

# Analysis of Cigarette Rolling Brand Marketing Strategy Under the New Normal of Tobacco Economy

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**Objectives:** In order to study the communication channels and modes of tobacco brands, cigarette rolling brand marketing strategy under the new normal of tobacco economy is researched in this paper. **Methods:** T city is selected as the research sample of cigarette brand construction and marketing. Through the analysis of the current situation of T City, this paper puts forward the guiding ideology of cigarette cultivation, and puts forward the basic strategy system of brand marketing. **Results:** Brand building is a scientific process. The tobacco industry must avoid brand building speculation, because the opportunity cost of brand reconstruction is huge, and there is a risk of completely losing market dominance. The foundation of brand building is to convert the buying point with zero cost selected by target customers into the selling point of products to obtain pricing power. **Conclusion:** The advantages of tobacco brand's own products should be transmitted to target customers through planning from three aspects: the first is to clarify the competitive advantages of its own products; the second is to refine the core value of the brand; the third is the dissemination of brand positioning.

**Key words:** tobacco economy, cigarette brand, marketing strategy, tobacco brand

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After China's entry into WTO, the State Tobacco Monopoly Bureau has formulated and issued a series of policies to focus on cultivating a number of strong cigarette brands, such as the "100 brands" strategy and the "two more than ten" strategy<sup>1</sup>. With the implementation of various strategic measures, a number of strong brands have emerged in China's cigarette market, while some weak brands have been gradually marginalized, and the brand concentration shows a trend of concentration<sup>2</sup>. However, compared with international cigarette brands, China's cigarette industry has a very large gap in market concentration and scale effect<sup>3</sup>.

On the one hand, we can see that some progress has been made in cigarette brand concentration<sup>4</sup>; However, on the other hand, due to institutional factors, China's tobacco enterprises lack brand cultivation awareness in the long-term development process, and local protectionism is more common. Therefore, there are still many problems, mainly including<sup>5</sup>: first, although cigarette manufacturers attach great importance to brand positioning thought, their understanding and understanding of positioning theory are not in place in the process of practical application. Second, in the marketing process, the use of event marketing and relationship marketing strategies is increasing, but tobacco enterprises still face many problems in the specific operation process.

Third, although cigarette manufacturers have made preliminary exploration and practice in brand cultivation, they only pursue popularity in the process of cigarette brand construction because they do not have long-term brand asset management experience and awareness of sustainable development. For the sustainable and stable development of enterprise brand, high popularity is only one of the elements, and the important factors also include enterprise culture, brand image, brand credit, etc. Therefore, the one-sided pursuit of popularity is a misunderstanding in the process of brand construction<sup>6-7</sup>.

In short, only by recognizing the problems existing in China's cigarette industry can we formulate targeted strategic measures<sup>8</sup>. In order to cooperate with the development of the "cigarette level" strategy proposed by the state, we should first start with the brand cultivation idea of cigarette enterprises, strengthen the marketing concept of the team and improve the professional knowledge of brand cultivation. Continuously expand the achievements made so far, further expand the development space and continuously improve the brand image.

## METHODS

### Overview of brand development of China's cigarette industry after WTO

After China's entry into WTO, the economic development has achieved rapid growth, and the development of cigarette industry is also very considerable. In 2011, the national tobacco industry took accelerating the transformation of development mode as the main line, closely focused on the basic policy and strategic task of "raising the level of cigarettes", and fully completed the objectives and tasks set at the beginning of the year. The industry realized a total tax profit of 752.956 billion yuan, an increase of 138.289 billion yuan or 22.5% year-on-year. The total amount turned over to the State Treasury was 600.118 billion yuan, a year-on-year increase of 22.82%.

China is the country with the largest tobacco production and consumption in the world. However, compared with developed countries, China's tobacco enterprises are far behind in terms of scale and economic benefits. The operating revenue and corporate profits of Philip Morris tobacco company in the United States almost exceed the sum of all tobacco enterprises in China<sup>9</sup>. Through the research, it is found that compared with the tobacco marketing strategies of developed countries, China's tobacco industry mainly has the following problems:

First, China's cigarette brand construction is seriously restricted by regions. China's cigarette is a national monopoly industry. Local governments often formulate a series of terms that are not conducive to the entry of foreign cigarettes in order to ensure the sales of local cigarettes. Second, there are many cigarette brands and scattered resources in China<sup>10</sup>. There are too many brands in China's cigarette market, and the market share of most brands is low, while the brand concentration in the tobacco market in developed countries is very high. Third, cigarette brand publicity is innovative. China's advertising law expressly stipulates that tobacco is prohibited from using radio, film, television, newspapers and periodicals to publish advertisements. At the same time, it is also prohibited to set advertisements in various waiting rooms, cinemas, conference halls, sports venues and other advertising places.

