

Analysis on Edible Oil Market in China

Zhe Wang

*Automation, College of information science and engineering, Shen Yang, Liao Ning, 110819, China
Corresponding author's e-mail: Vivian.wang@cas-harbour.org*

ABSTRACT

In this paper, the author talked about how large packaging companies can gain major market share with great profit and during this situation how can small packaging companies survive and prosper. In the main part in the passage, the author contrasted the price of different kinds of oil and the sales recent years between large packaging companies and small ones to find the reason and strategy to assist the small packaging companies. Then the author analyzed the consumer demand market research of edible oil products through the consumer questionnaires from varied clients or potential clients to see the realistic need of the consumers. Eventually, from the comparison and analysis, the author found the defects in small companies that was a great gap from well-known enterprises and the unique advantages that cannot be embodied in those large packaging companies. Finally, the author used these results to get feasible schemes for small packaging companies to improve their popularity and turnover.

Keywords: *edible oil, large packaging companies, sales, feasible scheme*

1. INTRODUCTION

In recent years, with the further development of socialist market economy, China's edible oil industry is experiencing earthshaking changes, from the macro market environment, brand competition pattern, capital operation, price range, consumer demand, marketing channel mode and so on are undergoing profound changes[1]. China's consumption of edible vegetable oil in 2018 was 37.67 million tons and it's expected to grow at a rapid rate of 20% a year. At this rate of growth, China's consumption of edible vegetable oil will be 45.2 million tons in 2019 and 54.24 in 2020. Edible oil market capacity is large, the growth rate is fast, and China's vast territory, which is not only for edible oil strong brand is an opportunity, but also for many small and medium-sized practical oil enterprises, there is also a huge opportunity to quickly expand the market scale.

In 2018, the small package edible oil market of China presents a three-way competitive posture. The sales volume of the three brands of golden arowana, Luhua and Fulin men takes up more than 60% of the market share of edible oil[2]. The sales volume of golden arowana reached 74.0 billion yuan, accounting for 30% ~ 40% of the edible oil market share. Luhua's sales totaled 32.75 billion yuan, accounting for about 16% of the edible oil market. Fulin men's sales reached 22.5 billion yuan, accounting for about 11% of the edible oil market[3].

It can be seen that the brand concentration of edible oil products in China is relatively high, and the market competition is relatively mature. This competition pattern represent only the general competition of edible oil market. Among municipalities directly under the central government and some provincial capitals, the three brands of Golden Dragon fish, Lu Hua and Fu Linmen have obvious advantages. It may easily to get to a conclusion that there is no enough area for those small packaging companies to

develop. However, in some prefecture-level cities, county-level cities and even some provincial capitals, the competition situation of edible oil market presents huge differences and variables. For example, in Beijing, consumers like peanut oil best, while in Hunan, they like mixed oil best. So for these small companies, to compete with large packaging companies, they need to find the locally unique favorite edible oil and dig into this kind of field to make an effort in creating a unique brand advantage[4].

2. ANALYSIS ON THE COMPANY

2.1. The sales of Haiyixin(a typical example of small packaging company)

Edible oil is an important commodity related to national economy and people's livelihood. China is a big consumer of edible vegetable oil, and the per capita consumption has been rising steadily. With the rapid development of domestic economy, people's living standards continue to improve, the health of cooking oil, safety and nutrition of demand is higher and higher, the original in the market of bulk cooking oil can not meet the needs of the residents' consumption, small packaging cooking oil, cooking oil industry bring new opportunities and challenges for China's oil industry[5].

Haiyixin is a well-known edible oil trading company in Shenyang of Northeast China. It was founded on October 25, 2011, and its business scope includes the wholesale and retail of pre-packaged food (grain and oil). A total of 15 million tons of oil were sold last year which contain 8 million tons soybean oil, 4million tons salad oil and 3 million tons small packaged oil.

