

A Research on the Development Strategy of Quanjude, a Time-Honored Brand in China

Xian Fa Shang ^a, Myeong Cheol Choi ^b, Xing Chen Pan ^c, An Na Zou ^d, Hann Earl Kim ^e

^{a,*c,d} Ph.D.student, Department of Business, Gachon University, S.Korea

^{*b} Assistant Professor, Department of Business, Gachon University, S.Korea

^c Associate Professor, Department of Business, Gachon University, S.Korea

Corresponding author*: Myeong Cheol Choi, Email: oz760921@gachon.ac.kr

Xing Chen Pan, Email: panxingchen0916@163.com

Abstract: China's time-honored brands have a rich cultural heritage, carrying the history and culture of China, and they have been recognized and supported by the majority of consumers, forming strong reputations and influence. In the era of rapid development of the Internet and the impact of the new epidemic situation on the global economy, China's time-honored brands not only usher in rare development opportunities but also face severe difficulties. This paper takes Quanjude, a well-known Chinese time-honored brand that has existed for more than 100 years, as the research object. Quanjude is loved by heads of state, government officials, people from all walks of life, and tourists at home and abroad, and it is referred to as "the first food in China." This study used PEST, the five forces model, SWOT, and other strategic analysis tools to analyze the corporate culture and development strategy of Quanjude in detail. The results revealed it is not difficult to find that the advantages of Quanjude outweigh the disadvantages. With the expansion of the same industry, the brand characteristics of Quanjude gradually fade, and the homogenization trend begins to appear; consumers can more easily find substitutes in the industry, which will occupy a part of the market share. Quanjude's brand, with its high popularity, and the Chinese government's strong support for the development of time-honored enterprises can overcome their disadvantages and give full play to their advantages.

Keywords: Time-honored brand, Quanjude, Development strategy, Five forces model, SWOT analysis

1. Introduction

China's time-honored brands are in line with the confirmation standard of the Ministry of Commerce of China. They have more than 50 years of development history, exquisite technology, and good product quality. These brands can reflect local characteristics and product brand reputation, and they enjoy the high popularity of well-known trademarks, traditional shops, and crafts at home and abroad. According to the statistics of relevant departments, in the early days of new China's founding, there were more than 16,000 time-honored enterprises in China. In 1993, the relevant departments of state reestablished more than 1,600 Chinese time-honored brands. The average history of these time-honored brands spans more than 160 years, and the longest is even 300 or 400 years. According to statistical data from the Department of Commerce, in 2006, 320 enterprises in China were facing the dilemma of long-term loss, 1,120 enterprises barely maintained the status quo, and only 160 enterprises were in a state of profit.

Among the "World Top 500 Brands" in 2016, there were 206 time-honored brands over the age of 100, among which 36 Chinese brands also entered the Top 500. Quanjude, the "Time-Honored Brand," with its long history, is the first catering enterprise listed in China. With its unique skills and excellent service, it has established a good reputation in society. Time-honored enterprises are an indispensable part of traditional Chinese culture, reflecting the charm of the Chinese catering industry and an awareness of keeping pace with the times. In the current global economy affected by the new crown epidemic, Chinese catering enterprises are facing great competition pressure and extremely severe tests. This study analyzes the external and internal environment of Quanjude, a famous time-honored brand in Beijing, and it summarizes the problems faced by Quanjude in its development process. Finally, it proposes some suggestions and improvement measures for the development strategy of Quanjude.

2. Development of Quanjude

Quanjude is a famous time-honored catering enterprise in China, and its full name is China Quanjude (Group) Co., Ltd. It has made great progress after more than 100 years of hard work. With the technology of hanging oven roast duck approved as a national intangible cultural heritage project, Quanjude has won the reputation of being world-class. After the Reform and Opening Up, the company seized the opportunity for development and established a group in 1993 to gradually implement the development strategy of transforming from a traditional time-honored brand to a modern brand company.

In the process of establishing a modern enterprise system, the Quanjude Group has paid attention to the construction of enterprise culture and gradually established a series of enterprise principles. Its enterprise culture is

integrating with benevolence as a first priority. The enterprise mission is to inherit and carry forward the achievements of national food culture, taking the prosperity and development of Chinese food culture as its own responsibility. Its business policy is to give full play to the brand advantages of Quanjude as a time-honored brand, give priority to one industry, and implement comprehensive operations and diversified development.

