

Current Situation, Problems and Countermeasures of the Spirits Sector in the Chinese A Share Market

Chenghao Li *

Faculty of Finance and Trade, Zhuhai College of Science and Technology, Zhuhai, China

* Corresponding Author Email: lch1196688@stu.zcst.edu.cn

Abstract. As one of the core sectors of the A-share market, the Chinese spirits sector receives continuous attention since the establishment. In 2023, the Chinese spirits market is becoming increasingly competitive than ever before. In addition, the declining purchasing power level of consumers has led to the inventory of producers and distributors reaching historic high, and a series of problems have led to a significant decline in the sector in the A-share market in 2023. This study shows that there are some problems in the sector, such as different speed of recovery rhythms, stock prices rise and fall rapidly and continuous decline trend, and large trading differences. Therefore, this study puts forward the suggestions of building the company's own characteristics, strengthening the government regulation, optimizing the market strategy, and improving the product and marketing system. This study is of great significance for the sustainable development of sector in China's A-share market.

Keywords: Spirits market; stock price; trading volume; enterprises.

1. Introduction

Chinese spirits have a long history, with a reputation of "starting from the Qin and Han dynasties, flourishing in the Tang and Song dynasties, becoming famous in the Ming and Qing Dynasties, and developing in the new stage of China". The development history of Chinese spirits industry can be divided into three stages: the ancient wine making stage, the planned economy stage of wine production stage, and the new market development stage. China's consumption of spirits is the largest in the world, spirits volume is also the world's first. Chinese spirits can be roughly divided into high quality spirits, second high quality spirits, mid quality spirits and mass quality spirits, and according to the taste division can be divided into twelve kinds of flavor, among which the sauce flavor, fragrant flavor, fragrance is the most famous. Liquor has a long brewing history in China, and brandy, whiskey, vodka, rum and gin and called the world's six distilling spirits. However, as more and more products appeared in front of the public, the market share of Chinese spirits in the spirits market is gradually decreasing, resulting in the downward trend of spirits stocks. Therefore, it is very important to study the development direction of liquor market and how to carry out sustainable development. This paper will focus on the current situation of the spirits market, problems, and ways to make the spirits market stable and good development.

2. Current Situation

In 2023, the market size of China's liquor industry is 621.1 billion yuan, and it is expected to reach 769.5 billion yuan by 2026, with a compound annual growth rate of 5.5%. At present, China's spirits production has been declining for six years. The spirit industry has been transformed into a stock market, and industry competition has intensified. The amounts of companies from 1,593 in 2017 to 980 in 2023. The future of liquor enterprises has become a difficult problem. As of December 28, 2023, among the constituent stocks, the valuation is lower than the industry P/E ratio of Welcome tribute wine, Swellfun, Luzhou old cellar, King's Luck, JINKO, Shede Spirits, Kouzi Distillery, Yanghe stock. In addition to Welcome tribute Wine and King's Luck, the rest of the constituent stocks have fallen more than 20% during the year, of which, in 2023, the annual cumulative decline has been more than 15%. Among the constituent stocks, only Welcome tribute Wine and Huangtai Liquor

recorded gains during the year. Compared with the stock price at the beginning of 2023, Kweichow Moutai is basically flat, Shede Spirits, alcoholic wine has fallen by more than 45%, Shunxin Agriculture, Swellfun, Yanghe Stock, Golden Seed Wine and other four shares fell by more than 30%. According to the Interim Research Report on the Chinese spirits market in 2023 released by the China spirits association, 36% of the surveyed dealers and retailers believe that cash flow pressure has increased, and 48% believe that inventory pressure has increased; 64% of the proportion that the "price inversion degree" has increased, a number of signs seem to point to the liquor industry sales of greater pressure [1]. This shows that although the liquor market has some bright achievements, it still faces some problems if it wants to develop well.

3. Problem

3.1. Recovery Speed

The recovery speed of stock prices for high quality spirits, second high quality spirits and regional spirits was different. High quality spirits have a low dependence on the scene, so the short-term impact of the COVID-19 pandemic liberalization has little impact on high-end demand. At the same time, the high quality is the first to enjoy the economic stimulus dividend, so the recovery is relatively faster [2]. The recovery of second high quality spirits depends on the repair of business scene and the enhancement of dealers' confidence. Only with the enhancement of dealers' confidence can they regain the enthusiasm of acting for new products. However, the recent economic environment is not very well, so the recovery process is slightly lagging behind. Regional spirits enterprises lack more in-depth understanding of the cyclical changes of the industry development and the logic of competition. Due to the limitations of corporate financial strength and entrepreneurial thinking, they have little contact with consulting companies.