In short, the marketing strategy of China's tobacco industry is far from that of large tobacco companies in developed countries. The main reasons for this situation include not only the objective institutional reasons, but also the development strategy of the enterprise itself. Therefore, how to scientifically and reasonably carry out cigarette brand marketing is a more serious problem facing our country at present.

### Analysis on the current situation of cigarette brand marketing in T City

In recent years, the cigarette market in T city has developed rapidly, and the sales volume of big brand cigarettes has increased greatly. At present, there are 46 cigarette brands and 153 specifications in T city. In 2011, the concentration of national key backbone brands was 75%, which was basically the same as the national average level. From the current situation, the

cigarette marketing in T city mainly presents the following four characteristics:

First, tourism in T city is relatively developed, and cigarette sales are closely related to the decline and prosperity of tourism. In the peak tourist season, the local floating population increased greatly, and the cigarette sales increased significantly; On the contrary, in the off-season of tourism, the decline of cigarette sales is more obvious.

Second, as an international tourist city, T city has great publicity influence, and cigarette industry enterprises attach great importance to it. They expect to strengthen their own brand in T city and improve the popularity of the brand in the country and the world. Therefore, the supply of cigarettes in T city has been fully guaranteed. At the same time, it also leads to the current situation of more brands, specifications and fierce competition of cigarettes in T city.

Third, the early cigarette brand management of T tobacco company mainly adopts the mode of price segment and industrial enterprise brand quota management, and basically determines the reasonable quantity of each price segment and industrial enterprise brand specification, determines the total amount, and returns one into one. If the sales volume of the introduced brand reaches a certain quantity within a certain period, and the sales volume is lower than the specified quantity, exit through evaluation and negotiation, and investigate the introduction of a new brand.

Fourth, in the early stage, T city's cigarette brand marketing mainly adopts the strategy of comprehensive publicity, improving the product distribution rate, and then leaving it to consumers to choose independently. Industrial enterprises in T city also mainly adopt the strategy of comprehensive publicity and promotion to maximize product popularity and consumer groups, and fight for price and quality with the same quality and price.

Fifth, the current layout of cigarette categories in T city is not reasonable. First, among the first to fifth categories of cigarettes, the proportion of class III cigarettes is high, up to about 50%, while class II

cigarettes account for only about 8%; Second, the distribution of brands in some market segments is unreasonable. For example, there are more than 20 brands competing in the wedding market, while there are few brands such as high-end cigars and fine cigarettes.

### **Analysis on the main problems of cigarette brand marketing in T City**

In the new international competitive environment, the tobacco industry in T city should move towards the goal of "big market, big brand and big enterprise", and the establishment and implementation of cigarette brand cultivation mechanism is an important guarantee. Brand building is a scientific process. The tobacco industry must avoid brand building speculation, because the opportunity cost of brand reconstruction is huge, and there is a risk of completely losing the dominance of the tobacco market. At present, the main problems of cigarette brand marketing in T city include:

First, there is no scientific use of cigarette brand positioning tools, resulting in fuzzy positioning. At present, an important problem existing in the whole cigarette industry is the positioning problem. The existing positioning method is basically the rough positioning method with price as the benchmark. The homogenization competition of cigarettes of different brands at the same price is serious. Second, the lack of understanding of cigarette brand life cycle makes it difficult to formulate targeted marketing strategies. Third, the integrated communication strategy of cigarette brand needs to be further strengthened. Due to the particularity of cigarette commodities, national laws expressly restrict the use of ordinary news media for communication. Therefore, compared with other industries, the communication of cigarette brands is facing greater difficulties.

Based on the detailed analysis of the problems existing in cigarette brand marketing in T City, according to the relevant principles of brand economics, this paper puts forward that the key to cigarette brand construction is to improve brand credit. The so-called brand credit is to give the target customers a reason to buy without thinking under the condition of a certain price. The foundation of brand building is to convert the buying point with zero cost

selected by target customers into the selling point of products to obtain pricing power. The so-called selection cost is equal to zero, that is, cigarette consumers will choose a specific brand (specific value) without thinking when choosing a category (selection set).

