

Analysis of Channel Marketing of “Gree Dongmingzhu Store” Based on Stepps Model

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Abstract. In order to promote and build this channel, word-of-mouth marketing of the channel is essential. In July 2019, "Dong Mingzhu store" was officially launched, and Gree began to establish new retail channels, the new retail channel was gradually mature. This paper analyzes the word-of-mouth marketing of "Gree dongmingzhu store" through the stepps model and various data of Gree. Research finds that Gree's word-of-mouth marketing in new retail channels has built a foundation in social currency, triggers, publicity, emotion and practical value, but it still needs to be refined according to the new enterprise strategy. At present, "Gree Dong Mingzhu store" has obtained part of the market in the first and second tier cities, but there is no targeted marketing for China's sinking market. In addition, it is found in the analysis of the channel that the products of "Gree Dong Mingzhu store" are stereotyped by consumers. Therefore, in view of these two problems, it is suggested to reform through social currency, publicity, practical value and stories in the stepps model.

Keywords: Model of STEPPS, Gree Dongmingzhu Store, Chinese sinking Market.

1. Introduction

In 2019, Dong Mingzhu led the group's senior management to upgrade and optimize Gree's sales channels. In July 2019, "Dong Mingzhu's store" was officially launched. The products in the store are complete, including air conditioners, refrigerators, washing machines and various small appliances. At the beginning of 2022, "Dong Mingzhu's store" was officially renamed "Gree Dong Mingzhu store". By 2021, the sales volume through the channel of "Gree Dong Mingzhu store" has reached 47.6 billion yuan.

Word of mouth refers to the informal interpersonal communication of a non-commercial communicator and receiver with perceived information about a certain product, brand, organization and service. It is a two-way information communication behavior about a specific product, service, brand or organization initiated and carried out by individuals or groups [1]. Among the information sources of Chinese consumers' purchasing decisions, "relatives and friends' promotion" is a widely valued and effective source.[2] In this cultural background, word-of-mouth communication is exerting its great influence. In the marketing process, it is difficult for consumers to judge and choose the purchase channel intuitively. Because of its immateriality, it is difficult for consumers to judge the value at the first time. Therefore, when consumers choose the purchase channel, the enterprise image, product reputation and other factors become the information for consumers to judge the value of the channel.

This paper takes the sales channel of “Gree Dong Mingzhu store” as the research object, adopts the research method of combining theory with practice, analyzes the actual situation of Gree's new retail channel on the basis of stepps theory, and puts forward the prediction and further suggestions of this channel in the future.

2. Main body

2.1. Gree's background

Gree Zhuhai Gree Electric Appliance Co., Ltd. was established in 1991 and was listed on the Shenzhen Stock Exchange in November 1996. At the beginning of its establishment, the company

mainly relied on assembly to produce household air conditioners. Now it has developed into a diversified and scientific global industrial manufacturing group. The industry covers two major fields of household consumer goods and industrial equipment, and the products are exported to more than 160 countries and regions. The company has nearly 90000 employees, including nearly 16000 R & D personnel and more than 30000 technical workers. There are 15 air conditioning production bases and 6 renewable resource bases at home and abroad, covering the whole industrial chain from upstream production to downstream recycling, achieving green, circular and sustainable development.

Gree adheres to innovation driven, quality first and transformation and upgrading. In 2021, Gree achieved a total operating income of 189.654 billion yuan, an increase of 11.24% year-on-year. The net profit attributable to the shareholders of listed companies was 23.064 billion yuan, an increase of 4.01% year on year; The basic earnings per share was 4.04 yuan per share, with a year-on-year increase of 8.89%.[3]

2.2. Analysis of current situation of marketing channels

At present, Gree adheres to the sales channel construction and sales mode of independent control and mutual benefit and win-win, involving the complementary and deep integration of online and offline channel layouts to create an omni channel sales platform [4]. Offline sales channels involve 27 sales companies and more than 30000 stores. There are two kinds of online channels. One is through online third-party e-commerce platforms, such as Jingdong, Taobao and Alibaba; The other is the self-built channel "Gree Dong Mingzhu store" (formerly known as "Dong Mingzhu's store") on Gree's online. The three channels are deeply integrated to provide two-line linkage integrated services of offline experience, online ordering, and national unified distribution and installation.

