

# The Marketing and Management Strategies of “Genki Forest” and Its Investment Potential

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## ABSTRACT

The goal of this paper is to analyze the marketing and management strategies of Genki Forest, a soft drink company that specializes in health drinks, and to excavate the reasons as to why the company was able to become a unicorn with a history of only five years. This paper will also discuss the characters of the founder, Tang Binsen, as to why he successfully transferred the skills he learned from the internet & gaming company he founded earlier to a soft drink company. The key reason that Genki Forest became popular is that it has the traits of an internet company. Genki Forest utilized many strategies an internet company used in a traditional soft drink company, such as money spent on advertising, and non-paper management. It is not a coincidence that Genki Forest became a sensation; the company is a successful representation of China’s new Consumerism. Well-known investment firms, such as Huaping capital, L Catterton, Temasek, Sequoia capital, have invested significant amount of capitals in Genki Forest.

**Keywords:** Advertising, Health, Sugar-free, Management

## 1. INTRODUCTION

### 1.1. Background:

Genki Forest, a soft drink company, was founded in 2016 by Bingsen Tang. The company mainly specializes in sparkling water and instant tea. In 2017, the company launched its first product, “Rancha”. A year later, the company received its series A funding from multiple prestigious investment firms. The value of Genki Forest skyrocketed in the following years. In 2019, the company was valued at \$0.58 billion; a year later, the value doubled and reached \$1.16 billion [1]. In 2020, Genki Forest announced that the company was planning to become the next “Coca-Cola” of China [2].

The founder of Genki Forest is Binsen Tang. He was a successful entrepreneur even before he founded Genki Forest. In 2008, he founded Zhiming Xingtong, a gaming company. One of the games they developed was “Happy Farm”. The game went extremely popular: more than 0.5 billion people from twenty different countries were playing it back then. In 2014, he sold his gaming company and subsequently founded “Challenger Capital”, which later became the angel investor of Genki Forest [3].

Tang once said that “pick the right industry if you want to get rich.” He founded Genki Forest because he observed that the beverage industry has a massive market in China. In Dec 2020, China’s consumption was about 37.7% of the country’s GDP. Experts estimated that in the next ten years, consumption would make up about 70% of the country’s GDP. In addition, the growth rate of the beverage industry was about 5-8% in the last three years [4]. In 2019, about 0.25 billion people were dealing with obesity in China; thus, the demand for a healthy lifestyle propelled weight management business. Tang positioned Genki Forest as “sugar-free specialist”, claiming that his drinks contain zero sugar, fat, and calories, which are healthy for customers [5]. The size of the market and the growth of consumption potential convinced Tang to invest his time and money in Genki Forest.

### 1.2. Related research

Hou questions the popularity of Genki Forest. More and more brands are launching their products to compete with Genki Forest, for example, Heytea, Wangyi, Wahaha, and Nestle. The end question is how long can Genki Forest stay popular when the competition is getting more and more competitive [1].

Daxue Consulting writes several marketing strategies Genki Forest has used, such as attractive packaging, partnership with influencers, promise for a healthy, sugar-free drink. The report also lists out the strengths and weaknesses of Genki Forest [2]. Wai points out two important marketing strategies of Genki Forest. First, The company made their packages appear to be more “Japanese”. The point is that many Chinese associate Japanese products with better quality. The second strategy is “viral advertising”. The company never hesitated to spend money on advertising. For example, they signed an exclusive sponsorship deal with a famous Chinese TV show, “Yuanqi Brothers” [3].

Ou summarizes Genki Forest’s marketing into three categories. The first category is taste and packaging. The second one is the demand for a healthier drink, and the last one is the drink’s social attribution [4]. Nie points out that since obesity has become a social issue, the demand for a healthy lifestyle is getting bigger in the last several years. Genki Forest is a successful example to represent the product of a healthy lifestyle [5]. Yolo summarizes the success of Genki Forest into “imitation”. Knowing that more than 80% of all drinks in Japan contain zero sugar, Genki Forest was aimed to be the first drink brand that targeted specifically the concept of health drinks in China [6].

Zhong Shang shows the total sales of convenience stores from 2016 to 2021. The report shows that convenience stores have been growing in the last four years, from 940,00 to 193,000 [7]. Zhang points out that the macroeconomics and industry environment of Genki Forest is currently in a comfortable position. The report also writes the different market strategies Genki Forest has used. For example, Genki Forest used Japanese characters on their packaging, since research shows that young people tend to find Japanese packaging to be attractive. Zhang also points out that even though the price of Genki Forest is more expensive than other similar drinks, it is still acceptable by its targeted customers [8].

### 1.3. Objective

This paper will discuss the founder, Binsen Tang, different marketing and management methods used by Genki Forest. This paper will also discuss the current challenges faced by Genki Forest. Finally, this paper will conclude by discussing why Genki Forest is worth investing in.