## RESULTS

### Cigarette brand positioning strategy in T City

Cigarette brands need to be analyzed from two aspects: one is the market segmentation of cigarette brands, and the other is the evaluation and selection of target markets. First, when positioning the market, we should first subdivide the whole market. There can be a variety of standards for market segmentation, such as differences in consumer needs, regional characteristics, spatial distribution of competitors, etc. Its fundamental task is to divide consumers into different categories according to a common feature, and on this basis, conduct further research and Analysis on each market segment, so as to find out the space suitable for brand development, that is, the space with blank or weak competition in the current market. So as to avoid direct conflict with powerful incumbents, develop strengths and avoid weaknesses, and strive for the soldiers who bend others without war.

Second, after having an accurate grasp and clear understanding of the current market situation, we need to evaluate and choose our own product market. Enterprises should organize in combination with their own situation and competitive environment, and carry out multi-dimensional positioning of their own brand from the perspective of products, consumers or competitors, so as to avoid deviation. During the evaluation, it should be analyzed from three aspects: market scale, internal competitiveness of the market and the actual situation of the enterprise itself. When positioning the market segment, enterprises should systematically analyze and evaluate their own development, consumer demand and competitors' products and strategies. At the same time, on the basis of correct

market research and scientific classification steps, enterprises should make the choice most conducive to their own development. In this way, it can not only avoid the pressure of strong competitors, but also give full play to the enterprise's own resource and technology advantages.

Category refers to a single point of interest for target customers to buy a commodity. The category positioning of cigarette brands is to continuously strengthen the positioning of a category in the hearts of consumers in order to reduce the interference of other brands. Category refers to a single point of interest for target customers to buy a commodity. If the category degree of a single interest point proposed by a cigarette brand is very high, it indicates that when consumers have such demand, the greater the probability of directly choosing the brand. In other words, the higher the recognition of this interest point, and it is more difficult for other brands to break consumers' psychological positioning of this cigarette. The following analysis of the cigarette brand positioning method in T city mainly includes two parts: one is the test of the local brand category degree, and the other is the detailed discussion of the cigarette brand category positioning method in T city.

When consumers' category positioning of a brand is different from the national price classification, if the cigarette brand has high brand awareness in T City, it is very difficult to change consumers' category positioning of the brand. At this time, it can be considered to introduce sub cigarette brands of the cigarette brand that meet the relevant price levels of consumers' psychological positioning in T city. If this cigarette brand has a low brand awareness in T City, it will be relatively easy to change the category positioning of the brand by consumers. At this time, the brand can be positioned according to the price level specified by the state, and then brand publicity can be carried out again.

When the category positioning of a brand by consumers is the same as the price classification stipulated by the state, if the cigarette brand has high brand awareness in T City, it can be considered to increase the shelves of the cigarette brand. If this cigarette brand has low brand awareness in T City, it can reaffirm the category positioning of the brand and publicize it.

### **Cigarette brand cycle strategy in T City**

Although every enterprise expects to build a longevity brand, the brand has life. The life of a brand should go through five stages: birth, growth, maturity, aging, death or withdrawal. Cigarette brands are no exception. Each cigarette brand specification has experienced a complete life cycle from entering the regional market to exiting the regional market, that is, four successive stages from introduction period, growth period, maturity period to recession period. In fact, the life cycle of cigarette brand refers to the life cycle of a single specification of a cigarette brand in a regional market. To be exact, it is the life cycle of cigarette specification.

During the introduction period, the product has just entered a new market, and consumers' awareness is low. The main market characteristics of this period are: low product awareness, brand awareness and reputation have not been fully established, small product sales, slow growth, most consumers are newcomers, and the contribution of products to the profits of enterprises is low. The introduction period is the starting point and source of brand cultivation, which is very important to brand development. According to the actual situation of the tobacco industry, the introduction period is generally 6 months. The introduction period is the stage of new product launch after brand test and feasibility analysis. The main marketing goal of this stage is to strengthen publicity, improve brand awareness and let the brand enter the growth stage as soon as possible.

During the growth period, the product has gradually formed a certain popularity in the market, at the same time, it has a certain number of consumers, and the sales volume has increased significantly. The main market characteristics of cigarette products in this period: consumers are mainly consumers who have tried the product, are familiar with the product, a more stable consumer group is forming, the product sales volume is growing rapidly, but there is still a large market potential space, and the profit

contribution of the product to the enterprise is also rising.

