at about the same time, a strong transparent wine really become known as baijiu. It began to spread and be popular with farmers and workers, but it also began to spread widely throughout China and adopt different variations.

In Southeast China, rice alcohols became popular, while throughout the rest of the country, alcohol was made from Chinese sorghum, although all baijiu contain "qu," a mixture of yeast and mold. Almost every village had its own baijiu recipe and method, which is somewhat similar to many variations of Scotch whiskey. Baijiu technology is still passed down from generation to generation.

Alcoholic beverage market in China

Xu Guo, Yong-guang Huang et al (2015) mentioned the liquor market in China is booming as the income level of Chinese consumers rises. As alcohol consumption in China increased, the Chinese alcohol market reached 1.136 billion yuan (175 billion US dollars) in 2019. Alcoholic beverages make up a large part of the market, and only baijiu occupies 65% of the market. It is this type of alcohol that has not lost its positions in the Chinese market for a long time.

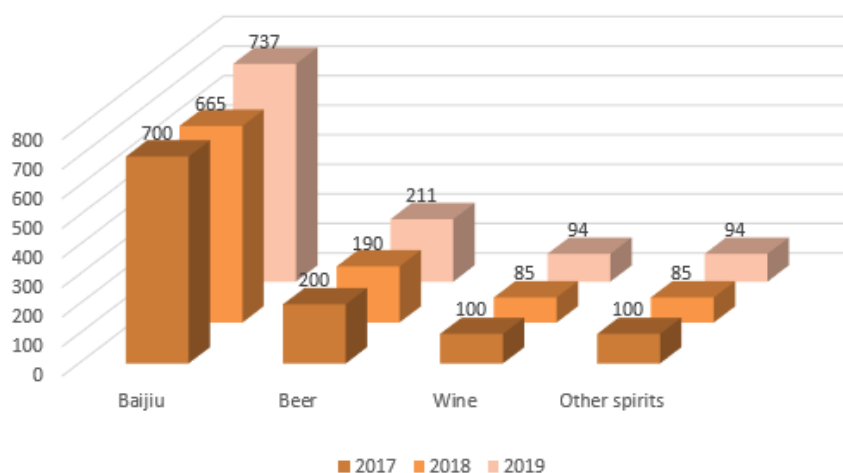


Figure 1: Size of the Chinese alcohol market

There are seven types of spirits on the Chinese market: baijiu, whiskey, brandy, vodka, rum, gin and tequila. According to online marketplaces - Taobao and Tmall, Chinese shoppers prefer traditional alcohol. Elite spirits such as whiskey, brandy, rum and many others are also popular in the Chinese market, but not in the same quantity as baijiu. In their research Amy Wu, David Wang (2017) claim that Western alcoholic culture is gaining popularity among the younger generation, and the emergence of e-commerce platforms is making it easier for Western alcohol brands to enter the Chinese alcoholic beverage market.

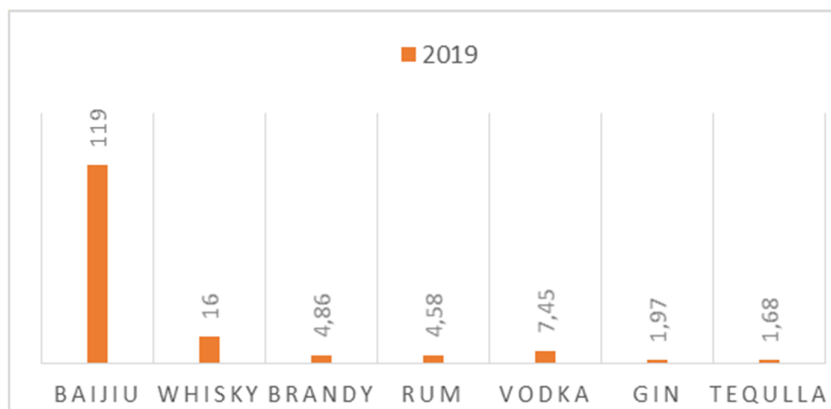


Figure 2: Sales of alcoholic beverages in China on Taobao and Tmall

One of the advantages that the Chinese market is currently offering for companies is access to the largest trading platforms with their digital and physical stores. In order to successfully hold positions in the Chinese market, brands need to adapt to a fast-growing technological environment of the country, which fully demonstrates a brand like Starbucks. Starbucks and Alibaba Group partnered in 2018 to expand the beverage company's presence in China. The Wall Street Journal (2018) noticed that with the growing pace of e-commerce, Starbucks' emphasis on combining innovative technology and local culture is a model of the right marketing strategy. Moutai brand operates in a similar way and builds its own communication strategy, telling the potential buyer the history and culture of the Chinese people.

