

Corporate Development Strategy of Wahaha Company in the Post COVID-19 Era

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Abstract: The novel coronavirus has had a significant impact on all types of enterprises through China, and the influence on the food and beverage industry cannot be underestimated. The research describes how Wahaha, the most influential beverage company in China, responded to this epidemic. This study covers several aspects, including business profile, environmental analysis, strategy formulation and implementation.

Keywords: business profile, environmental analysis, strategy formulation, strategy implementation

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I. Introduction

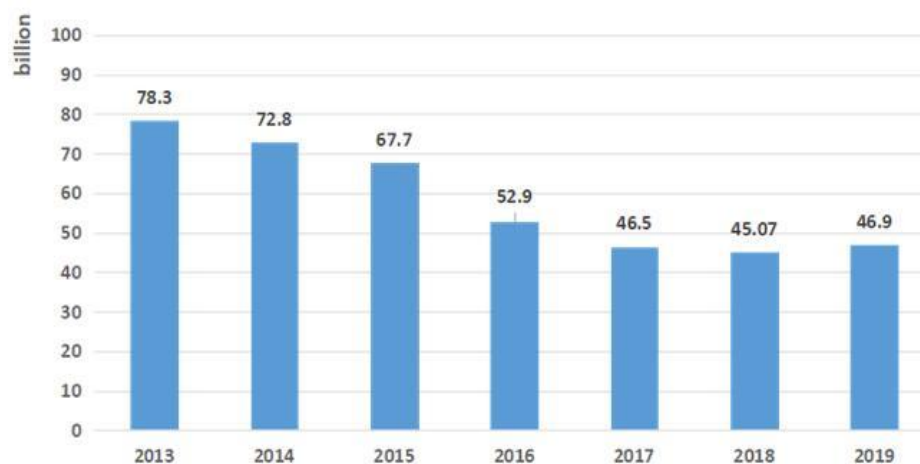
As is known to all, the covid-19 epidemic is sweeping across the globe in 2020. The World Health Organization announced the new coronavirus outbreak as a public health emergency of international concern. Under the epidemic, many industries have been affected, especially in tourism, retail and entertainment industry. For the food and beverage industry, it has experienced a real "winter" during the Spring Festival, which should have been the "peak season". Furthermore, the food and beverage companies involved in international trade are also seriously affected.

II. Business Profile

Founded in 1987, Hangzhou Wahaha Group Co., LTD. is the largest food and beverage manufacturer in China and the fifth largest in the world. The company mainly produces more than 100 kinds of products in 8 categories including milk beverages, bottled water, carbonated beverages, tea beverages, juice beverages, canned foods, medicines and health products, and snack foods. Among them, the production and sales of bottled water, milk drinks and canned eight-treasure porridge have been ranked first in China for many years.

In order to achieve the vision of building the world's top beverage brand, Wahaha adhered to the mission of "healthy you and me, happy family". Meanwhile, it set a short-term strategic goal, which was over-100-billion sales revenue. However, since Wahaha implemented the improper marketing strategy, its sales declined year on year (see Chart 1). In addition, because of the epidemic, its sales fell sharply. Therefore, the business development strategy must be readjusted.

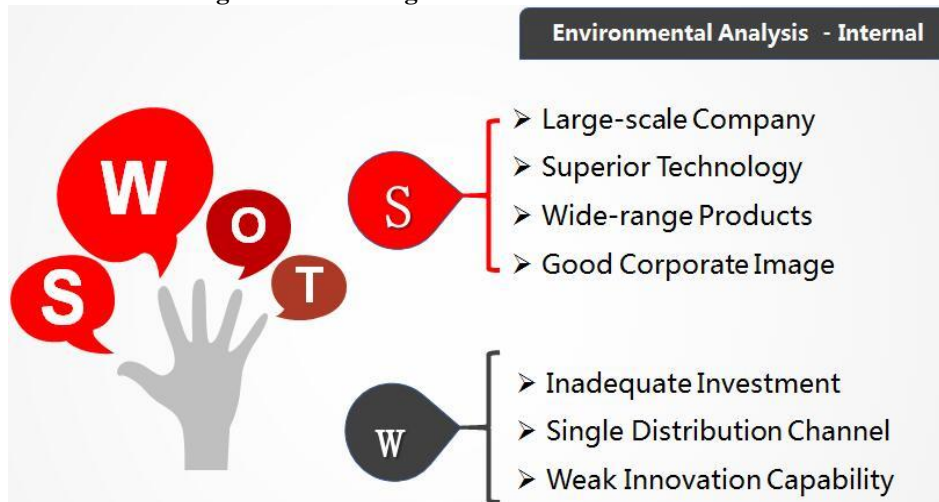
Chart 1 Wahaha Operation Revenue in Recent Years