Quanjude was officially listed on the Shenzhen Stock Exchange in 2007. The same year, the Quanjude Group established a wholly owned subsidiary, Beijing Quanjude Fangshan food Co., Ltd. (here in after referred to as “food company”), to further expand business areas and improve the catering food industry chain in carrying out the production and sales of prepackaged food. In October 2015, following the tide of the Internet era, the Quanjude Group jointly established a professional Internet operation and service company with Chongqing Wild Grass Technology Co., Ltd.

3. Corporate culture

Quanjude has accumulated profound cultural heritage and has formed a unique cultural system over the past 100 years.

① Roast duck culture with distinctive characteristics

Quanjude roast duck, as the main product of Quanjude for 100 years, has been endowed with more colorful cultural connotations by today’s Quanjude employees from the aspects of material selection, processing, roasting technology, and sliced duck knife technique, which makes this famous delicacy different from others in traditional Chinese food culture.

② Cuisine culture of Haina

Quanjude is not only famous for roast duck at home and abroad but also for a series of excellent dishes represented by its banquet, specialty dishes, innovative dishes, and celebrity banquet, forming the cuisine culture of the group that embraces all rivers.

③ Environmental culture with profound artistic conception

The culture of a company is not singular but pluralistic and complex. It is an inclusive, open, and integrated cultural system. The environmental cultural orientation of Quanjude fully reflects the diversity and rich connotation of its culture.

④ Elegant marketing style

The marketing strategy in modern market competition not only involves the promotion and sales of a product but also the corporate culture behind the product. The formation of this culture is not innate but needs to be carefully shaped.

⑤ Customer service first

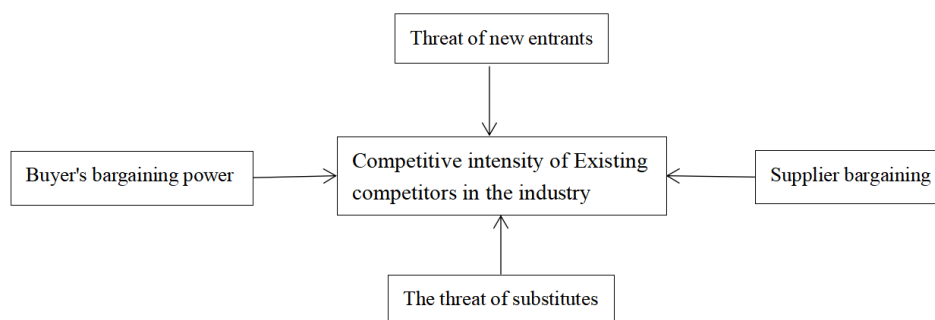
Service is the extension of products; first-class products must include first-class services. In the fierce market competition, as long as customers are dissatisfied with a certain link of commodity service, the final result is that customers “vote with their feet.”

4. Analysis of Quanjude industry structure

The catering industry refers to the production and operation service industry that uses catering equipment and places to engage in catering, cooking, processing, and service. The catering industry has a long history of development. With the development of social productivity and the continuous improvement of living standards, people’s exchanges in politics, economy, culture, science and technology, commerce, and trade are becoming more and more frequent, and the degree of socialization of housework is constantly improving, which makes people put forward higher requirements for environmental comfort, product flavor, and service quality in the modern catering industry. The catering industry is different from the commerce, industry, and pure service industries.

It has the comprehensive attributes of production and processing, food retail, and labor service. Catering enterprises must have a fixed place to meet the differentiated needs of customers, provide specific food and drinks for customers, and provide an environment and atmosphere that customers like. For an industry and an enterprise, the five force framework established by Porter is generally used for industry analysis. According to Porter’s point of view, the five forces that determine the competitive pattern of enterprises include the following: (1) the competitive strength of existing competitors in the industry, (2) the bargaining power of buyers, (3) the bargaining power of suppliers, (4) the threat of new entrants, and (5) the threat of substitutes. The five forces model is shown in Figure 1.