Methods

The study is based on general methods, which allowed us to analyze a significant amount of literature on the topic of the article and highlight the main features that helped the Moutai brand to take a dominant position in the production and sale of spirits. The data for the analysis was obtained through the official website of the brand under study and static international research. Despite some problems of the Moutai brand, for example, with the registration of a trademark, it can be noted that consumer demand for Moutai baijiu only grows every year.

Discussion And Results

"Maotai" takes its name from the place of origin and production on the river Maotai city of Guizhou province; it is a prominent representative of the Chinese drink with the aroma of raw materials. By the middle of the Qing Dynasty, the production of Moutai wine had a certain scale with an annual production of 170 tons, which is rarely history of ancient Chinese wine. There are three main winery that produced Moutai, which are called "Huamao", "Wang Mao" and "Lai Mao", of which "Huamao" is a precursor "Moutai".

In 1915, Moutai left China for the first time and brilliantly showed himself at the Panama-Pacific International Exhibition in San Francisco, thereby opening the way for national Chinese brands to the world stage. As it says on the official site of Kweichow Moutai, in the past, a small distillery has grown into a large modern corporation, which has taken a leading position in the alcoholic beverage industry in China, and now confidently guides the development of Chinese alcoholic beverages.

In 1949, Zhou Enlai appointed Moutai as the main drink at the founding banquet of the PRC. Over the past hundred years, Moutai specially accompanied by almost all the major events of the turbulent history of modern China, becoming a witness to his vicissitudes in the global arena.

Kweichow Moutai's activities are divided into four main areas:

- production and sale of Moutai alcoholic beverages (main field of activity);
- technical consulting and services for the production of alcoholic beverages;
- production and sale of packaging materials and drinks;
- other, which includes tourism, logistics and transport, ecological agriculture.

There are dozens of Baijiu brands currently in the Baijiu market in China. They fall into two categories:

- high class baijiu - Kweichow Moutai, Wuliangye and Luzhou Laojiao;
- low class baijiu - Niulan Shan, Jiang Xiaobai and Er Guo Tou.

S. Noël et al (2020) mentioned Moutai accounts for over 60% of the Baijiu market in China, followed by Wuliangye with 26%, the rest of the brands do not exceed 10% of the market individually (fig. 3).

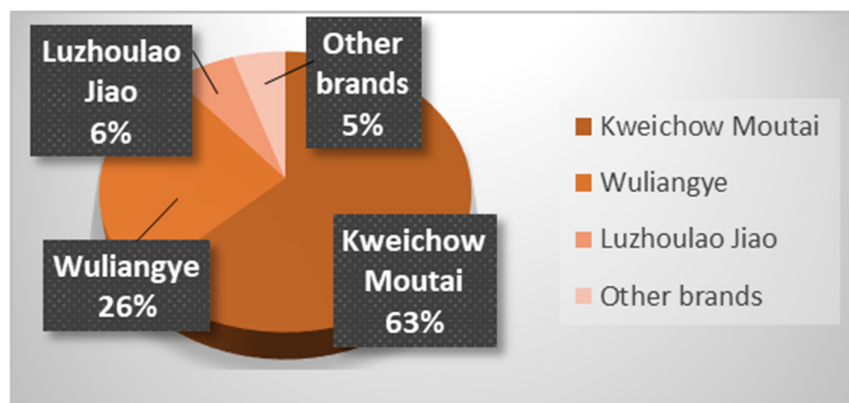


Figure 3: Market shares of baijiu brands in China, 2017

The communication strategy of the Moutai brand consists of three main blocks:

1. Marketing direction.

- communicating the brand's competitive advantages to the target audience.

The history of creation and production in itself is one of the main competitive advantages of the brand. Baijiu Moutai is the quality standard for spirits as seen by the average Chinese consumer. "To try Maotai is to feel China" - this is the brand's slogan. For almost 2 thousand years, Moutai has been a symbol of status and high quality of spirits in China. It accompanied significant events in the history of the Middle Kingdom, and it became a part of this history.

- formation of a unique selling proposition.

A unique selling point in the case of Moutai is the baijiu production technology. In a research study by D. T. Molintas (2012) mentioned it should be noted that the cooking technology has been improving over two thousand years, gradually developing from a combination of folk wisdom and unique natural conditions. It takes five years to make one bottle of a regular Maotai, from the raw material to the exit from the factory. The process consists of 30 stages and 165 technological units. During the production of the drink, many factors and nuances are taken into account, including the lunar calendar. This is an extremely complex technology that is hard to find analogues in the global alcoholic beverage industry.

- attracting customers away from competitors.

Maotai is a product that has a clear reference to a geographic name. It even got its name from a place of origin and production in Guizhou Province. All ingredients for the production of this brand's drinks are taken only from this region. It is believed that it is nature that is the key to the incredible taste and aroma for which this unique drink is famous and which simply cannot be faked. The drink is made strictly from local sorghum and wheat, and water for baijiu is taken only from the Chishui River. Thus, the buyer is guaranteed that none of the existing competitors can provide the exact same product.

