

Research on the Advertising Marketing Strategy of Lao Gan Ma

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Abstract: With the development of technology, modern people gradually become more reliant on their electronic devices, which directly strengthens the function of advertisements because of their rapid spreading speed. Most companies are trying to make better advertisements. Among those companies, one of them has become outstanding. That is Lao Gan Ma, an old chili sauce company that never published any advertisement in its first 23 years. For this traditional brand, transforming its brand communication is the only way to develop better in the future. After all, enterprises that want to develop must rely on the Internet and even integrate Internet thinking into all aspects of the enterprise. With such a premise, that is, how to use the advantages of the Internet to achieve the transformation of Lao Gan Ma brand communication, it is worth studying. As a classic and representative traditional brand, Lao Gan Ma must find out its problems in brand communication and correct them to bring better benefits to its brand and enlighten other traditional brands. Although Lao Gan Ma is a classical brand, it still has many problems, including relying too much on traditional and ineffective advertising channels. Hoping the analysis in the essay can help it to solve those troubles and become a strong leader of spicy sauce again.

Keywords: Lao Gan Ma, advertising strategy, current market, suggestions

1. Introduction

1.1. Research Background

Among the childhood life of most Chinese people, except soy sauce, there is another childhood memory- Lao Gan Ma chili sauce. Since 1996 the classical spicy fermented bean sauce was published, Lao Gan Ma's footsteps have been all over China. Over the past 27 years, this little brand has grown into a towering tree. However, in recent years, Lao Gan Ma has gradually fallen behind the age and become a memory of people. With the high-speed development of technology, the entire world has already stepped into a high-tech and fast-spread society. The main sources for people to gain new information are various electronic devices such as phones and computers, and even televisions are outdated. Advertisements have become more significant in this world filled with electrical devices. A variety of brands have already put efforts into their advertising strategy. As an illustration, the milk tea brand MIXUE Ice& Tea earned a total revenue of 4.68 billion and 10.3 billion RMB in 2020 and 2021 because of the advertising song it published in 2019. However, Lao Gan Ma, who has never used advertisements, also published a popular advertisement in 2019 but only gained a high revenue

in 2020. In 2021, it gained a huge decline of 1.2 billion RMB in annual revenue. This makes people consider a problem: Are Lao Gan Ma's advertising strategies successful? To answer this question, it is necessary to understand and analyze the principles behind Lao Gan Ma's advertising strategies. As a leader in traditional food processing, Lao Gan Ma's development represents all the food processing brands. Even Lao Gan Ma rarely made advertisements, and all those cases are worth criticizing. The research on the advertising strategy of "Lao Gan Ma" is of reference significance for other traditional brands and even small and medium-sized enterprises. Although marketing is only one of the links, it is also an important part that any brand cannot ignore in the Internet era. The research on the advertising strategy of "Lao Gan Ma" is expected to have a guiding effect on the communication of more traditional brands under the Internet thinking, help these traditional brands establish the correct concept of brand communication, master the strategy of brand communication, and urge them to incorporate Internet communication into the overall brand communication strategy, to obtain more long-term development. Also, studying advertisements, a popular way of propagandizing can help brands gain more information about the advertisements that people prefer nowadays. In this world filled with the Internet, traditional brand marketing theory and practice will encounter many problems, especially when the real meaning of the network is fully excavated. The communication between consumers and consumers establishes a common body based on value identification. This value will highly influence the viewpoints of customers of the brands. One way to improve or maintain this value among customers is through positive and practical advertisements, so the studies of advertising strategies have become much more important than before.

1.2. Literature Review

Yao analyzed that Lao Gan Ma must be good at using the influence of mass media to win back consumers through superb advertising design and the attitude of large enterprises [1]." In addition, Liu found that "The main reasons for the decline in Lao Gan Ma's income are: first, Lao Gan Ma's brand communication mode needs to be updated under the Internet background, and second, the lack of brand innovation [2]." In addition, in Liu's article, he also claimed, "If there are more innovative media publicity, Lao Gan Ma's recognition and acceptance abroad will become higher and higher [3]." All the above shows that in this Internet world, Lao Gan Ma needs to have a huge innovation in its advertising way. Lao Gan Ma's advertising strategy of not playing big media must change. In fact, most of the previous articles and research discovered that the main problem of Lao Gan Ma's decline in revenue is lacking innovative and effective advertisements. They all pointed out that the failure of Lao Gan Ma was caused by its low advertising strategy. However, they only stopped pointing out this limitation and did not give a solution. In contrast, only a few scholars studied the market change after Lao Gan Ma tried to launch its advertisements and analyzed its deeper advertising strategies.