3.2. Stock Prices

The stock prices of Chinese spirits fluctuate wildly. Spirits sector as the weight sector of the A-share-market, the trend is consistent with the market is a normal result. Simply saying that the rise and fall of spirits and the trend of the A-share-market determines the trend. Chinese spirits are not a necessity of life, so Chinese spirits also has consumption season and off-season in the year. For example, in the Spring Festival preparation season at the beginning of 2024, the market demand for gifts and feasts is strong, so Kweichow Moutai, the leading spirits industry, raised the factory price by 20%. The price increase of Moutai promoted the rise of Moutai stock, but it could not drive the rise of other stocks in the plate [3]. At the present stage, the whole economic situation is very grim, people's thinking and consumption habits change, and they try to do less invest, financial management and consumption. The propensity to save is getting higher. Therefore, the large rise and fall of the spirits sector and the continuous decline are basically due to the overall economic environment and situation [4].

3.3. Trading Volumes

The difference of trading volumes is obvious. Nowadays, stage transactions are concentrated in high quality spirit companies, and the trading volume of regional spirit companies and normal spirit companies is very small. In China's spirits industry and A-share spirits sector, 80% of them are regional spirits enterprises, 15% are normal spirits enterprises, and the account for only 5% of high-quality spirit enterprises have the largest trading volume, which may be caused by several reasons. First of all, the brand influence and marketing effort are insufficient, there is no mature systematic market operation action, also unwilling to invest in front, resulting in the cost of personnel is stretched, the market action is shrinking, the investment situation shows a "single death" situation. Secondly, the product research and development of high-quality spirit enterprises is more innovative than that of regional spirit enterprises and normal spirit enterprises, and the gap in product iterative upgrading is obvious. Finally, regional spirit enterprises and normal spirit enterprises could not catch up with

the changing trend of the political and economic environment. They also could not find the position in the competition and fall into a passive situation in the competition with high quality spirit enterprises [5].

4. Solution

4.1. Create Characteristics and Highlights

Statistics show that the main people of consumption present a trend of young. If spirit companies want to turn young people's attention to spirit, it is similar to the "Sauce-flavored latte" series jointly launched by Moutai and Luckin coffee in 2023, converting the Internet + change into spirit + [6]. Therefore, high quality spirit enterprises can learn from Moutai, use collaboration or other forms of cooperation to blaze a new trail, and create their own unique products in order to continue to improve on the development and stabilize their own development rhythm [7]. In order to solve the problem of delayed recovery process, the second high quality spirit can only be adjusted according to the needs and trends of target consumer groups by optimizing market positioning and product positioning, and dealers' confidence in the market will be enhanced. Regional spirit enterprises could not promote to the wider market because of geographical limitations, and the opportunity needs to adjust the industry, consumption upgrade "big opportunity period", and then expand their own market [8].

4.2. Strengthen Regulation and Control

The state needs to take corresponding measures, such as tax reduction and other means to reduce the cost of spirit production and sales and support the development of liquor industry on the side. At the same time, it should strengthen the supervision of the spirit industry, promote the standardized development of the industry, increase the punishment and crackdown on fake and inferior products, and enhance the reputation and credibility of the whole industry. State organs also need to strengthen macroeconomic policy regulation, through monetary and fiscal policies to stabilize the economic environment, so that can change people's propensity to save into consumption. For the government, relevant industrial development strategies can be formulated to correctly guide enterprises to increase investment in research and development, improve product quality and innovation ability. Encourage enterprises to carry out technological innovation, so that spirit brands have more intellectual property rights. Finally, from the perspective of enterprises, they should strive to improve the quality of our products and make full efforts on the quality of our products to ensure public praise. At the same time, increase the marketing efforts, actively explore new sales channels, expand overseas markets, and improve brand awareness and market shares. As long as these three parties can each perform their duties and do a nice job, the spirit sector will certainly be able to get a stable upward trend after the overall market economy is eased.

4.3. Marketing Strategy, Product and Marketing System

First of all, to develop the right market strategy, the existence of a great brand can be truly recognized by consumers, and it need competitors to give a chance, which could build a really good brand. Not only let consumers recognize the value of differentiation, but also the resource capability and promotion operation capability of enterprises should be able to ensure effective access to consumers. Secondly, build a reasonable product system, based on the existing relatively popular products, study the successful genes, and find the differentiation advantages that are different from other brands. Evaluate the value of the brand in the eyes of consumers, and then use its own advantages and effectively amplify, and extend the series of products to the mainstream price of the next level [9]. Finally, improve the right marketing system, which core is to solve the BC end integration problem - channel is the core connector of consumers. Therefore, the channel management work of "channel classification, interest binding, customer sentiment penetration, etc." and the consumer dynamic marketing work of "vivid display, consumer public relations, IP promotion, etc."

can be fully combined and complementary to each other, so as to finally realize the efficient market construction [10].

5. Conclusion

Based on the research on the spirit market, this paper studies the development direction and policy of the spirit market and puts forward a new idea for the current challenges such as insufficient trading volume and continuous decline. On the premise of continuous optimization in channels, products, marketing and other aspects, the national government's macro-control and other means are adopted to coordinate the interconnection between consumers and wine enterprises, so as to maximize the economic function. In general, China A-share spirit market will continue to develop steadily and with high quality in the positive pursuit of change in the future.

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