

# The Success of "Lao Gan Ma" from the Perspective of Sharing Economy

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**Abstract.** Sharing economy is also known as collaborative consumption or cooperative consumption, which is the sharing of information and resources. The rapid development of the sharing economy has brought new growth for the vigorous development of the economy. Usually, the relevant experts and scholars in the study of sharing economy will focus on the sharing of the right to use. Different from the previous researches which are analyzed from the perspective of information resource sharing, this paper analyzes the brand of "Lao Gan Ma" which has no advertisement, marketing team, nor debt and it is not a listed company. It is original from a small factory at the border. But it has been a well-known enterprise around the world successful with a short period of 20 years.

## Introduction

"Lao Gan Ma" is original from an unknown small-scale factory in the southwest border. Just after a dozen years of development, it has become a global well-known company. Compared with its rapid development, the phenomenon of no advertisement, no marketing team and no debt of "Lao Gan Ma" is quite strange. In 1998, the output value of "Lao Gan Ma" was 50.14 million yuan. In 1999, its output value reached to 126 million. In 2006, the number was 1.28 billion yuan. In 2014, the output value of "Lao Gan Ma" exceeded 4 billion. Taking the output value of 2014 into consideration, the output value of "Lao Gan Ma" is increased by nearly 80 times within 16 years.

In the field of fast moving consumer goods, especially in the field of the condiment industry, people want to be successful, just like "Lao Gan Ma". However, they do not understand it. Although "Lao Gan Ma" has made great achievements, we have not seen any advertising in the network, television, newspapers or magazines. Even if on the home page of its official website, there is no advertising. There are only parts on the enterprise's official website, that is, the brief introduction of the enterprise, the product series, the recipe and the download center. In these four parts, the first three are quite simple with only a brief presentation.

However, in the part of download center, it presents the enterprise's quality inspection report during different periods. While searching the key word "Lao Gan Ma" in the Internet, we can retrieve 9.1 million messages. The brand with no loan, no credit, no debt, not being listed, no returning of goods, no marketing team and no advertising has been unexpectedly successful. Its products are exported to 45 countries and regions. Its tax has been 1.8 billion within three years and its output value has been 6.8 billion. "Lao Gan Ma" created a miracle in the retail industry. The phenomenon of "Lao Gan Ma" has become a subject for many scholars to study. This paper explores into the success of "Lao Gan Ma" from the perspective of sharing economy.

## The Development and Prospects of Sharing Economy

Sharing economy, also known as "sharing the economy" or "collaborative consumption" was first used by American scholars, Marcos Felson and Joan Spans. And it is based on the concept of collaborative consumption. Rachel Potzman and Ruth Rogers adopted the concept of collaborative consumption. Report on the development of China's sharing economy in 2016 defines sharing economy as the following, by using the Internet, mobile communication technology and other modern technologies, it can share the massive decentralized idle resources and meet the needs of the diverse economic activities. Although the definitions of sharing economy are different, its essence

can be summarized as the following, by using the modern information and communication technology and network technology, it can make information, knowledge, intelligence and other resources and means of production replicable and rapidly diffused, reduce the searching cost and improve efficiency, so that transaction cost can become minimal or even become zero. People can use with low-cost or even free.

With the development and popularization of Internet and information technology, sharing economy has been flourishing. In modern life, the sharing of economic occurs everywhere. Meituan, DiDi, Uber and Airbnb and other sharing economy has gradually penetrated into our daily life, clothing, foods, housing and transportation. In the Davos Forum in 2015, Premier Ke-qiang Li proposed to promote innovation and entrepreneurship through cooperation and sharing and vigorously develop sharing economy. The global sharing economy has reached to 186.9 billion US dollars. It is estimated that the market share of the global sharing economy will increase to 335 billion US dollars by 2025. Sharing economy has become a new growth point of the global economy.

### **The Realization of Sharing Economy**

Under the mode of sharing economy, there are two main types of sharing. First, the sharing of the right to use, such as DiDi, Uber and Airbnb, etc. These are shared by using idle resources and earning certain income. Second, the sharing of information. With certain purposes, the information holders use certain means and methods pass the information they have to others who need it. Whether the sharing of the right to use or the sharing of information resources, it requires certain network sharing platform.