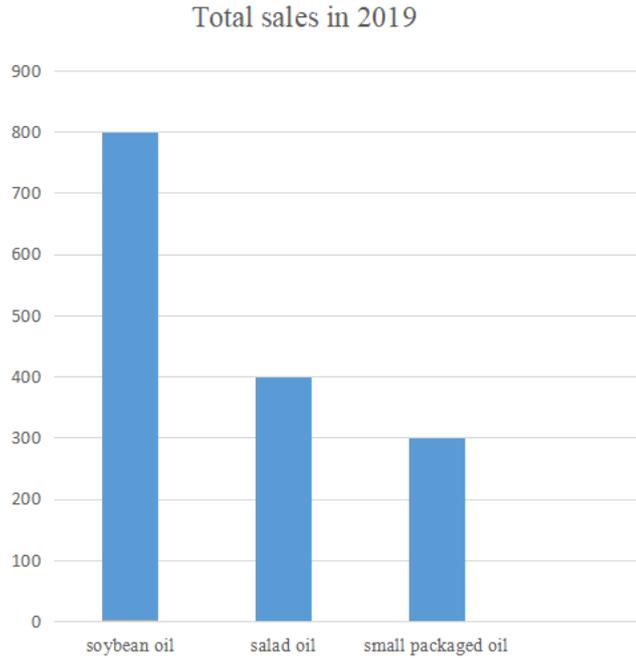


Figure 1 Total sales in 2019(Data from the Haiyixin company's financial statements)

2.2. The customers of Haiyixin

According to the investigation, both the soybean oil and salad oil are oil in bulk compared to the small packaged oil which have different customers. For example, soybean oil and salad oil are sold to food processing plants and feed

production plants. Small packaged oil are mainly for the restaurants.

In the sales of bulk oil, there are three main customers which are *Dongdong food*, *Huishan dairy* and *Kangbo feed*. The total amount of sales for Dongdong food was 5 million tons for Huishan dairy 4 million tons and for Kangbo was three million tons.

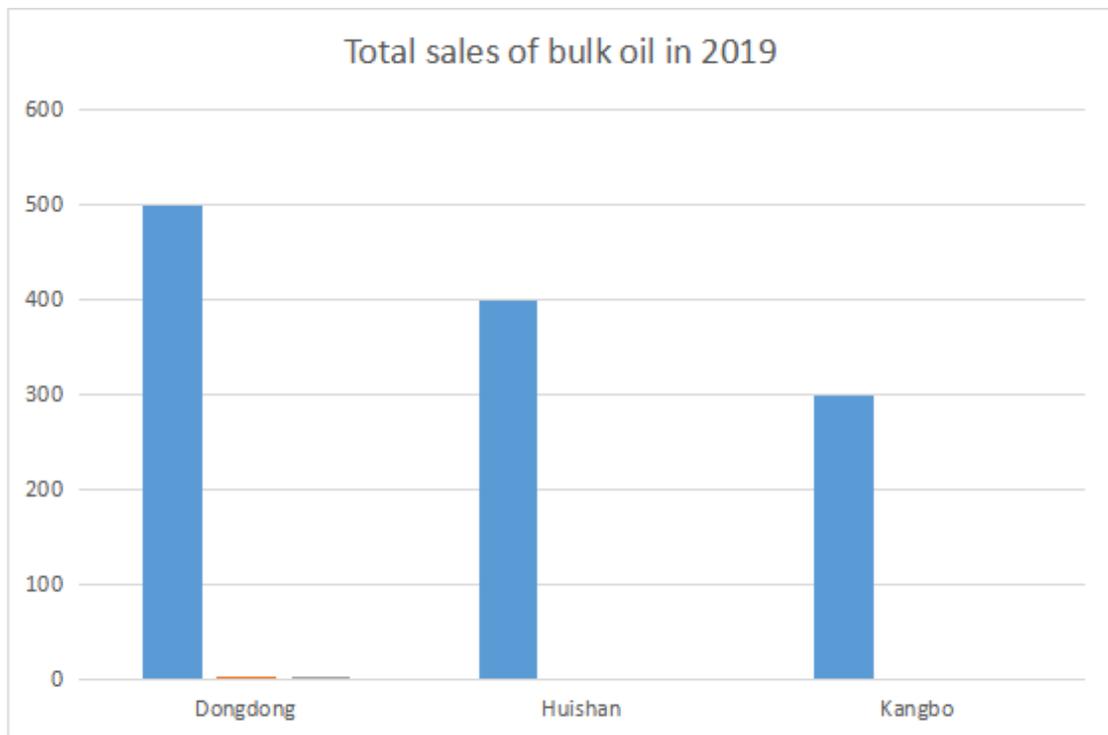


Figure 2 Total sales of bulk oil in 2019(Data from the Haiyixin company's financial statements)

Although Haiyixin is a bigger company, it is still a developing company which needs to focus on the needs of consumers compared to the three great brands for it cannot just offer enough varied products for all the consumers. Haiyixin should pay his attention more on the highest total sales and developing its own feature which would make him

unique in all the small packaging companies. The author marked how commonly people mentioned and chose the three brands instead of Haiyixin. After seeing the rate of different reasons in the table, it is able to have an idea about the advantages of these three companies and have a specific orientation for Haiyixin to build its own feature.