1.3. Research Framework

This article will deeply analyze the influence and problem behind Lao Gan Ma's advertising strategies. First, the article will overview Lao Gan Ma's development. This shows the phenomenon before and after Lao Gan Ma's advertising strategies. Then, the article will take out two main advertisements, which are a collaboration with the Opening Ceremony and "Unscrew Gan Ma" to analyze the unique advertising strategies of Lao Gan Ma. After that, the article will also point out the problem shown in the strategies by analyzing the revenue data and some interviews about Lao Gan Ma's popularity. Finally, the article will give several suggestions based on the current situation.

2. Case Description

Since 1996 the classical spicy fermented bean sauce was published, Lao Gan Ma's footsteps have been all over China. Over the past 27 years, this little brand has grown into a towering tree. According to the performance report released by Guizhou Nanming Lao Gan Ma Flavor Food Co., the company's sales revenue exceeded 5 billion yuan in 2019, hitting a new record high. The annual sales revenue was 5 billion yuan, increasing 14.43% compared to 2018, as shown in Figure 1.

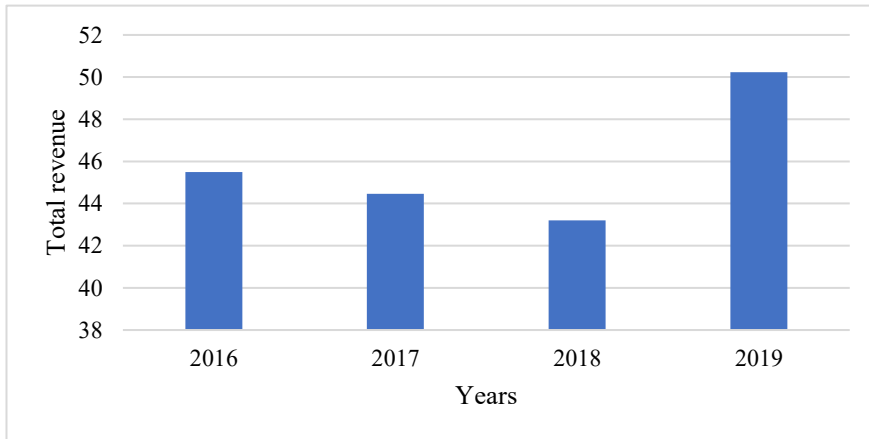


Figure 1: Total revenue of Lao Gan Ma during 2016-2019 (Unit: 100 million RMB).

(Source: <https://www.jz54.cn/cy/20221228103149.html> [4])

Many experts suggest that the season of sudden revenue increase during those years is due to two huge advertisements, the collaboration with the Opening Ceremony in 2018 and the publication of Lao Gan Ma's first media advertisement, "Unscrew Gan Ma" in 2019. Lao Gan Ma broke the rules of not making any advertisements and gained huge success in publicity after those two propagandas. After tasting the sweetness brought by social media, Lao Gan Ma kept moving on this road. However, the continuous influence of advertisements is surprisingly low, especially after 2020. In July 2022, Huabi Tao, the founder of Lao Gan Ma, created an online channel to advertise for Lao Gan Ma, but they still can't heal the revenue decline. From then on, Lao Gan Ma's annual revenue experienced an extreme 42.02 hundred million RMB decrease in 2021. Compared with 2020, the total revenue has dropped by 12.02 hundred million RMB, as shown in Figure 2.