Figure. 1 The Five Forces Model



- (1) Competition intensity of existing competitors in the industry
 The low switching and exit costs of catering enterprises lead to fierce competition within the same industry, which belongs to the complete competition market. There is a great diversity of competitors in the roast duck industry. With the expansion of the same industry, the brand characteristics of Quanjude have gradually faded, and a homogenization trend began to appear. With the improvement of people's living standards, the roast duck industry is growing, but the growth rate is not rapid, which makes the competition intensity of existing competitors more intense. It is a time-honored brand with high exit barriers, and enterprises choose to stay in the industry.
- (2) Buyers' bargaining power
 Quanjude products are famous brand products, so buyers are highly sensitive to product quality and service but are less sensitive to product price. Most purchasers are individuals, and the degree of concentration is low. With the development of the roast duck industry, consumers can more easily find substitutes in the industry, and the conversion cost of buyers is lower. At the same time, customers are increasingly rich in consumption experience, and their mastery of the characteristics and cost structure of food and beverage products is constantly improving. Therefore, it is inevitable that catering enterprises lower the price.
- (3) Supplier bargaining power
 The main raw materials of the Quanjude roast duck are provided by the Sanyuan Jinxing company. The duck farm feeds according to Quanjude's quality standard to ensure the quality of ducks. Therefore, in general, the bargaining power of suppliers is very low, but in special cases, such as feed price rise or natural disasters, the supplier may increase the supply price.
- (4) Threat of new entrants
 The structural entry barriers of the catering industry are low, and the capital and technical requirements of the roast duck industry are relatively low, which makes continuous competitors enter the industry. Quanjude's brand value and good reputation block some potential entrants. Although the competition of the Chinese catering industry is fierce, future profitability is strong, and potential entrants are likely to enter. The characteristics of Quanjude's roast duck products constitute the conditions of industry entry barriers, but the diversity of consumer demand provides market opportunities for potential entrants.
- (5) Threat of alternative products
 With the vigorous development of the catering industry, all kinds of catering enterprises emerge one after another. For example, foreign KFC and McDonald's fast food, small domestic fat sheep, and Donglaishun's hot pot of instant boiled mutton will occupy a part of the market share, which will undoubtedly provide consumers with more choices. The diversity of consumer demand and the variability of consumer psychology make the conversion cost cheaper. Some new restaurants have a unique taste, relatively low price, and high cost performance, which will have greater attraction for consumers. Therefore, these substitutes will pose a greater threat to Quanjude. On the other hand, internationally well-known catering enterprises, such as KFC and McDonald's, have surpassed "time-honored" catering enterprises in the middle-aged and young people's market in the Beijing market and have formed their own brand advantages. Therefore, the competition threat to Quanjude is the largest.

Based on the analysis above, it can be seen that with the diversified choices in the catering industry, buyers have a certain bargaining power; the strong integration ability of enterprises can weaken the bargaining power of suppliers, and the threat from suppliers will become smaller. The entry barrier of the catering industry is low, but because of the significant brand influence of Quanjude, the threat from new entrants is small; the vigorous development of all kinds of catering industry brands means that the threat from substitutes is great.

5.SWOT analysis of Quanjude enterprises

SWOT analysis is a situation analysis method based on a competitive environment and conditions. Generally speaking, the internal environmental factors of an enterprise are generally divided into strengths and weaknesses, while external factors are opportunities or threats. SWOT analysis can help enterprises match all their resources and strengths with their competitive environment and inform them on how to cope with their weaknesses and threats, thus contributing to the realization of enterprise goals.

In addition, enterprises can conduct SWOT analyses on themselves and competitors at the same time. Then, they can formulate strategies that help them effectively distinguish from competitors and win in the competition. This is not only a powerful tool for analyzing and making strategic decisions for an enterprise but also for making strategic decisions for individuals and organizations. In addition, it can be used in the development of crisis prevention plans and management.

The accuracy of SWOT analysis is very important because it creates a plan for achieving goals. First, the decision maker should judge whether the goal is feasible based on the results of the SWOT analysis. If the goal cannot be achieved, they must reestablish the goal and conduct the SWOT analysis again; second, the actual participants of the SWOT analysis must repeatedly discuss and test each element of strengths, weaknesses, opportunities, and threats so as to make the analysis truly effective and to determine the competitive advantage of the enterprise. When using SWOT analysis, we should pay attention to the following points.

It is necessary to seek truth from facts for the internal strengths and weaknesses of the enterprise: (1) to analyze the specific objectives; (2) to ensure that the review process is brief and to avoid complex and excessive analysis; and (3) to maintain objectivity.

