

## **E-Commerce as an Entry Mode in Chinese Market; An Analysis of Global Marketing Strategy of Shan foods, Pakistan**

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### **Abstract**

The purpose of this research is to investigate global marketing strategy of Shan Foods recently entered in Chinese market through e-commerce. Shan foods (SF), one of the famous spicebrands of Pakistan has more than 65 countries distributors. After getting acknowledgement in the global spice industry, now SF is going to enter in the most competitive market, China. STP (Segmentation, Targeting, and Positioning) program, Marketing mix and SWOT Matrix were analyzed to check the effectiveness of global marketing program of Shan Foods. Company has a strong distribution network and can capture larger market share by introducing its brand lines on Taobao, JD.com, and T-Mall. Company has to introduce some famous celebrities to increase the brand awareness in Chinese citizens. Company should also adopt some innovative strategies to reduce the consumer confusion between domestic and international brand.

Keywords: Shan Foods Pakistan, Global Market Strategy, Marketing Mix, SWOT Analysis, Chinese Market.

### **Introduction**

Pakistan as an agricultural country has huge demand in spice industry. Putting spices in cuisine is a necessary part in Pakistani food recipes. The Pakistani spice industry can be divided into branded and non-branded industry. Branding is one of the important aspect in the spice industry and Pakistani customers are brand conscious [1]. There are many spices brands in Pakistan but Shan foods is one of the dominant brand (established in 1981), creates cooking easier by giving boxed recipe mixes that give convenience in tradition cooking [2]. Many brands are expanding their market share in different countries and developing logistics infrastructure [3] China as the biggest market in the world, is a big opportunity for investors. Kashi in northwest China's Xinjiang Uygur Autonomous Region is a very old city that lies on the Old Silk Road. The city started a trade market on every Wednesday at its border with Pakistan to make easy business activities between the two sides. The marketplace, covering an area of 1,700 square meters, is situated on the Hunqrap Pass near the China-Pakistan border [4]. Pakistan and China Customs administrators are agreed to strengthen the joint relation in order to aid the trade at Sust border, Gilgit-Baltistan (GB) under China-Pakistan Economic Corridor (CPEC) plan [5]. There is no doubt about the popularity of online shopping in China.

Mostly Chinese people do internet shopping through Taobao, JD.com etc. Shan foods is targeting Chinese online store specially Taobao.

## **Theoretical Background**

### **Shan Foods**

Shan Foods is one of the famous Pakistani producers of spice mixes utilized in Pakistani cuisine. Company started as a cottage industry in 1981 by Sikandar Sultan, the founder & chairman. A few years later it started exporting to 25 countries but now Shan exports up to 65 countries making it Pakistan's largest exporter of packaged spice, food, and rice mixes [6].

### **Company Mission and Vision**

Shan foods mission explains its success, "To continuously build up and produce quality products that meet the customers and market demands". Shan Food's vision is "To be a dominant global player in food products and do socially accountable business practices that attainsits quality averages so that Shan stands for tradition, trust and good taste" [7].

### **Core value**

Shan foods intend preserving and keeping core company values like purity, validity and consistency; which it recognizes for the phenomenal expansion seen over the past era. The company aims to grow on the back of cutting edge technology, with the proven best performance through CPI (Continuous Process Improvement), past success and the future motives towards its growth. Effective accomplishment of its goals will be centered to motivation level, the guidance, and ultimately the effectiveness of its HR [8].

### **Business Scope Shan Foods Pakistan**

The process of business scope of Shan Foods which involve the following steps to understand it such as:

Where

All across Pakistan / abroad (for export like china)

What Needs

Nutritional and pleasure requirements

Tastes of food

Whose Needs

All segments of consumers.

Added Value

Recipe of different dishes

Widely available almost everywhere

Adapting and implementing latest technologies to offer a variety of food products while maintaining quality and safety standards at all times. Business we are not in & Other than spices [9].