2. The creative direction.

The creative direction includes the creation of a visual brand image, corporate identity and design. In the case of Moutai, it should be noted that the brand has a separate flag for the baijiu factory.



Figure 4: Kweichow Moutai Factory Flag

The image contains many symbols that should convey the brand's story to the buyer. The central arc depicts the Chishui River in the city of Moutai, the water from which is used to create baijiu. The colors of the flag also symbolize the uniqueness of the Moutai brand, the ecological purity and organic origin of the products produced, as well as the combination of tradition and modern technology.

It should also pay attention to the logo of the brand. Since Kweichow Moutai is a semi-state company, and the drink it produces is exported abroad and is often presented at high-level diplomatic meetings, the emblem is clearly associated with the national flag of China. This is important in the minds of the target audience, as Moutai Baijiu is perceived as a drink / product approved at the state level.



Figure 5: Kweichow Moutai brand logo

Product appearance plays an important role in creating the brand's visual image. Moutai's appearance is the perfect combination of form and content. High-quality design, presentable appearance fully corresponds to the legendary taste of the product - it is the embodiment of the best Chinese traditions. It is enough to look at the bottle once to immediately determine the nationality and high status of the drink. In addition to permanent products, the brand also produces limited edition collections with unique designs, which significantly increases the value of the drink.

3. The media direction.

The media direction is engaged in receiving and processing feedback from consumers within the channels chosen by the company. It should be noted here that most of today's brands do not interact directly with consumers. Most often, companies have established distribution channels, sales agents and intermediaries through which products enter the market. Kweichow Moutai is also not an exception in this case.

As noted above, the difference between the Chinese alcoholic beverages market is that branded products of certain brands can be freely purchased on online marketplaces, which significantly expands the target audience and product availability. For example, the Moutai brand is featured on the two largest e-commerce platforms, Taobao and Tmall, which are controlled by the Alibaba Group.

According to the diagram in Figure 6, Moutai outsells some other Chinese brands. Therefore, as of March 2019, only 31 thousand bottles were sold on Taobao and Tmall. However, this is not due to diminishing popularity or poor brand positioning. In a research study by Yihan Ma (2019) this indicator is a consequence of the fact that the Kweichow Moutai company itself strictly controls the supply of its drinks, as a result of which there is always an increased demand for the product.

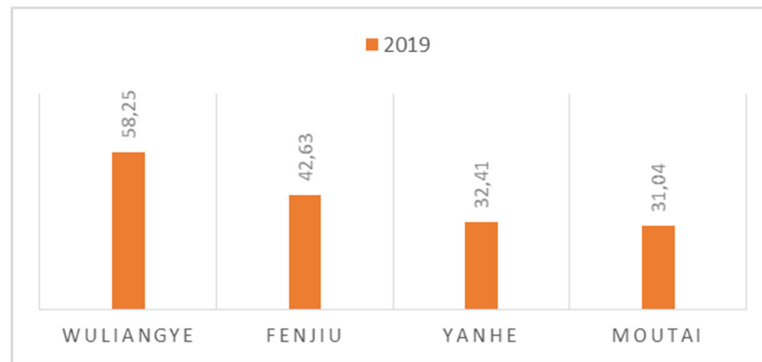


Figure 6: The volume of online sales baijiu brands on Taobao and Tmall (in thousands of bottles)

Recommendations And Conclusions

Chinese liquor market is on the rise; its growth is mainly carried out in line with the ever-growing Chinese middle class and the growing interest in imported spirits. China is the fastest growing alcoholic beverage market, accounting for 14% of all alcoholic beverage sales in the world. Baijiu is still the most popular alcohol in China. And since Baijiu is already the most popular alcoholic beverage in the Chinese liquor market, Moutai also holds a leading position in the Baijiu market in China. This allows Moutai to maintain its brand awareness and provide consumers with quality products.

However, Kweichow Moutai should pay attention to existing trademark infringements. Because of the brand's popularity and quality products, the Moutai trademark is often counterfeited. As part of protecting its brand reputation, Kweichow Moutai has applied for "National Liquor Moutai" as a trademark nine times in the past nearly 10 years. Recently Moutai Distillery Co. Ltd applied to register "National Liquor Moutai" as a trademark, becoming one of the most popular trademarks in China.

Some people in China suggested that this formulation was legal and could not cause unfair competition to other wine products, nor would it harm the interests of other companies. However, the word "national" is too broad, it can also be applied to other wines that are produced in China, thus each wine can be called "national". In this regard, Kweichow Moutai should take a closer look at other options for a trademark name.

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