Table. 2. SWOT Analysis

S (strengths)	W (weaknesses)
<p>1. Quanjude is a famous brand. After continuous innovation and development of dishes, its cuisine has been formed with unique characteristics. The brand is loved by heads of state, government officials, people from all walks of life, and tourists at home and abroad. It is referred to as “China’s first food” and has strong competitive advantages.</p> <p>2. It has a long history and a unique culture. The Quanjude brand has experienced the test and baptism of the times for more than 150 years, and it has the excellent cultural tradition of the Chinese nation as well as historical roots. These are valuable and intangible assets that other similar product brands do not have.</p> <p>3. The company has set up several franchise chain stores and its own food distribution center and duck farm, forming a complete industrial chain.</p>	<p>1. Quanjude products are relatively singular and meet the needs of fewer customers.</p> <p>2. The brand image of Quanjude is getting older. In the minds of consumers, it is outmoded (declining).</p> <p>3. Its incentive system for employees is not systematic, and human resources cannot be retained and experience brain drain. The company’s human resources need to be improved to increase high-level talent.</p>
O (opportunity)	T (threat)
<p>1. The Chinese government vigorously supports the development of time-honored enterprises. In November 2011, the Ministry of Commerce issued guiding opinions on promoting the scientific and healthy development of the catering industry, increased the support of catering investment, actively and reasonably utilized financial funds, supported the research and innovation of catering enterprises, and encouraged catering enterprises to implement the chain operation mode. Strong policy support and guarantees from relevant government departments will create a favorable environment for the development of catering enterprises.</p>	<p>1. The main force of consumption is gradually changing. With the development of society, the post-1980s and 1990s generations have gradually become the main force of consumption, whether or not they attach great importance to the self-identity of a product. At present, the main consumer groups of the Quanjude brand are still the post-1970s, 1960s, and even post-1950s generations. There is a lack of uniqueness in terms of products and services, which cannot match the core needs of young consumers for self-identity and self-expression.</p>

<p>2. The Internet age provides more imagination space, which has not only brought about an information explosion but also more opportunities for enterprises. Because of the rapid emergence of new things, consumers are more and more “fond of the new and detest the old,” so new and novel products are more likely to win the favor of consumers. Company promotions can be made faster through the Internet, and food orders and delivery are also made possible through the Internet.</p> <p>3. It has a high threshold for entry and prevents a large number of potential entrants.</p>	<p>2. The amount of foreign investment in catering enterprises in China has increased by leaps and bounds. A large number of foreign catering enterprises have entered China’s catering market, resulting in fierce competition in the catering market.</p> <p>3. The high price of food leads to less repeat customers and an inability to understand the needs of customers, so customers flow to competitors.</p>
--	--

Through SWOT analysis of Quanjude, we believe the most significant advantage of the group lies in the good reputation of time-honored enterprises. The unique resource advantages include the long history of more than 140 years, the characteristic products, and the brand recognition of customers. These factors are difficult to imitate and replace by competitors. Only when it gives full play to its own resource advantages, formulates reasonable human resource strategies, and constantly innovates can it ensure the development power and core competitiveness of the company.

6. Conclusion

Quanjude, as a time-honored enterprise with a long history and rich cultural heritage in China, has its own development advantages that other competitors cannot replace. Through the analysis above, it is not difficult to find that the core advantage of Quanjude lies in the influence of time-honored brands. It now has five catering brands and has a strong sense of identity in Beijing and the entire country. Quanjude, with its history of 140 years, has become representative of traditional Chinese cuisine. It is one of the most time-honored enterprises in the existing listed catering enterprises. The group has a complete industrial chain. Enterprises have designated food distribution centers, duck farms, etc., which have certain advantages in the production cost of enterprises.

With the continuous changes in the social environment, people’s consumption level is increasing daily. After China’s opening to the outside world, the introduction of international capital has made all walks of life in China face great challenges. The inherent management mode of Chinese domestic enterprises has been impacted by new ideas. As a result, there are many time-honored enterprises with a good reputation for generations that experience the phenomenon of profit decline.

Through the SWOT and industry analysis of Quanjude in this paper, there are several common problems in enterprises with time-honored brands: the incentive system for employees is not systematic, human resources cannot be retained, and the brain drain of enterprises is serious. There are too many people passing through the roast duck industry. Many roast duck masters have changed their jobs to stir fry. Enterprises should improve rules and regulations. To improve the system, the company should divide the rights and responsibilities clearly, restrict each other, simplify the management process, and constantly innovate the measurement of the system content depending on the situation to improve the efficiency of the enterprise. Time-honored enterprises should imitate the modern enterprise management system and then explore their own characteristic development path. The establishment of a system should keep pace with the times and dare to innovate.

The brand image of enterprises is becoming more and more aged. With the change in time, the main force of consumption is becoming younger and diversified, which has occurred since the 1990s. Most time-honored enterprises lack uniqueness in terms of products and services, which cannot satisfy the core needs of young consumers for self-identity and self-expression. Quanjude is not to strengthen the image of time-honored brands but rather to focus on the youth. Taking several newly opened stores of East China’s regional company as the operation pilot, the Quanjude Shanghai Kongjiang Road store, Zhenjiang store, and Suzhou store have adopted a simple, novel, and fashionable new Chinese decoration style that can better meet the experience needs of young consumers in terms of environment, dishes, service, tableware, table shape, and table top design.