**The sharing of the right to use.** With the help of third-party network platform, the temporary use of idle resources can be transferred to those who need it. For the suppliers, through the transfer of the right to use idle resources, it not only increases the benefit of enterprises, but also solves the problem of the enterprises' excess capacity to certain extent, which improves the utilization of the suppliers' idle supply resources. For the demanders, it can quickly meet the short-term needs of the assets without paying high purchase cost. In daily life, DiDi, Uber and Airbnb are common. They are achieved by the sharing of the right to use through the sharing economy platform. Disintermediation and re-intermediation is to the meaning of sharing economy. Disintermediation refers to the deployment of resources which does not rely on the traditional intermediary for both the suppliers and demanders. Both of them can directly contact with each other, which reduces the transaction costs. And the essence of sharing economy is cost minimization. It is also the process of re-intermediation, which refers to the use of online intermediary means to replace the traditional intermediaries in the network environment. In sharing economy, both the suppliers and demanders can contact with each other through the sharing economy platform.

**The sharing of information resources.** The development of network and mobile communication technology has changed the traditional concept of consumer consumption. More consumers are accustomed to searching relevant information in the open platform (for instance, the network) before buying consumer goods. In order to increase the impact of its platform, some open shared economic platform often encourage the consumers to publish on their platform for a product experience. This information can be transmitted instantaneously in the context of the Internet. In the background of Internet, the spread of information sharing has undergone enormous changes compared to the previous sharing of information. Firstly, in the context of the Internet, the simplicity of sharing information resources makes more people involved in the sharing of information resources. With the development and popularity of network technology, computer and network have been popular. It is estimated that by 2016 the number of the Internet users in China will be 701 million. In other words, in this Internet age, the sharing information publishers have been all over the people. Second, in the background of Internet, the information transmission saves the time of print, transportation, distribution and so on compared to traditional media. The release of information can be instantaneously delivered. And in the context of the Internet, the information can be easily refreshed and the content will have extremely strong timeliness. Third, in the Internet context, the capacity to share information becomes larger. With the help of the Internet, it can effectively achieve the sharing

of online resources. Any information or any resources which is public can be uploaded through the Internet. If we search in the Internet, we can get the shared information. In this context, the sharing of information is not limited by the transmission time and space the traditional information. The development of network technology makes the sharing of information becomes much faster. After a short period of time, it can achieve huge influence, which is commonly known as the multiplier effect. In the Internet background, the multiplier effect is more obvious. It is precisely because of the multiplication effect that the speed and effect of sharing information has never been more surprising. The multiplier effect is shown in Figure 1.