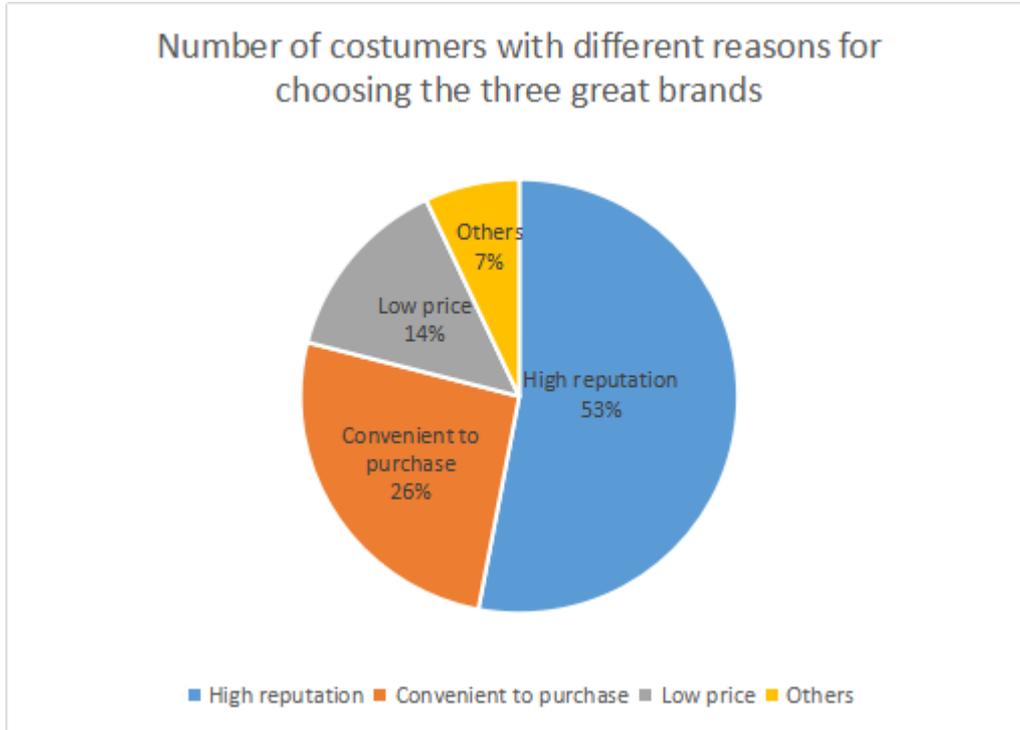


Figure 3 Number of costumers with different reasons for choosing the three great brands
(Data from questionnaires answered by customers purchasing three great brands)

From the table, it can be seen that the most significant reasons for consumers to choose the three great brands is their high reputation in the society. This situation can be seen everywhere, when people go to the supermarket to purchase a new kind of product, the first choice comes to mind will be the famous brand for its favor and quality are guaranteed. To solve this question, the Haiyixin company should create their own unique brand charm in the local space to attract more potential consumers for it can deep understand the real favor that local people are keen on. On top of that another benefit of the three great brand is they are easily to purchase since you can see varied of products of them in every stores. To compete with them, the Haiyixin company should also increase the market share of their products by improving the numbers of their products and diversity. Besides, the low price is also a bit influential factor for the three great brands. Nevertheless, this is also the advantage of the Haiyixin company for it is a small company which do not need to ask stars to endorse their products or spend a lot of money to do propaganda. So there is a lower costing for Haiyixin and it can provide a lower price contrasted with the three great brands.