At the stage of brand growth, Cigarette commercial enterprises should cooperate with industrial enterprises to carry out publicity and promotion according to the actual situation of the market under their jurisdiction and their own resources, strive to open the popularity of the brand in a short time, improve the new consumer group and repeat purchase rate, form "word-of-mouth" communication and brand preference, cultivate more stable consumer groups, and maintain and improve market competitiveness. The marketing strategy in the growth period plays a very important role in laying a good market foundation for the cigarette brand and opening up the sales situation, which directly determines the growth speed of the brand. In the growth period, the pressure of sales is reduced, the brand awareness is gradually opened, and the focus of promotion is transferred from popularity to brand preference. From transmitting product information to directly stimulating purchase and cultivating consumers' emotional identity, so as to improve brand reputation and loyalty.

The main characteristics of mature period mature period refers to the gradual slowdown and relatively mature stage after the sales growth rate of cigarette products reaches a certain level. This period lasts the longest in the whole product life cycle. Its main characteristics are: the brand has a certain market dominant position, the consumers are generally popular, and the sales volume reaches the peak. Although there may still be growth, the growth rate is slow. With the saturation of market demand, the sales volume has basically remained stable after falling to about 80% of the maximum value, and the profit contribution of products to the enterprise is in the period of maximization. From the perspective of economics, the brand maturity period is also the "golden period" of sales. At this stage, the product sales volume is the largest, the sales cost is relatively low and the profit contribution is large. Therefore, the main marketing goal of the mature period is to strive to keep consumers fresh, do everything possible to prolong the brand life cycle, and the focus of the marketing strategy is to adhere to balanced and stable delivery, optimize inventory, continue to give full

play to and maintain the brand advantages, tap the potential, promote the stability of sales and price, and maintain the market advantages of mature brands.

### **Integrated communication strategy of cigarette brand in T City**

In the promotion of brand image, advertising has always been the primary media choice for all kinds of products. However, due to the particularity of the cigarette industry, this method is not applicable. At the same time, we should also correctly realize that although advertising plays an obvious role in improving product popularity, its effect also has some limitations. Because consumers understand that advertising belongs to the self boasting behavior of businesses, its credibility is questioned. After a large number of empirical studies, foreign scholars found that the average elasticity of advertising is 0.2%, that is, for every 1% increase in advertising expenses, the average increase in sales is 0.2%. Due to the increase of the number of brands, the approximation of products and the increase of media, the efficiency of advertising communication has decreased, and the focus of brand marketing communication has changed from advertising to integrated marketing communication, especially the proportion of business promotion has increased.

Brand culture communication refers to the process of radiating the brand culture from the enterprise to the outside and accurately transmitting it to the target consumers. So, how to spread the brand culture so that consumers can recognize and even recognize it? This paper believes that the following four methods can be adopted: (1) distribute written materials. Cigarette brands can widely use written materials to contact and influence the target market, such as articles and various reading materials. (2) Edit audio-visual materials. Compared with ordinary reading materials, listening materials have more visual and intuitive characteristics, and are also convenient for consumers to accept in a short time. Although the production cost is higher, it is still very worthwhile in terms of its effect. (3) Use your own media. Cigarette brands need to

create a visual identity that enables the public to quickly identify the brand. If the design can well attract consumers, it itself is a good media. (4) Dissemination of case stories and activities. Brand culture communication can also rely on case stories and activities. Culture and ideas are abstract things, which is not conducive to communication. Case stories express those abstract ideas that need to be "understood" through specific stories, which is an important way of cultural communication.

The development of brand culture activities is conducive to brand promotion, which is particularly important for the role of cigarette industry. The following focuses on four activities. (1) Free samples. Cigarette enterprises provide free product samples to customers in order to establish customers' brand information and expect to achieve the purpose of sales through trial samples. Samples can be sent door-to-door, mailed, distributed in stores or attached to other products. However, it should be noted that samples must be sent to the target consumers determined by the products, otherwise it may only increase the cost of the company, and the effect is not very obvious. (2) Printing promotion. Printing, also known as commercial decals, is the proof of labels, point coupons or shopping vouchers obtained by consumers when purchasing products. When the accumulated printing reaches a certain amount, they can exchange prizes at the designated place. (3) Gift promotion. Gift promotion refers to that when consumers buy a specific product, manufacturers sell another product at a lower price, or directly give another product free of charge. The more common ways of gift promotion include reward packaging and gift reward. Reward packaging refers to increasing the number of single products under the condition that the price remains unchanged. The "preferential packaging" often seen in shopping malls belongs to this kind of sales form. For example, the addition of Huiyuan juice is 30%, but the price remains the same. (4) Lucky draw or competition promotion. The most exciting and expected promotional activities for consumers are naturally competitions and lucky draw, that is, providing consumers with some activities so that they can get some prizes, bonuses, travel opportunities, etc. free of charge.