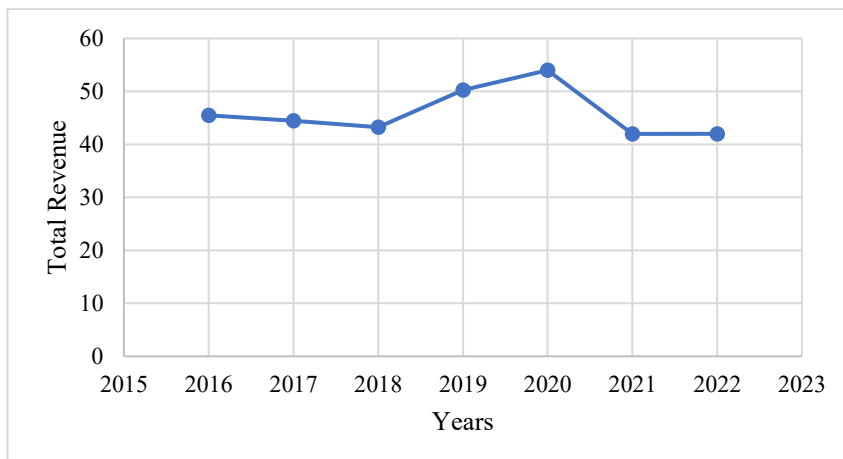


Figure 2: Annual revenue of Lao Gan Ma from 2016-2022 (Unit: hundred million RMB).

(Source: http://www.360doc.com/content/12/0121/07/21321265_1053370515.shtml [5])

Not only revenue, the reputation of Lao Gan Ma in public has also dropped due to the new managers of Lao Gan Ma converting the original peppers into cheaper ones. This caused the change of flavor of the chili sauces and worsened its prestige. Although Lao Gan Ma is still the Chinese chili sauce market leader, the continuous entry of competitors and the gradual decrease in reputation threaten Lao Gan Ma's status. While in foreign, Lao Gan Ma harvests much considerable income. In July 2012, Gilt, an American luxury e-commerce company, honored Lao Gan Ma chili sauce as a premium condiment. After that, Lao Gan Ma became famous in Western countries and America.

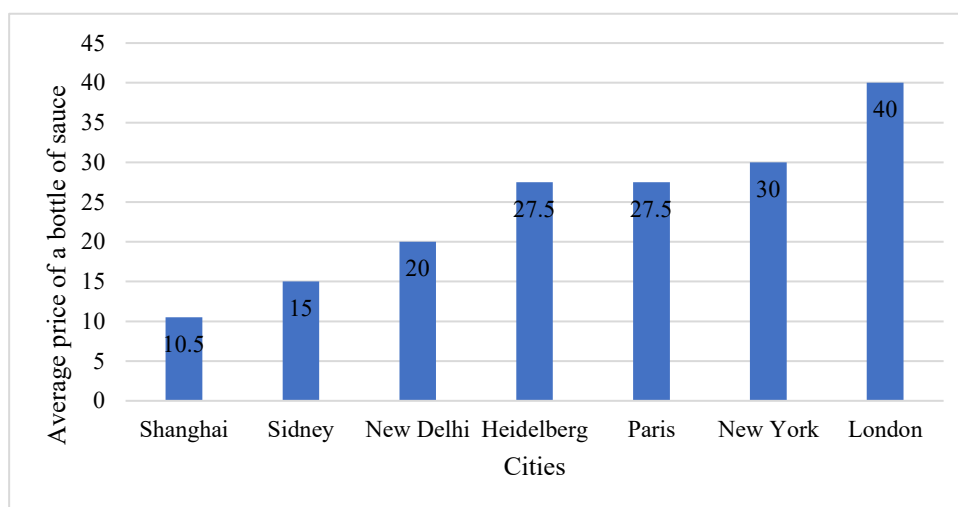


Figure 3: Annual revenue of Lao Gan Ma from 2016-2022 (Unit: hundred million RMB).

(Source: <http://m.huangliw.com/arc1323079/> [6])

Figure 3 shows that all the foreign countries sold Lao Gan Ma at a higher price than China, which became the reason that Lao Gan Ma got high income in foreign markets.