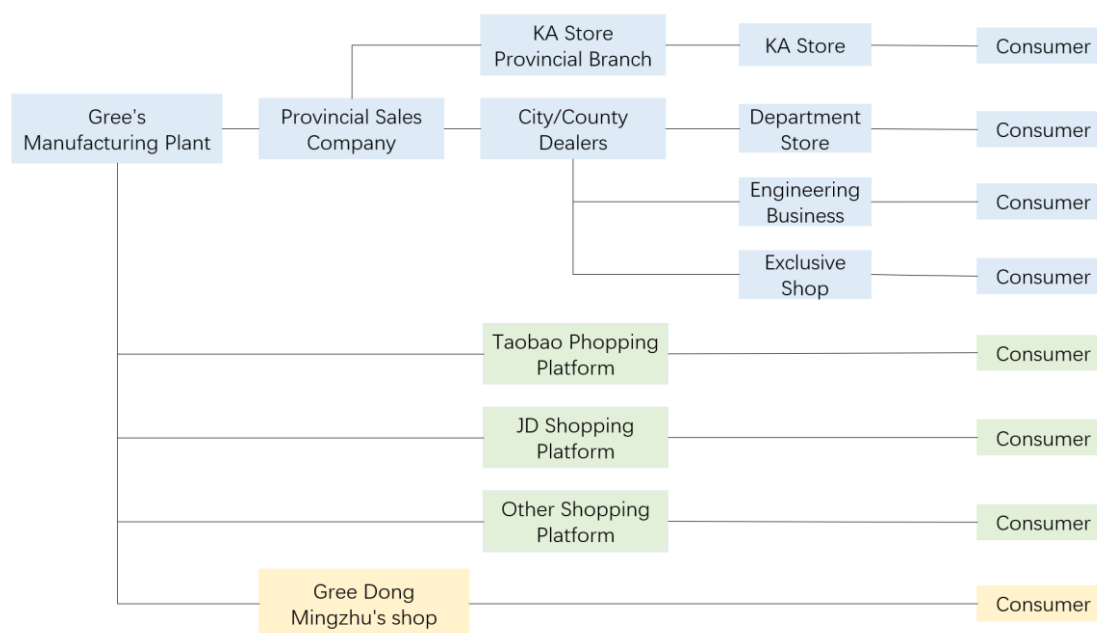


Figure 1. Distribution channel diagram of Gree

In fact, it is not difficult to understand that Gree has established a new retail channel - "Gree Dong Mingzhu store". Affected by the epidemic, in the first quarter of 2020, the revenue of Gree Electric Appliance decreased by 49.01% year-on-year, and the net profit attributable to the parent decreased by 72.53% year-on-year [5]. During the epidemic period, offline sales are limited, and it is urgent to establish online sales. However, there are still many problems with the help of third-party platforms, such as overstocking of products due to excessive inventory, and unclear rights and responsibilities among third-party platforms, consumers, transportation companies and Gree. At the same time, Gree has a complicated relationship with agents in terms of offline needs. It is deeply associated with middlemen and has high distribution costs, which leads to high offline prices and inconsistent product

prices in various places. All these have led Gree to choose to establish new retail channels. Therefore, in 2020, “Gree Dong Mingzhu store” was born and put into use.

Compared with the other two channels, Gree dongmingzhu store has the following two advantages:

First, it is conducive to the dynamic strategic deployment of Gree products. According to the picture (1), offline shopping also needs to place an order online and then receive the goods. This behavior seems superfluous, but it is not. Gree rapidly expanded its online order function through distribution stores. Gree can summarize orders and process big data, and realize the transfer and circulation of inventory products through the cloud platform; Moreover, through the inventory early warning mechanism, the production plan can be pushed back, which can reduce the unsalable risk of products. Secondly, the visualization of order data realizes the dynamic statistics and display of sales data. It can discover market trends and problems in a timely manner by observing the dynamic data, and effectively predict the new demands of consumers, so as to adjust Gree's product strategic deployment in a timely manner (such as product function development, adjustment of promotion efforts, etc.) and carry out accurate sales. These functions can effectively help Gree build a dynamic product strategy.

Second, it is conducive to the construction of flat channels. “Gree Dong Mingzhu store” is the flatter sales channel of Gree. The repositioning of the functions of provincial sales companies reduces the channel costs. Provincial sales companies no longer have the promotion function. Therefore, compared with the old channel model, the new channel saves 10% of the price difference between the middlemen, and Gree can also be more flexible in its price strategy for products. Secondly, the provincial sales company is responsible for managing the dealers in the region. This behavior once again deepened the binding between Gree and dealers. Since the establishment of the joint-stock regional sales company, this has once again enhanced the operating power of dealers, and also facilitated Gree's control over its dealers and the independent control of marketing channels.

In addition, with the experience accumulated during the 618 live broadcasts, Gree can reduce the channel level, so that dealers can directly take goods from “Gree Dong Mingzhu store”, with B-end content; On the other hand, after adding "Gree" in front of "Dong Mingzhu", the brand communication is also conducive to the more direct perception of C-end users and has C-end attributes.