## DISCUSSION

Cigarette brand cultivation needs a good external competitive environment, and the government plays a very important responsibility in this regard. It is mainly reflected in the following three aspects:

First, regional governments should cooperate with each other to avoid excessive local protective policies. Cigarette is a national monopoly industry. In order to increase tax revenue, local governments often formulate a series of provisions that are not conducive to the entry of foreign cigarettes to ensure the sales of local cigarettes. The long-term administrative monopoly makes the tobacco market segmentation more serious, and hinders the rational development of the cigarette market. Therefore, local governments should actively cooperate with the construction of tobacco brand cultivation, create a loose and free competitive environment, and promote the improvement of the brand construction level of the cigarette industry.

Second, the government should strengthen supervision and crack down on fake cigarettes. Due to the trend of high profits, some criminals produce and sell all kinds of fake cigarettes, especially some high-end cigarettes, such as Zhonghua and Suzhou tobacco. Fake cigarettes may have serious problems in quality, which not only has a serious negative impact on the brand, but also does great harm to consumers' health. Therefore, the government should strictly crack down on this behavior and protect the legitimate interests of cigarette manufacturers and consumers.

Third, formulate reasonable guiding strategies to promote the healthy development of the cigarette industry. The policies and measures issued by the government are the development direction of the cigarette industry and play a vital guiding role in cigarette enterprises. Therefore, when formulating policies, the government should fully understand the development needs of the market, neither blindly expand the scale and pursue profits, nor be too conservative to shackle development.

The internal guarantee mechanism of enterprises is mainly realized through the

implementation of brand management. Specifically, brand management mainly includes four aspects: brand management, maintenance management, supply and demand management and collaborative management. These four aspects are discussed in detail below.

First, brand management. Brand management mainly includes two aspects: category management and brand life cycle management. According to the previous discussion on the life cycle characteristics of cigarette categories and cigarette brands, the main task of category management is to classify and manage cigarette brands at different prices, and manage the name, packaging, smoking position, tar content, cultural connotation and other aspects of such cigarettes. Cigarette life cycle management is mainly to formulate reasonable and effective marketing strategies and methods according to the different characteristics of the brand at the stage.

Second, maintenance management. Brand maintenance management mainly includes new product launch management, brand retirement management and brand evaluation management. The main tasks of new product listing management are preliminary feasibility research and analysis, selection of target market, etc; If the brand retirement management team cooperates with the brand to introduce the exit application report, analyze the causes of recession and formulate appropriate remedial measures; Brand evaluation management is mainly to quantify the enterprise's independent brand value in a reasonable way.

Third, supply and demand management. Supply and demand management mainly includes product demand research and forecast, source procurement, etc.

Fourth, collaborative management. It mainly includes information collaboration, product R & D collaboration, brand maintenance collaboration, brand evaluation collaboration, etc.

With the continuous development of information society, the great role of social public opinion has attracted more and more attention. On the one hand, public opinion can supervise the production and sales of cigarettes and expose unreasonable or illegal competition. On the other hand, proper use of public opinion can provide greater help for cigarette brand construction. Because cigarette commodities are harmful to health and addictive, relevant national policies expressly stipulate that they shall not be

publicized in the form of advertising. However, the expansion and maintenance of cigarette brand awareness need to appear repeatedly among consumers. Reasonable use of various means of public opinion is a better way to spread the popularity of cigarette brands. Qipilang cigarette has won many media reports and expanded its popularity by means of charitable donations.

Since the unification of the tobacco industry, in order to realize the strategy of "big market, big brand and big enterprise", the National Bureau has formulated the catalogue of 100 cigarette brands. On the one hand, it proves the achievements of China's cigarette industry in brand construction, on the other hand, it is also a warning to the existing brands: if we don't make efforts to become bigger and stronger, we may be eliminated. In the long-term planned economy period, our tobacco industry has a strong administrative consciousness, lacks sufficient market consciousness, is familiar with administrative means, and is not very skilled in the use of market means. In practice, the research on cigarette brand is not only the weakness of tobacco companies, but also the weakness of industrial enterprises. For Chinese cigarettes, brand concentration seems to be very simple: the next "order" of China National Tobacco Corporation can be, why not? In addition to the tobacco factory tax system, another problem is the long-term local brand, which has established the regional habit of cigarette consumption brand, which is by no means changeable in one day. This requires the improvement of brand concentration with the help of market mechanism under the macro guidance of the National Bureau.

## Conflicts of Interest Disclosure Statement

The authors declare no conflict of interest in the authorship or publication of this work. The authors declare no sponsored financial sources by any organization related to tobacco production for the undertaken study.

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