3. Analysis of Problems

3.1. The Current Advertising Strategies of Lao Gan Ma

With the development of technology, this world has already been filled with data and digital advertising. This means advertisements become particularly important. Thus, advertng strategies are formed. Advertising marketing is a complete marketing program conducted by marketing planners based on the current fashion situation, customer psychology, consuming power, and other factors. With the increase in products, the market competition is becoming more and more intense. How to lay a solid foundation in the fierce market competition and keep ahead, perfect, scientific, and effective advertising marketing strategy is essential. The formulation of reasonable advertising and marketing strategies cannot be separated from the analysis of consumer demand. On the one hand, through the analysis of consumer needs, consumers' purchase motives can be clarified, and only through the study of consumer behavior can they be targeted, produce products that meet consumer psychology, and use advertising and marketing technology to provide consumers with more comprehensive services. On the other hand, by studying consumer demand, consumers' consumption ability and level can be analyzed, and then the market volume of products can be accurately predicted.

On the other hand, Lao Gan Ma seldom uses digital technology to advertise. It focused on utilizing traditional advertising channels such as television, radio, print media, and outdoor billboards to reach a wide audience in the previous 27 years. They also invest in digital online platforms and social media to target specific demographics and increase brand visibility. Also, this brand often sponsors

marketing events and organizations to collaborate with influencers that align with their brand values and target market. For example, Lao Gan Ma has collaborated with Opening Ceremony to create fashion clothes, thus attracting customers. These efforts help to enhance brand association and reach wider audiences. In addition, the packaging design of Lao Gan Ma is the most successful strategy. The transparent bottle with a bright red cap has already become a signal of Lao Gan Ma. Even without the label, customers can easily identify Lao Gan Ma's product, which brings a high reputation and publicity. Lao Gan Ma's packaging design highlights the brand's uniqueness, traditional flavor, and spicy characteristics to attract consumers' attention while conveying the product's quality and deliciousness. Different product packaging styles make subtle changes in these tones to meet the tastes and preferences of different consumers.

3.2. Problems Found in the Advertising Strategies of Lao Gan Ma

The first problem is that Lao Gan Ma lacks effective and general advertisements like Coca-Cola. It is common to see Coca-Cola and KFC and make repeating advertisements everywhere. Although those ads will lead to the bore, this brand's information remains in people's memories. However, Lao Gan Ma always believes customers will continuously come if its product is better than others. This thought might have been useful 20 years ago when the technology wasn't so advanced, and the substitute goods weren't so much. But the truth is, in this developing world, Lao Gan Ma already had so many competitors, which deletes its unique advantage as long as new chili sauces and new generations come out. If Lao Gan still publishes nothing attractive, it will finally become a memory.

Another problem is that even if Lao Gan Ma tried to do some advertisements, it relies solely on traditional media channels for advertising. This may limit the reach of the brand. In today's digital age, it's important to consider incorporating online platforms, social media, and influencer collaborations to engage a wider audience, especially younger demographics. In fact, Lao Gan Ma always set its target customers as middle class and housewives, as shown in its classical packaging design. The packaging design is famous but never changed. However, Lao Gan Ma ignores a huge group of customers in the current market-young people, who will spend most of the money on something they like, but not something they need. Nowadays, young people seldom watch TV or listen to the radio to relax. In this society, short videos, games, and various video platforms are the things that can attract them. Lao Gan Ma never publishes its advertisements on those media, but only old ones, which has become a serious problem in its advertising strategies.

Moving back to those two outstanding advertisements that Lao Gan Ma made, Even though Lao Gan Ma has appeared in two bright cross-border advertisements in recent years, it has received hot attention from the market, but it has not occupied the public vision for too long, like a flash in the pan, and it remains boring after the surprise. It can be seen that the collaboration with the Opening Ceremony or the publication of "Unscrewing Gan Ma" both have a common problem: lacking long-term influence. The result is also shown in Figure 4 [2]. Surely, Lao Gan Ma gradually learns the importance of young customers and tries to pursue fashion in its advertisements. However, blindly chasing fashion makes Lao Gan Ma can only make a short-term useful advertisement. Like an online meme, these advertisements are so similar that no one will care about them even after several months. To illustrate it, the ad "Unscrew Gan Ma" mimics the network divine song "Coincidence", whether its melody or rhythm, including the use of rap inspirational story, are all close to "Coincidence". The first try of publishing an ad, it is easy to lead to conflicts. Also, in the advertisement, it is difficult to find Lao Gan Ma's existing "reality" and "classical" spirit but saw too many absurd, funny, practical, speculative signs. This is in the opposite way of Lao Gan Ma's principles.