“Time-honored brand” catering enterprises are excellent representatives of national catering culture. As long as they are flexible and rely on profound cultural heritage, they should adapt to the times and innovate constantly. Starting from the adjustment of the organization and management structure, they should make use of rapidly changing market demands to shape the image of old brands and promote the upgrading of product value. Doing so, the company can take the lead in the fierce competition to achieve rapid growth and then become a world-class catering enterprise with international competitiveness.

Acknowledgement

This work was supported by the Gachon University research fund of 2020.(GCU-202002660001)

References

- A. Wang, D. (2014). A Case Analysis of CHINA Quanjude Group, Valuation Research Management, 17
- B. Qian, D. D. (2017). A Study on Brand Building of Chinese Time-honored Brand in Internet Era: the Case of Quanjude, University of International Business and Economics of International Business, 15
- C. Wei, C. S. (2006). Analysis on the cause of the decline and the Path of revival of The "Laozihao" in Chinese tradition, Business economy, 16-18
- D. Xu, J. X & Tian, E. C. (2004). Brief analysis on the development Strategy of Time-honored enterprises in China, Northern Economy and Trade, 84-85
- E. Li, Z., Guo, X & Wang, J. (2019). Analysis of the brand management problems of time-honored brands -- take Quanjude as an example, Chinese market, 132-133
- F. Du, X. Y., & Wang, Z. (2011). Management strategy analysis of China Quanjude (Group) Co., Ltd., Journal of Shijiazhuang University of workers and staff, 97-98
- G. Li, L & Zhao, D & Chen, S.Y. (2014). Strategic analysis of Quanjude Group, Modern Business Trade Industry, 73
- H. World Brand Lab: <http://www.worldbrandlab.com>
- I. Beijing News: <https://baijiahao.baidu.com/s?id=1668034752874597170&wfr=spider&for=pc>
- J. Official website of Quanjude: <http://www.quanjude.com.cn/>
- K. Quanjude Baidu Baike : <https://baike.baidu.com/item/%E5%85%A8%E8%81%9A%E5%BE%B7/298267?fr=aladdin>
- L. Cho, S. J. (2019). History of corporate and management desire. Seoul, Hankyung Press.
- M. Lee, S. H. (2020). China's platform for action. Seoul, Wiseberry Press.
- N. Lee, J., Lee, G., & Ryu, D. (2019). The difference in the intraday return-volume relationships of spot and futures: a quantile regression approach. Economics: The Open-Access, Open-Assessment E-Journal, 13(26), 1-38.
- O. Lee, J., & Ihm, J. (2018). Financial risk exposure of returns to education: Panel evidence from Korea. Asian Economic Journal, 32(1), 83-97.
- P. Yang, H., Lee, J., & Ryu, D. (2018). Market depth, domestic investors and price monotonicity violations. Applied Economics Letters, 25(10), 688-692.
- Q. Lee, J., Ihm, J., & Ryu, D. (2017). Human capital measures and stock return predictability: Macroeconomic versus microeconomic approaches. Finance Research Letters, 21, 53-56.
- R. Jung, K. B., Kang, S. W. & Choi, S. B. (2020). Empowering Leadership, Risk-Taking Behavior, and Employees' Commitment to Organizational Change: The Mediated Moderating Role of Task Complexity, Sustainability, 12.
- T. Kang, S. W. (2019). Sustainable Influence of Ethical Leadership on Work Performance: Empirical Study of Multinational Enterprise in South Korea, Sustainability, 11.
- U. Kipkosgei, F., Kang, S. W. & Choi, S. B. (2020). A Team-Level Study of the Relationship between Knowledge Sharing and Trust in Kenya: Moderating Role of Collaborative Technology, Sustainability, 12.
- V. Opoku, M. A., Choi, S. B., & Kang, X. F. (2019). Servant Leadership and Innovative Behaviour: An Empirical Analysis of Ghana's Manufacturing Sector, Sustainability, 8.
- W. Wei, F. P., Choi, M. C., & Shang, X. F. (2019). A Study on corporate culture of Dianping, The International Journal of Advanced Culture Technology, 7(4), 69-75
- X. Shang, X. F., Choi, M. C., & Kan, Z. C. (2020). A Study on the Development Model of Ctrip, International Journal of Psychosocial Rehabilitation, 7(24), 2564-2573
- Y. Zhang, X. M. & Choi, M. C. (2019). Study on the Development Strategy of Ant Financial, International Journal of Financial Research, 10(5), 262-268
- Z. Zhang, Z., Choi, M. C., & Zhou, Y. (2018). The Vinegar of China Time-honored Brand, The Success Reason Analysis of HengShun Enterprise, Chinese Studies, 77, 287-307.