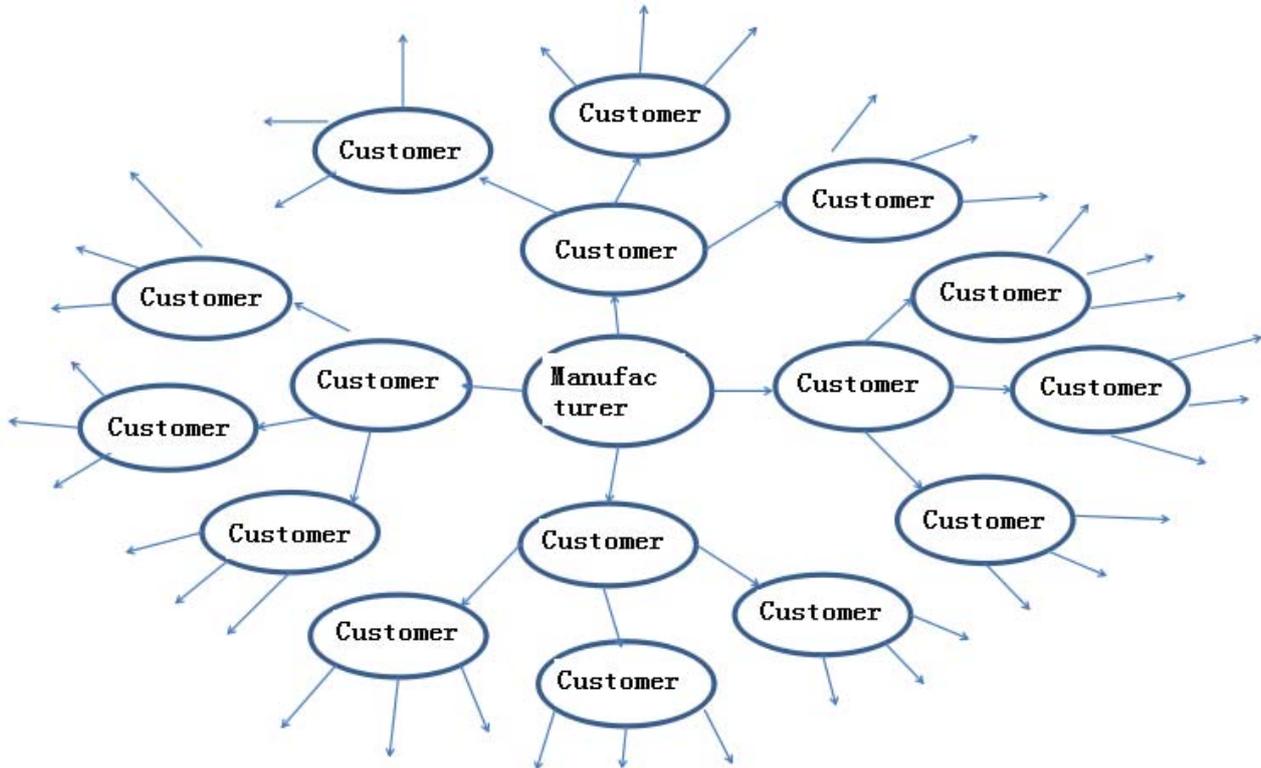


Figure 1 The multiplier effect of marketing

### The Success of "Lao Gan Ma" from the Perspective of Sharing Economy

"Lao Gan Ma" is a brand created by a 50-year-old illiterate rural elderly woman. Its founder, Hua-bi Tao, started from scratch. In 1996, Hua-bi Tao of "Lao Gan Ma" founded a factory producing pepper condiment in Longdongbao, Guiyang. With 20 years of development, "Lao Gan Ma" has become a well-known brand at home and abroad. "Lao Gan Ma" always adheres to the development philosophy of no loan, no credit, no debt, not being listed, no returning of goods, no marketing team, and no advertising. It can be said, the development philosophy of "Lao Gan Ma" is completely contrary to that of the modern enterprises' development philosophy. However, "Lao Gan Ma" has been successful and its speed of development is really staggering. In 1998, the output value of "Lao Gan Ma" was 50.14 million yuan. In 1999, the output value has reached to 126 million. In 2006, the output value was 1.28 billion yuan. In 2014, its output value exceeded 4 billion. By adopting the value in 2014, the output value of "Lao Gan Ma" has increased by nearly 80 times within 16 years.

In 1994, Guiyang built its orbital, so that the remote Longdongbao in Guiyang has been the main traffic arteries of its southern orbital. The number of lorry drivers passing through has been increasing. Hua-bi Tao's instinctive business intelligence has played out. She gave the drivers passing through free spicy sauce and other snacks spices. These products have been popular. The truck drivers bring the products of "Lao Gan Ma" to Guangzhou and other cities. Represented by the city of Guangzhou, a large number of migrant workers move into the cities. The products of "Lao Gan Ma" is in line with their tastes and price requirements. Therefore, like the dandelion seeds, "Lao Gan Ma" has quickly spread to the country and grown in the most appropriate place. This multiplier effect contributes to

the explosive sales growth of "Lao Gan Ma" and then gradually realize the national and global sales expansion. "Lao Gan Ma" sales multiplier diagram is shown in Figure 2.