### **Market product focus**

The main focus of Shan foods is to become a "Global Leader" in food products and to maintain "Quality standard". Now it wants to become famous in China. Its business objective is to create strong connection with customers and to provide Halal products globally. The V-

look technology and the coal grinding technology is only an example to their dedication to provide nothing but the best to their consumers. It's the world class quality that brings the blind trust to the consumers on Shan products that it will not only be hygienically prepared but would be secure from any harmful ingredients that loose spices offer. Its marketing objectives are as the strong connection of the Shan Foods owners with customer values, the company does not believe in advertisement heavily on any advertisement medium. Since the product offerings are seasonal the company does advertise in Ramadan and come with its advertising campaigns. Shan advertisement does not show any celebrity or prominent figure to drive sales, rather it just compromises of show-reel showing hands with background music and rotating dishes. The company also conducts BTL (Below the line) marketing activities and holds up demonstrations of cooking with its Spices and product offerings on different venues. All the marketing strategies are customer centric or customer oriented so that it can leverage on already well-developed consumer goodwill for the company in Pakistan now china Muslim city [9].

### **Shan foods target online market of China**

The online market is primarily concerned with product transactions, but nowadays, local lifestyle services, including food and entertainment, might take up a bigger part of people's daily use [10]. Shan foods recent target is to introduce its products in Chinese Muslim Areas, like; Xinjiang, Ningxia Hui, Gansu, Yunnan and Beijing & Shanghai. Shan Foods develops products that are according to the needs and wants of Chinese customers no matter if they are stay-at-home or working, single or married ones, Sea food lover and Spices lover and Muslim Restaurants in China [11].

#### *Challengers*

There are some Chinese product names which are big challenge of Shan foods that are Spicy Szechwan Five Spice Seasoning, 12 Ounce, Frontier Five Spice Powder, 1.92-Ounce Bottle, Specially Organic Chinese Five Spice Seasoning – EcoShaker, NOH Chinese BBQ Char Siu Seasoning, CNSnack Sichuan Flavor Hot-pot Seasoning Hot Pot Soup Base 400g (1 Packs), DD2 Chinese Food New Orleans Barbecue Seasonings Of Chicken Marinade, NOH Foods of Hawaii Chinese Seasoning Mix, RoastDuck, 1.125-Ounce and NOH Chinese Barbecue (Char Siu) Seasoning Mix, 3-pound Bag Resalable Bag [12].

#### *Point of Difference*

Shan foods, no doubts provide high Quality products as well as rich in taste and provide colorful products with great aroma in low price [13].

### **Methodology**

Different marketing strategies were analyzed in this case study to check the effectiveness of Shan foods entry in Chinese e-commerce market. The significant marketing mix elements as well as STP (Segmentation, targeting, positioning) aspects were analyzed in Chinese market [14]. Moreover, SWOT analysis was applied to check Shan Foods Strengths, weakness, opportunities and threats in Chinese e-commerce market [15].

## Factors affecting consumer behavior of China

Segmentation, targeting and positioning (STP) process was applied to check the Chinese market behavior because this process is the foundation of marketing strategy [16]. The steps of STP process as follow to meet the stage of marketing mix show's in figure1.

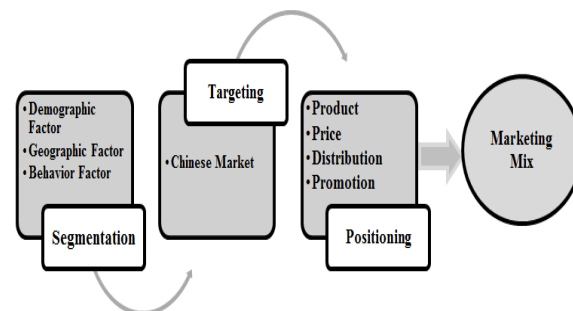


Figure 1: Process of STP

### Market Segmentation

The market segmentation can be explained by defining demographic, geographic, and behavioral factors that are most important for Shan Foods entrance in China.