3.3. Reasons for Problems

One of the obvious reasons that caused Lao Gan Ma's problem is that the managing idea of it is too obsolete. Lao Gan Ma always falls behind with fashion. When traditional media, such as TV, Lao Gan Ma didn't advertise but believed their high-quality product would bring them customers. When people turned to focus on short videos and We-media, Lao Gan Ma went to put ads on TV programs. And when Lao Gan Ma finally realized that young men were the main body of the current market, the "fashionable" ads it published had already been outdated [7]. Every time Lao Gan Ma tries to do something new, it already has lost the best chance.

4. Suggestion

4.1. Become Alive Again

Aiming the three problems, the article will list several pieces of advice to help Lao Ga Ma to improve the market. First, as a big and old company, Lao Gan Ma should immediately publish repeated advertisements in public places such as shopping malls and supermarkets to refresh customers' memories that Lao Gan Ma is still alive. Those advertisements should be maintained in 5 to 10 seconds and have a high visual impact. This helps Lao Gan Ma spread its publicity, thus gaining old and new customers. If Lao Gan Ma wants to be popular again, the advertisements of it must be widely spread out [6]. It is efficient to first send those short advertisements in those big cities like Shanghai and Beijing to surprise the customers. Lao Gan Ma already had a bunch of old customers, so after wide advertising, people will be surprised that Lao Gan Ma didn't disappear but became alive again. The result of this shock is the attraction of plenty of new customers. In addition, as a huge number of powerful competitors, such as Tiger Bang and Spicy Girl, appeared, Lao Gan Ma should continuously create new innovative products. The main group of consumers has already shifted to young people. Lao Gan Ma should focus on satisfying the demand of these young customers. As young people pay more and more attention to a healthy diet, Lao Gan Ma can boldly produce innovative products by launching a series of healthy features in its products, such as low-salt chili sauce, additive-free black bean sauce, etc., to meet the needs of healthy consumers; Also, because young customers love snacks, so adding spicy dried tofu, spicy peanuts to the product list can meet their demand. Overall, Lao Gan Ma should try to lead the food fashion among young customers.

4.2. Using New Media

Aiming at the second problem of relying on traditional media, Lao Gan Ma should survey its customers, especially young people, to find out which kind of media they use the most.

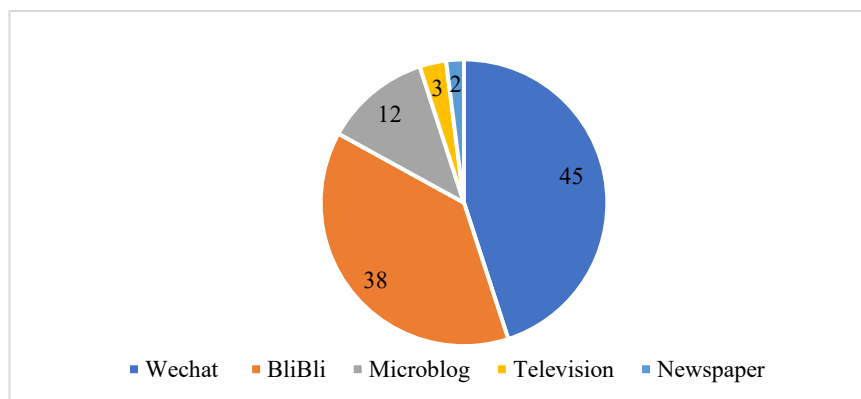


Figure 4: The choices of teenagers to get new information (Photo credit: Origin).