2.3. Analysis of word-of-mouth of “Gree Dong Mingzhu store” under steps model

(1) Social currency

Social currency is a general term that can be understood as the whole of actual or potential resources in the social field, which may exist online or offline [1]. Generally speaking, social currency is "talking capital". We will take the initiative to talk about certain topics with people around us, because we think these topics will give us extra points, which may be more erudite, smarter or kinder. Anything that can buy others' attention, comments and appreciation can be called social currency.

"10-year warranty" and "full insurance service" are the main social currency of “Gree Dong Mingzhu store”. Its existing consumers usually recommend the purchase of this channel to friends who are willing to buy. Consumers are very cautious about buying household appliances online. The quality, transportation, installation, after-sales, maintenance and other services of household appliances are all reasons for consumers' misgivings. At this time, most Chinese consumers will first ask the people around them about their purchase channels. It is precisely because "Gree Dong Mingzhu store" provides regular sales channels and a series of supporting services to directly hit the pain points of consumers, which enables consumers to have a satisfactory consumption experience after consumption by this channel provider and have the willingness to recommend it to people around them.

(2) Triggers

Triggers are different from incentive. The former is more intended to express the meaning of "trigger", which means that some stimuli or events are more likely to trigger people's memories and induce relevant associations for certain products [1].

When Gree chose to establish a new retail channel, the first channel name used was "Dong Mingzhu's store". Because Dong Mingzhu is not only the current chairman of Gree, but also has great influence in society. For many years in a row, she has been listed in Forbes list of outstanding leaders of Chinese enterprises in transnational operations and the list of the most influential women in the world. It can be said that Dong Mingzhu can completely represent Gree. And in the hearts of the public, when we talk about Dong Mingzhu, we will inevitably think of Gree and its products. Therefore, Gree takes "Dong Mingzhu's store" as the name of the new retail channel and uses Dong Mingzhu's personal IP to attract traffic and make full use of the influence of "Dong Mingzhu". In 2021, "Dong Mingzhu's store" was renamed "Gree Dong Mingzhu store", which further strengthened this connection.

(3) Emotion

Physiological arousal can help the brain activate human physiological functions [1]. Anything that can activate us to form a physiological arousal state will trigger our behavior. These emotions can be divided into high arousal emotions and low arousal emotions according to the different arousal effects. For example, awe, excitement, anger, worry, humor and happiness belong to high arousal emotions, which can promote the sharing behavior.

"Gree Dong Mingzhu store" not only involves B2C sales form, but also O2O sales form. "Gree Dong Mingzhu store" involves the sale of both physical products and intangible services. For this online sales channel, consumers have high expectations when they wait for the arrival of products after placing an order, and will have a great sense of pleasure after receiving or using satisfactory products. This high wake-up emotion will promote consumers to share.

(4) Public

The complete definition of "public" in the STEPPS model should be understood as "public visibility", that is, to make the invisible consumption visible and increase the external visibility of the product itself [1]. Human is an animal that likes to observe and imitate. The herd mentality often affects people's purchase decisions. When we don't know how to choose products, we tend to have more confidence in products with more consumers. However, there is another premise for this consumption phenomenon, that is, people will only imitate what they can see.

In the entries of each search engine, input relevant words, such as: household appliances, air conditioning, Dong Mingzhu, etc. you can directly find "Gree Dong Mingzhu store" in the first two or three entries, which has a very high exposure rate. Secondly, on the major social software, "Gree Dong Mingzhu store" store has set up exclusive accounts and attached Web links. On the social software, "Gree Dong Mingzhu store" store will demonstrate the purchase process and promotional activities on the channel to attract consumers to click on the link to buy on the channel. Finally, Gree's offline Direct stores will guide consumers to this channel for purchase, and in the process, the sales of offline stores will also inform the purchase method of this channel, so as to improve publicity.

(5) Practical Value

Information that seems valuable is more likely to attract people's attention, and people are willing to share and disseminate it [1].

"Gree Dong Mingzhu store" provides corresponding services and products according to the needs of consumers, which has strong practical value. According to the public opinion survey, consumers who shop online have cautious doubts about buying home appliances online. Most of the reasons are: they can't distinguish between genuine and pirated home appliances; The responsibility for transportation loss is not clear; After sales return and replacement, maintenance and other services

cannot be implemented. In view of these points, "Dong Mingzhu's store" undertakes three major guarantees: genuine product guarantee, city wide mailing, and worry free after-sales, which directly improves consumers' consumption willingness. At the same time, with the promotion of Gree's online channels, the supporting after-sales services are gradually under the direct management of the company, and Gree has therefore shouted the slogan of "10-year warranty". Therefore, "Gree Dong Mingzhu store" provides consumers with practical and valuable functions.