#### ▪ Demographic Factor

The basic demographics that Shan caters to are the women and men belonging to age group of 18 years and above with socio-economic class of middle, lower and above.

#### ▪ Geographic Factor

Shan food has not segmented itself on the basis of geographical segmentation. Their distribution ranges through shipping to Taiwan and Hong Kong in china at Muslim majority areas and by road through Kashi and Hunqrap Pass. It has more than 500 distributors in its supply arsenal in Pakistan and others countries. However, some recipes are more famous in particular Muslim areas of the China than others because of sub-culture preferences.

#### ▪ Behavioral Factor

Loving food is in the blood of all Muslims. Spicy and delicious food is a main part of our lives. On the special occasions like Eid or marriage, it's the food that give colors. It'd definitely leave the impact in china at their foods. Another behavioral factor is related to the double income phenomenon in China. Both the man and the woman of the house are earning to support the family and they require ease and convenience when it comes to cooking factor. The purchase behavior changes according to the seasons. If on one occasion Fruit mix spice is in demand because of Holy Ramadan, BBQ mixes could be in demand on Eid etc.

### Target Market

As it has mentioned above that Shan foods target customers who like innovative cooking which are full of colors and aroma. Muslims restaurants are also in the targeted range of Shan foods.

### Positioning

Shan Foods position statement is "To the confident and convenience seeking woman of today, their wide range of Shan spice mixes offer premium quality products, made with the premium

ingredients like no other.” It is just for the fact that the consumers of china should be provided with solution of having a tasty meal in no time with homemade mixes of recipes and spices.

### **Marketing mix**

Marketing elements are necessary for brand awareness that is essential for brand equity. Brand equity demonstrates that recurrent price promotions, such as price transactions, are related to low brand equity, whereas high publicity spending, high price, good store image, and high distribution strength are related to marketing mix [17].

#### *Products Range of Shan Foods*

The products of Shan can be broadly categorized into 6 categories, with multiple sub-categories. The different product offerings of Shan Foods are:

- Recipe Mix

Biryani Mixes, Stir Fried Foods, Curry Spice Mixes, Deep Fried Foods, Barbeque, Vegetarian Foods, Instant Foods and Breakfast

- Plain Spices

Khushbudaar Lehsan, Zaiqedaar Adrak, KhattaKhatai, Qasuri Methi, Karara Zeera, Taiz Laal Mirch, TaazaDhaniya, Zaafrani Garam Masala, Teekhi Kaali Mirch, Khaalis Haldee

- Dessert Mixes

- Pickles

- Salts

Even after having more than just spices in the portfolio, Shan is considered the Recipe Mix expert. Within Biryani alone it has nine different variants, two spicy and seven milder ones. And it is the first one to come up with ‘Fresh coriander’ in the Plain spice category. Every single offering of Shan has its own identity.

#### *Product Offerings within Spice Mix Category*

The Spice mix division at Shan Food Industries is the oldest product category of the company. This category has a total of 67 different products, which are broadly divided into 11 categories, some of these categories are:

- Authentic Curries

- Traditional Stir Fries

- Tasty Instant Food

- Tempting Vegetables

- Delectable Biryani

- Sumptuous BBQ

- Lavish Fried Food

- *Yummy Chat*

Looking at the product portfolio of Shan Foods, it is seen that Shan Foods has given its consumers an offering for every occasion and every type of taste. Being a traditional cuisine mixes like Biryani or an offering in the Dessert category; Shan has an offering to complement all the good things in life associated with food. Out of all its categories, the Spice Mix category is the oldest and is still used synonymous with the name Shan i.e. Shan Foods is still referred to as Shan Masala by many.