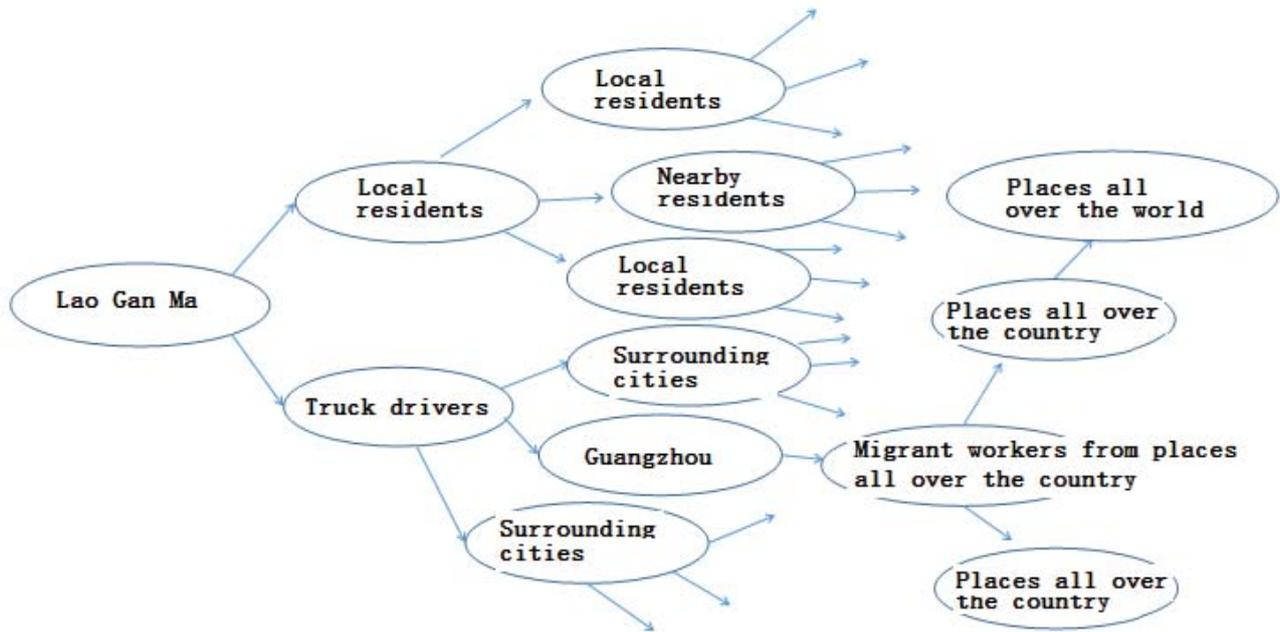


Figure 2 The sales multiplier effect of "Lao Gan Ma"

"Lao Gan Ma" has strict quality control to its products and it strives to produce perfect products. Its strict requirements on product quality can be seen in its official website. Because of its strict quality control, its products can be praised by the customers. And it unconsciously attracts more consumers to buy their products. However, its sales not only relies on word-of-mouth consumer sales growth. With the development of network-sharing platform, it promotes the high-speed development of "Lao Gan Ma". And its high-speed development process and the process of domestic network is just in line. In 1994, China accessed to the international Internet through a 64K international DDN, entering the Internet era. In the same year, Hua-bi Tao of "Lao Gan Ma" starts her business. After 20 years of development, the number of Internet users in China has increased from 62 million in 1997 to 701 million in 2016. The number of Internet users has been the largest in the world. With the development of network technology, the increasing number of Internet users, a large number of shared economic platform came into being, for instance, Alibaba, Jingdong, Amazon and so on. In 1997, China's chemical information network was established, becoming the first intervention industry website services. Since 1999, Jun-tao Wang, known as "China's first e-commerce", founded "8848" and began wading e-commerce. In 2003, Alibaba invested 100 million yuan and founded Taobao, formally entering the C2C. Since then, China's Internet users' shopping concept and spending habits have further changed. The popularity of sharing economy in domestic shared economic platform has gradually increased. Taken Taobao as an example, its trading volume in 2003 was only 20 million. In 2004, the trading volume has reached to 1 billion. In 2006, the trading volume has reached to 23 billion. In 2009, the trading volume has reached to 200 billion. In 2012, the total the trading volume has exceeded 1 trillion. On November 11th, 2016, the trading volume of Taobao reached to 120.749 billion. As mentioned in the above paragraph, this is the multiplier effect under the background of Internet.

Based on this background, the sales of "Lao Gan Ma" has increased with an amazing speed. Taken Taobao and Jingdong Mall as examples, while searching "Lao Gan Ma" in Taobao, the total retrieved shop with yellow diamond is 215. In accordance with the sales ranking, the first cumulative sales volume is 32,212 bottles with 223046 pieces assessments. All assessments are positive and none of them is negative. While searching "Lao Gan Ma" in the Jingdong Mall, according to sales ranking, the first ranked product has more than 260,000 cumulative comments. More than 250,000 of them are

positive. 2200 of them are slightly positive. Only 1300 of them are negative. And those and slightly positive and negative assessments are basically caused by poor logistics and packaging damage and has nothing to do with the quality of the product. It is noteworthy that only the customers buying the product in Taobao, Jingdong Mall and other shared economic platforms, can they comment on the product. These comments are completely free and public. Anybody can search the corresponding key word and be able to share the evaluation information provided by other consumers. And these shared evaluation information is more persuasive than any previous advertising.

It is the development of the Internet and mobile communication technology that promotes the sharing economy, which has brought opportunities for the rapid development of "Lao Gan Ma". Therefore, an enterprise with no loan, no credit, no debt, not being listed, no returning of goods, no marketing team, and no advertising achieves a daily sale of 1.3 million bottles, uses 13,000 tons of pepper and 17,000 tons of soybeans every year, achieves the annual miracle sales of 4 billion.

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