III. Environmental Analysis

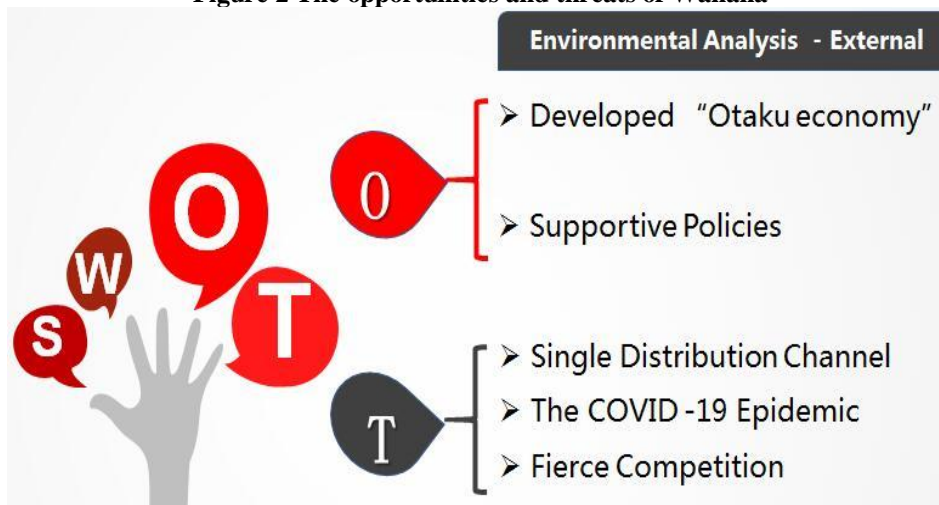
Before analyzing strategies, it should identify the environmental context using SWOT framework. Regarding the internal environment, the strengths and weaknesses of Wahaha are summarized by integrating its resources and capabilities (see Figure 1 below). Wahaha is a large-scale company with superior technology, wide-range products and good corporate image. However, investment in marketing and promotion activities was not enough. Besides, the single distribution channel, weak innovation capability and family-run management were also its disadvantages.

Figure 1 The strengths and weaknesses of Wahaha



Concerning the external environment, it uses PESTEL framework and five forces model to analyze the external opportunities and threats. For the opportunities, because the novel coronavirus is under control in China, Chinese domestic economy is recovering quickly. Therefore, the “Otaku economy” has been further developed so that the instant drinks such as bottled water and canned porridge are in great demand. What’s more, some supportive policies issued by Chinese government were introduced into the beverage industry, including a certain kind of food safety laws, to regulate the whole market. However, due to a single distribution channel and the COVID -19 epidemic, the product sales have been seriously affected. At the same time, there is increasingly fierce competition among large enterprises, such as Coca-Cola, Pepsi-cola, Nongfu Spring, and Master Kong, etc. These foreign and domestic brands have their complete product chains and unique star products (see Figure 2 below).

Figure 2 The opportunities and threats of Wahaha



IV. Strategy Formulation and Implementation

Wahaha must deal with its weakness and threats by taking advantage of its strengths and opportunities. Furthermore, Wahaha must use its available resources in ways that match its strategies to enhance business performance. Through the above SWOT analysis, it has concluded the following strategies.

(1) SO Strategy

Wahaha could take further advantages of technical strength and high-quality products to expand much more development scope, which can respond to the national food regulations.

(2) ST Strategy

Wahaha always pays attention to corporate social responsibility. For example, in this epidemic, Wahaha tried its best to help China get through COVID-19, by donating a large amount of materials and daily supplies to the affected areas. Wahaha always insists on its corporate social responsibility to stand out in the fierce industrial competition.

(3) WO Strategy

Wahaha could develop multiple distribution channels, including on-line sales. For a short period of time, especially during this epidemic, Wahaha would promote these new channels by further investigating customers' demand.

(4) WT Strategy

The global epidemic gave a blow to the export business, therefore we suggest Wahaha reduce export transactions and take up much more domestic market share.

In response to the current situation, other specific strategies are put forward from three aspects: corporate-level strategy, business-level strategy and functional strategy.

In terms of the corporate-level strategy, the combination strategy can be considered. For example, Wahaha would increase the production of tea beverages and yogurt, whereas it would maintain the market share of AD calcium milk.

For the business-level strategy, Wahaha could implement the differentiation strategy. For children, it suggests that Wahaha should develop new dairy drinks rich in trace elements such as iron, zinc and vitamin. For young people, meal-replacement would be launched, such as canned porridge. For women, it could introduce donkey-hide gelatin drinks and brown sugar ginger water.

When it comes to the functional strategy, marketing strategy, R&D strategy and human resource strategy are considered.

For the marketing strategy, because of the growing health consciousness during the epidemic, Wahaha will establish an e-commerce platform for health-care products, promoting the combination of online and offline sales. Additionally, the company invite a new spokesperson—Xu Guanghan and advertise in social media (such as Microblog and Tik Tok) to attract young customers.

Regarding the research and development strategy, Wahaha would take advantage of traditional Chinese medicine dietary theories and modern bioengineering technology to develop new green products.

With respect to the human resource strategy, Wahaha would recruit high-qualified talents in the direction of "intelligent manufacture". Moreover, the company would improve its remuneration system and incentive mechanism. For example, substantial bonus and paid vacation should be provided.

V. Conclusion

As an old English saying goes, "It was the worst of times; it was the best of times." In spite of the decline in the sales during the epidemic, the hardest time ever provides a lot of opportunities for Wahaha. Wahaha will devote itself to enterprise innovation and industrial upgrading, promoting the scientific and sustainable development.

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