### **Pricing Policy**

The pricing of all Shan offerings varies and depends on each Stock Keeping Unit (SKU). However, the price ranges for five (out of six) categories of Shan product offerings are as follows:

- Recipe Mix: The Recipe mixes range from Rs.30 to 40. In china RMB.8to 10.
- Plain Spices: Pricing of Plain spices varies SKU wise. For example, 50 grams red chili powder is available at a price of Rs.20. In china RMB. 5.
- Dessert Mixes: Desserts are all priced at Rs.35. In china RMB.8 to 10.
- Pickles: Pickle pricing is Rs.170 for 1000 grams, pricing varies as per SKU. In china RMB. 20 to 25.
- Salts: Iodized salt is priced at Rs.17 (800 grams) and plain salt at Rs.15 (800 grams). In china RMB.2 TO 3.

### **Promotion**

Company marketing strategy is customer oriented i.e. Shan foods emphasizes on marketing through a customer centric approach and try to create awareness in the minds of customers. Such a marketing strategy allows it to leverage their goodwill in a country and transfer to another one. But now Shan foods want to promote its products in Chinese Muslims regions. It has started to reach wider audience, keeping in mind about the changing lifestyle to nuclear families and convenience seekers. Shan foods would promote its product through Websites like taobao, JD, and Tmall etc. Shan foods can also promote its product through Chinese TV channels. These days Shan Foods is celebrating Pak-China friendship through a new TV add which has become popular all over world [16].

### **Place**

Shan Foods takes a special care about meeting market and customer demands in a fitting and timely manner. It is therefore, ensured by the Supply Chain team that shipment of goods must reach their destinations well in time to match market trends and customer demands. Shan makes sure that its brand lines are distributed by efficient and top of the line distributors. Shan has a separate Sales department focusing on International Modern Trade (IMT) Modern. This department maintains direct relationships with variety of vendors to meet their customized requirements. This practice helps Shan to keep a close and direct relation with high sales outlets which is pivotal for its greater profits and market share. Products are distributed on the basis of geographic segmentation. For instance, in posh areas no display of the sachet packs will be seen in the stores whereas in underprivileged areas only sachets are supplied. The distribution channels of Shan Foods include:

- Retail
- Wholesale
- Hyper Markets
- International Chains

Shan is the largest exporter of premium quality packaged spices, spice mixes, food mixes, rice mixes to USA, Canada, UK, Germany, Holland, Malaysia, Middle east, South Asia, Japan, Singapore, Australia, and many other countries of the world. It also exports its products to the Far East, Bhutan, Japan, Malaysia, Singapore, and Thailand etc. This is the initial entry into China.

### SWOT Matrix of Shan foods

Strengths, weaknesses, opportunities and threats (SWOT) analysis point out a framework for helping the case study to recognize and prioritize the business goals and to identify the strategies of achieving goals. SWOT analysis is a technique used to investigate the strengths, weaknesses, opportunities and threats of businesses [18]. Shan foods SWOT matrix as under:

#### *Strengths*

Company has a very strong heritage and legacy behind it which gives it a strong goodwill in households. Shan foods enjoy an approximately 50% market share in the recipes mixes category and is a leading exporter of food items from Pakistan, providing an opportunity to tap the large global market. It will help it to expand their market share at a rapid pace. As now it has launched in china and targeted Chinese Muslim community through online sites. Shan has a wide range of products and SKU's available consolidating its presence in various niches and keeping its customers loyal to the brand.

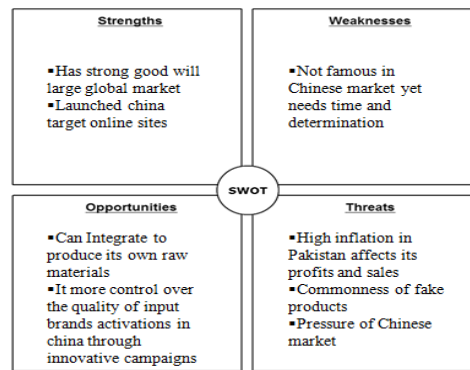


Table 1: SWOT Matrix of Shan Foods

#### *Weaknesses*

Shan has newly entered in Chinese market. Although Chinese market by self a huge and strong market therefore it's very difficult for Shan foods to compete famous brand of china. For capturing some position in Chinese market, company needs time and determination.