According to the survey about the source of new information among 100 teenagers (14-18 years old), only 5 choose to use traditional media to get new information. 95% of young men use video apps or platforms to widen their sights. This means the strategy of Lao Gan Ma to publish their advertisements on TV is an entire failure because no one will even notice it. As a result, Lao Gan Ma should now put their advertisements on popular video platforms such as Bilibili and TikTok [8]. Also, partner with food bloggers, chefs, and influencers who have a strong following in the culinary industry, encourage them to create unique recipes using Lao Gan Ma sauces, and share their experiences with their audience. However, it is hard for a Lao Gan Ma to gain high popularity initially. So, another way to expand its publicity is to collaborate with some celebrities on those platforms. Old Tomato on Bilibili, Yang Brothers on TikTok, and famous anchors are good resources for Lao Gan Ma to expand its influence [9]. After gaining the initial subscription, Lao Gan Ma should frequently publish videos to maintain its attraction. The incipient videos can be focused on answering some popular problems or company news. For illustration, in April 2019, Lao Gan Ma changed the original peppers to another kind due to the lower price, which immediately led to customer dissatisfaction. Also, during those years, counterfeits of Lao Gan Ma were everywhere, which seriously damaged the income of Lao Gan Ma. Aiming these hotspots and situations, using popular video platforms or Apps to give out responses and appeal is an effective way to delete negative influence and set a positive appearance. The most important point is that Lao Gan Ma should chase up with fashion to discover a breakthrough in its advertising resource.

4.3. Creating Long-Term Advertisements

Aiming the third problem, Lao Gan Ma must use the influence of media to win back consumers through superb advertising design and the characteristics of large enterprises. In simple words, publish more unique and long-term advertisements. It is difficult to find the heritage of Lao Gan Ma's corporate culture in various products, even in its only advertisement. Lao Gan Ma should implant Chinese culture in the advertisement, but not Hip-Hop music [10]. This delights the old customers and attracts new customers. For instance, Lao Gan Ma can collaborate with "A bite of China", a popular traditional food program, to raise its popularity. Lao Gan Ma should be skilled at advertising using its "classical" label, thus expanding its influence. Lao Gan Ma is also known for its high-quality products and low prices. Catching those points and putting them in a new advertisement style with classical information would be a powerful broadcast of Lao Gan Ma. In addition, in nowadays society, the lifestyle of most people is so fast, which makes them desire quiet and slow-speed life just those countryside citizens. Ironically, people with advanced technology start to miss the previous life of being poor but relaxed. As many people start to seek the memory of their childhood, and food is an important part of these memories. As an old company that accompanied many people in their childhood, this would be a good opportunity for Lao Gan Ma to spread its enterprise culture to the customers.

5. Conclusion

The main problem of Lao Gan Ma's advertising strategy is that it lacks repeating and common-sight advertisements, just like Coca-Cola. Lao Gan Ma should immediately publish plenty of advertisements in common places to raise awareness. This awakens the memories of those old customers and attracts new customers. Also, Lao Gan Ma can't depend so much on traditional media as its advertising channels. Oppositely, it needs to advertise on popular platforms and media such as Bilibili and YouTube. This increases the sources of the customers to recognize Lao Gan Ma and brings customers more opportunities to find this brand. Finally, Lao Gan Ma should focus on solving

the problem of its ineffective advertisements and making long-term advertisements to attract more customers and implant its culture into the ads.

This paper points out the problems in Lao Gan Ma's advertising strategies and gives a suitable solution based on the current market situation. Many other articles aim to solve the problems of quality and the counterfeits, but this article focuses on solving the advertising strategies' drawbacks, which is a breakthrough. By attracting more customers with new advertisements, Lao Gan Ma will obtain a higher income and return to being a powerful leader of spicy sauce companies. As a traditional brand, developing Lao Gan Ma will finally lead other sauce companies growing up and improve their total career.

However, this article also has some limitations. The most significant one is lacking enough preliminary study. The research on Lao Gan Ma's advertising strategies is lacking, which blocks the credibility and scales of the entire essay. Hoping the publication of this essay can lead other experts and researchers to focus on the same topic. In addition, only a few of the data in the essay is primary data. Most of them are secondary data. So it is better for the essay to use more primary data through interviews and surveys.

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