## 2. FOUNDER – BINSEN TANG

It may be hard to believe that Tang, someone who was heavily involved in the internet & gaming industry, could obtain such phenomenal achievements in the soft drink industry, but if we were to investigate into his investment profile, we could see that he had a profound

understanding of the soft drink industry before founding Genki Forest. In 2014, he immediately established a VC, Challenger Capital, after he sold his gaming company. Challenger Capital currently has around 2 billion yuan in operation. Many of the companies he invested in were in consumer retail businesses, such as Ramen and Baijiu. Tang had also invested in “Optimal Renewal”, which has a business model that is very similar to Genki Forest. Tang had accumulated ample soft drink knowledge and experience while participating in multiple investments [6].

## 3. MARKETING STRATEGIES

There is not a formula that defines the success of a product. The success of Genki Forest is attributed to many different factors, such as channel development, marketing, and management.

When it comes to channels, Genki Forest utilized both offline and online channels. Offline channels are mainly convenience stores, where young people in the first and second-tier cities usually shop. Convenience stores went from 94,000 in 2019 to 193,000, at an annual growth rate of 20% each year [7]. Tang saw this as an opportunity to expand his products along with the growth of convenience stores. Since offline channels are mainly to B business, Tang had to spend a large amount of money on the dealer system, ensuring that his products can appear in the market with no barrier [6]. Genki Forest also did not hesitate to pay their dealers generously in order to have their products placed at better locations.

In online channels, Genki Forest categorized their partners into three tiers: KOC (Key Opinion Consumer), KOL (Key Opinion Leader), and top celebrities. KOCs are typically social media influencers or bloggers, with around half a million followers in each account. KOLs, such as Jiaqi Li, Ya Wei, are the top social media influencers who help sell other companies’ products through live streams. For example, Jiaqi Li has 45 million followers on Tiktok. Top celebrities, such as Yuqi Zhang, worked with Genki Forest to bring massive exposure to the brand. The cooperation has helped Genki Forest cast their nets effectively among their targeted consumers because word-of-mouth has proven to be a very effective tool [2]. In addition, the company also launched live-streaming e-commerce, which went popular in China in 2020, on platforms, such as Tiktok and Taobao. The company also participated in multiple TV shows, such as “My Band” and “The Story Of Chuaner”. The combination of both offline and online channel developments help Genki Forest survive under traditional soft drink giant companies and become a sensation in a very short period of time [8].

Genki Forest saw two arbitrage opportunities at an early stage. The first arbitrage is geographical arbitrage.

Tang mentioned in an interview that if one product can achieve success in a foreign market, a similar product has the potential to succeed in the home market. Realizing that more than 80% of all drinks in Japan are zero-sugar and zero-calorie, Tang saw this as an arbitrage opportunity, which he could take advantage of in China. Since many foreign soft drink brands have not been listed in China or have not been popular in China [6], Tang wanted to create a sugar-free products, similar to most Japan's drinks; thus, he founded Genki Forest with the slogan "0 sugar, 0 calories, 0 fat" [9]. The second arbitrage is to design the product to be "pseudo-Japanese" [6]. The reason is that a lot of Chinese tend to associate Japanese products with better quality. For example, MINISO, a grocery retail store in China, went popular because its name imitates MUJI, a Japanese brand. Big data shows that young Chinese tend to find Japanese-packaging products to be more attractive [9]. On Genki Forest's packaging, instead of saying the Chinese word "Qi", it says the Japanese word "Ki". Many people mistook Genki Forest as a Japanese brand; thus, when Genki Forest priced their products at a higher margin, customers would consider the price reasonable.

To align with the interest of their targeted customers, Genki Forest has promised them that their products are healthier than other sugar-free drinks. Traditional soft drink companies, such as Coco-Cola, used maltitol and aspartame to replace sucrose, but the issue is that maltitol and aspartame are way sweeter than sucrose, so it was difficult for companies, such as Coco-Cola, to produce drinks that taste identical to drinks with sucrose. Tang differentiated his products by using erythritol, a more expensive material than maltitol and aspartame, to control sweetness and calories [2].

In terms of pricing, Genki Forest set their product pricing at a relatively higher margin. Their carbonated drinks are typically 1-2 yuan more expensive than other drinks. The company's targeted customers, young females living in first and second-tier cities, are not typically sensitive to price; the extra 1-2 yuan is still within the acceptable range of their customers [8]. Similar drinks, such as Coco-Cola and Sprite, are typically 1-2 yuan less expensive than Genki Forest; thus, Genki Forest is able to build a loyal base of regular customers [9].

Tang is also a big believer in advertising. Before founding Genki Forest, he once said that if his gaming company made 2 billion yuan in profit, he would spend 1.8 billion yuan in marketing. Genki Forest had obviously inherited this trait from Tang's gaming company. In 2020, Genki Forest spent around half a billion yuan (about 78 million dollars) in advertising. The money was spent on paying celebrities, social media influencers, and KOLs, being featured on

billboards, and the exclusive sponsorship of multiple TV shows [3].