#### *Opportunities*

Company can vertically integrate to produce its own raw materials which will not only reduce costs but will also provide it more control over the quality of input. Shan currently has a huge advertising expenditure in the FMCG industry due to a special ad on Pak-china friendship. It needs to arrange brand activations and other innovative campaigns in China to switch customers from the non-branded segment to Shan products and has an opportunity to expand its products in China's market.

#### *Threats*

The biggest threat to Shan is the high inflation in Pakistan coupled by a global recession which is putting pressure on the profits and sales. The commonness of counterfeit products is also threat to Shan causing loss in good will and potential sales [19]. China's market is huge

one. So, it's difficult to Shan to get any Status there and also change the taste of Chinese foods.

### Analysis of Swot Matrix

From the analysis of SWOT matrix various kinds of strategies have stood out. Shan Foods can go for related diversification by entering into other related food categories where it can tap its loyal customers with minimal efforts. It can also adopt the strategy of vertical integration by producing its own raw materials which will not only reduce costs but will also provide it more control over the quality of input. Shan Foods can also do horizontally expansion and enter into related product category like ketchup etc and can also adopt the strategy of related diversification. It should try to do effective distribution in China to tap that market by targeting Muslim community as well as Chinese civilization. Shan spices need penetration not only online sides of china but also offline. Recently it launched Oriental recipes, which is a new range of recipes in Pakistani markets. Shan always thinks “Global” and acts “Local”. It

		PRODUCT /MARKET EXPANSION GRID	
		Existing Products	New Products
Existing Products	<p><b>Market Penetration</b></p> <ul style="list-style-type: none"> <li>➤ Penetrated its market not only online but also offline.</li> </ul>	<p><b>Product Development</b></p> <ul style="list-style-type: none"> <li>➤ Expanded its portfolio in Oriental Recipes like <u>Shoop</u> noodle recently</li> </ul>	
New Products	<p><b>Market Development</b></p> <ul style="list-style-type: none"> <li>➤ Developed its market in all over China</li> </ul>	<p><b>Diversification</b></p> <p>Diversified products are</p> <ul style="list-style-type: none"> <li>➤ Pink salt</li> <li>➤ Delve dessert</li> <li>➤ <u>Shoop</u> Noodles</li> <li>➤ Vermicelli's</li> </ul>	

Table 2: Analysis of Market/ Expansion Grid

offers customized recipe mix according to the country where it operates. For example: it offers Malay Pulao recipe mix in Malaysia. Shoop noodles in China. The Company has plan to diversify its salt range which includes normal and pink salt & delve dessert range.

### Recommendations

Although, Shan foods has an effective marketing programs to compete in the global market. But still there are many initiatives that company has to adopt. Company has to introduce some famous celebrities to increase the purchase intentions of the Chinese citizens. Moreover, Shan foods should use internal branding and brand credibility to increase the customer loyalty [20]. Communicating shopping values can also be effective to increase the sales volume [21]. Company should also adopt some innovative strategies to reduce the consumer confusion between domestic and international brand [22].

### Conclusion

Spice industry all over the world can be referred to as a subset of food industry. Spices contribute a considerable share in Pakistan's imports and exports. Within this industry 40%



market share is with non-branded loose spices and the rest with branded packed spices. Shan foods is the leading manufacturer of branded packed spices and holds 50% of the share in 2017 while 45% is occupied by other manufacturer such as National foods, Mehran spices, Habib spices etc. we can conclude that Shan Foods have got all the factors that are necessary for growth and prosperity and the company is heading on a smooth journey towards the achievement of its mission and vision. It will get success as well they got from foreign countries as will get from China soon.

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