3. THE COMPARISON BETWEEN BULK OIL AND SMALL PACKAGED OIL

3.1. Price

It is well known that for all the consumers price is an important factor to be considered when people are comparing several kinds of brands in a dilemma. So decreasing the selling price will be a effective plan for the small packaging companies to have a good hand in the brand competition. For the Haiyixin company, as a small packaging company, it should also take the same strategy that it should compare the different selling price between different kinds of oil in bulk or packaged like soybean oil or salad oil. The developing trend more about these two products such as price and the consumers' inclination should be analyzed. The author listed some of the species of bulk oil and packaged oil from the Haiyixin company and compared the price of them.

Table 1. Price of Soybean oil and Salad oil

	Soybean oil	Salad oil
Bulk oil	¥38.00	¥80.00
Packaged oil	¥50.00	¥124.00

All the data shown in the table means the price of the oil per 5 liters. From the soybean oil's selling price ¥38.00 in bulk to ¥50.00 in small packaged and the salad oil's from ¥80.00 to ¥124.00, we can easily get the conclusion that for the same kind of oil, after it was packaged into small bottles with more convenience to purchase the price will also increase in a high level. This rise in the selling price with small packaged may cause the customers a hesitation to choose the small packaged one on the storage rack for the high price. Contrasting the selling price of both the soybean oil ¥38.00 and the salad oil ¥80.00 in bulk and ¥50.00 with ¥124.00 in small packaged, we can also see a costly price in salad oil with the same kind of package. Although salad oil is the most highly processed edible oil with high nutritional value, most family can't afford the expensive expenditure for daily use oil.

3.2. Reasons

For Haiyixin company, the most important thing is to find the reason why the sales of bulk oil are far more than the sales of packaged oil. After analyzing, I find several reasons for this situation.

First, the only difference between bulk oil and packaged oil is the pack that the oil contained is the same. So the price of bulk oil is far less than packaged oil which means to purchase the same amount of oil, a company which choose to buy the bulk oil can save more money and create more profit. As it is known, the less prime cost, the higher profit. For the big companies like Dongdong food, which cost thousands of tons oil, they do not need the exquisite packaged oil to use and a little bit of difference will bring huge income gap in the end.

Another reason is that, it is really convenient for these companies to transport so much oil in bulk instead of small packaged. There is no need for these factories to transport their oil in small package since they will also store these oil in their own big bulk. The small packaged oil only fit those small companies and restaurants who need small amount of oil. What is more, the small packaged oil are more purchased by the family. However, a small bottle of edible oil can be used for a long time without replaced, which means with several months a family will only purchase a bottle of oil and for the big companies they would cost a big bulk of oil to make food, feed or stuff like that. So the main part of consuming edible oil should be the bulk oil which should also be the main orientation for the Haiyixin company.

However, there is also some advantages for small packaged oil. For example, the quality of it is really guaranteed and it contains high nutritional value. Contrasted with the big bulk oil, the small packaged oil

with exquisite packs are more accepted by the consumers in the store. Another advantage is that oil in small packages comes in small quantities with lower price that most customers will not worry about a large number of surplus so they could choose more varied kind of oil to try. So for some of the fancy restaurant and home, the small packaged oil should be their first priority.

4. CONCLUSION

For the Haiyixin company, they need to first make sure which kind of oil is their main products. And for those products that sell poorly, Haiyixin should make some strategy like decreasing the price or providing free delivery service for large orders. They also need to identify the core consumer group. They should let the products focus on the needs of this small group rather than the whole society.

ACKNOWLEDGMENT

It took me nearly two months to finish the paper. In the process of writing the thesis, I met numerous difficulties and obstacles, and I got through them with the help of professors and teaching assistants. In particular, I would like to express my strong gratitude to my thesis advisor -- Yvonne. Without her tireless guidance and help, I could not have finished this thesis without her selfless modification and improvement. Here, I would like to express my heartfelt thanks to all the teachers who have guided and helped me.

REFERENCES

- [1] X. Cheng.. Research on the distribution channel strategy of company A's X series small-package edible oil. Kunming University of Science and Technology.
- [2] F. Chen, B. Yang, W. Cao, etc. Investigation on the market characteristics of small-packaged edible oil products in major cities in China. *China Oils and Fats*, 2008, 33(12): 1-6.
- [3] B. Pang. Research on the innovation of Arowana small-packaged edible oil marketing strategy. Huazhong University of Science and Technology.
- [4] X. Yang. Based on the marketing competitiveness evaluation research of brand small package edible oil.
- [5] M. Han. Research on the marketing strategy of small packaged edible oil of X company. Qingdao: Ocean University of China, 2013.