#### **4. MANAGEMENT STRATEGIES**

Several years ago, Tang mentioned in a public speech that the only way for small companies to survive under giant companies is to become more efficient. He showed an example that if one person has 100 yuan with a daily growth coefficient of 1.2, and another person has 100,000 yuan with a daily growth coefficient of 1.1. Eventually, the one with 100 yuan will be wealthier than the one with 100,000 yuan. He urged small companies to figure out ways to become more efficient as their resources are not as abundant as big companies. The following examples are ways Genki Forest has used to become more efficient in management [6].

The first strategy the company used was "digital office". In 2018, Genki Forest adopted "digital office", which requires all paper filings to be paperless. For example, the company developed a program called "Genki Goods" for their dealers. Dealers can place their orders through the program.

Traditional KPI (Key Performance Indicator) is a set of indicators measuring a company's progress towards its intended goal. Genki Forest replaced traditional KPI with OKR (Objective and Key Result) because the company believes that OKR is more goal-driven for their employees. For example, an "O" can be setting the revenue target as XX billion yuan, and "KR" can be implementing additional smart freezers in the convenience stores.

Lastly, Genki Forest also built DTC (Direct to Consumers) channels. For example, since early 2020, the company built its private Wechat domain. Within the domain, there were about 200,000 users, and sales volume reached 10 million yuan in the first five months. Through DTC channels, Genki Forest is able to collect feedbacks from their customers efficiently and timely [6].

#### **5. CHALLENGES**

After the seen success of Genki Forest, many traditional and new soft drinks companies are trying to launch similar products for shares in the market. For example, Heytea, a cheese tea company, launched similar sparkling drinks in recent months. Coco-Cola also launched Appletiser, a sparkling juice drink.

Some potential investors are worried that the popularity of Genki Forest will not last too long because more and more companies are entering this competition as the business model is easily copied. Any company with sufficient capital can enter into this competition as the industry does not require high-level technical skills. In fact, Genki Forest also imitated Luckin Coffee's

financing strategy in the early stage [2]. In order for Genki Forest to stand out, Tang has to figure out more innovative ways to keep the brand popular.

## 6. INVESTMENT VALUE

Genki Forest has received multiple rounds of investments. Its valuation reached six billion dollars in March 2021. In the same year, Genki Forest has also brought in strategic partners, such as Huaping capital, L Catterton, Temasek, and Sequoia Capital (specific amounts were not disclosed).

Many investors doubt whether Genki Forest can stay popular in the following years due to fierce competition [1]. This paper has summarized the following reasons as to why Genki Forest is still a great option for investment.

First of all, investment in the company is also an investment in the people. Tang is a very successful entrepreneur and an investor. According to Tianyancha, Tang's Challenger capital has invested over 170 companies, most of which are consumer retail businesses [10]. It is rare to see a person, like Tang, that has experience in both internet and consumption retail industries. Some people believe that Genki Forest is not merely a soft drink company; it is an internet company. The ideology Tang implemented in Genki Forest was not seen before in other traditional soft drink companies. Last year, a giant company launched a similar sugar-free drink called "Changbai", which has both peach and lemonade flavours. However, sales did not meet expectations due to the lack of internet market communication [9]. It is possible that if the giant were to hire someone who has experience in internet companies, "Changbai" could perhaps take similar path to Genki Forest's.

Secondly, it is extremely difficult for other soft drinks companies to spend as much money on advertising as Genki Forest did. Without advertising, building brand loyalty would be extremely difficult. Genki Forest has already spent billions to place their ads on different platforms. It will be difficult for companies that do not have the same experience and capital to accomplish the same goal in advertising.

Lastly, rarely can any soft drink companies build their factories, except for those giant companies. Genki Forest has already had four factories located in different parts of China. Tang mentioned in an interview that the factories have helped the manufacturing process become more efficient, which aligns with the idea of increasing the coefficient number. The existence of factories has widened the gap between Genki Forest and other new brands that are trying to enter into the competition.

## 7. CONCLUSION

This paper discussed the founder, marketing and management strategies, challenges, and why Genki Forest is worth investing in. We found that Tang had rich experience in both internet and consumer retail businesses. He understands the language of internet, and he was able to successfully start a soft drink company that has the traits of an internet company. In terms of marketing, Genki Forest has spent a tremendous amount of money in advertising, such as cooperating with celebrities and exclusively sponsoring TV shows. The company also markets their products as a healthy and high-quality drink. In terms of management, Tang is a big believer in "efficiency". He has adopted multiple management strategies, such as "digital office", OKRs, and DTC. This paper concludes by summarizing a few reasons as to why Genki Forest is worth investing in despite of fierce competition.

One important takeaway a traditional consumer retail company can learn from Genki Forest is embracing the era of the new Consumerism. The era of new consumerism requires managers to understand the language of both internet and the industry they are doing businesses in. It is not surprising to see Genki Forest being successful because no other traditional soft drinks company has ever done anything similar to what Genki Forest did in the last four years.

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