(6) Story

Storytelling is the oldest and most basic way of human discourse and an indispensable cultural activity in human life [1]. It has a great power that cannot be ignored in conveying values and information. However, Gree does not use this concept at present.

3. Problems involved in "Gree Dong Mingzhu store"

3.1. development of sinking Market

At present, for China's sinking market, "Gree Dong Mingzhu store" has not made targeted measures for the consumer groups in this market.

Green smart home appliances will be launched in the countryside, and the sinking market has great potential. Therefore, Gree takes China's sinking market as one of its strategic objectives in 2022. Popular household electrical appliances are the main sales force in the sinking market, and there is still a big gap between the ownership of major household electrical appliances per 100 households in rural areas and cities, for example, there are 150 air conditioners in urban households and only 74 in rural areas [3]. The penetration rate of kitchen appliances, environmental appliances and personal care appliances in rural areas is lower. With the continuous improvement of rural residents' consumption capacity, the gradual improvement of network and logistics infrastructure, and the rapid integration of urban and rural household appliance consumption concepts, the sinking market has become the household appliance consumption market with the largest population base, the largest area and the largest potential in China. On March 5, 2022, in the work report of the Chinese government, it was proposed to encourage local governments to carry out green smart home appliances in the countryside and exchange the old for the new, which will certainly promote the further growth of the sinking market of home appliances [6]. Therefore, in order to achieve this strategic goal, "Gree Dong Mingzhu store" needs to make corresponding marketing plans for consumers in the sinking market.

3.2. single type of marketing products

As an online sales channel, "Gree Dong Mingzhu store" has always promoted Gree home air conditioners on the online platform, and a large amount of marketing has been used for home air conditioners [3]. This has led to consumers' preference to buy home air conditioners at "Gree Dong Mingzhu store" instead of other household products. "Gree Dong Mingzhu store" needs to display other products on the platform and market all kinds of products. It needs to let consumers get rid of the stereotype of only selling air conditioners.

4. Suggestions

4.1. Development of sinking Market

For China's sinking market, the consumers in this market have three characteristics.

First of all, the "acquaintance society" is commonly referred to as "small circle", which is different from the first and second tier cities. The population base of each region in the sinking market is not high, and the consumption circle is small and relatively fixed. It is basically a "market of social relationship"[7]. Customers pay special attention to the aesthetic preference and behavior of the

opinion leaders of acquaintances when buying and selling goods. Therefore, word-of-mouth marketing is particularly important at this time.

Secondly, it is price sensitive, though there are many customers in the sinking market. There is also a constraint that the income level is far lower than that of the first and second tier cities. In 2021, there were only 31 cities with per capita disposable income of more than 3000 yuan per month (i.e., per capita disposable income of more than 35000 yuan per year) [8]. Therefore, the price attribute will occupy an important influence on consumption decisions.

Finally, consumers in the sinking market have more leisure time, which is totally different from the fast pace of big cities. In particular, consumers in the sinking market have more leisure time, and they are willing to spend more time on Tiktok, Kuaishou and other short video platforms [9].

Therefore, we can combine these three characteristics to build the word-of-mouth marketing of "Gree Dong Mingzhu store" in the sinking market.

For its social currency and publicity. Compared with the first and second tier cities, consumers in the sinking market rely more on online channels, and consumers at the lower tier of the city pay more attention to content platforms such as short videos [9]. Consumers will spend a lot of time on social platforms such as Tiktok and Kuaishou, so Gree can cooperate with large IP on the platform and attach channel links for drainage.

At the same time, short videos are very popular in the sinking market. 90% of the respondents said they have the habit of brushing Tiktok and Kuaishou[9]. The younger they are, the more they like to brush short videos, and users aged 31 to 40 are keener to share. This is conducive to the promotion of "Gree Dong Mingzhu store" in the sinking market. Therefore, consumers who have purchase experience in the channel can also be invited to share their purchase experience on the platform. Because the sinking market is sensitive to price, we can use the promotion method of cash back after sharing to promote this measure.

Then, for its practical value. The key point for products to sink into the market is to improve ease of use, reduce the threshold of product use, and meet the needs of local characteristics when designing and manufacturing products [10]. The sinking market is mostly located in areas with imperfect logistics. Gree needs to establish a complete product delivery mechanism and human services such as installation and after-sales.

4.2. single type of marketing products

Gree dongmingzhu store can build its own story, weaken the label of only selling air conditioners, and promote the image of all household appliances. For example, combining with the brand image of "high technology" and "high quality".

According to the history of Gree, Gree has developed from an enterprise mainly producing air conditioners to a leading household appliance enterprise in China, and has constantly adhered to innovation in different electrical fields. These "innovation" and "multi field" labels can enable consumers to quickly understand the enterprise and understand the products through brand incidents.

5. Conclusion

Based on the steps model, the paper analyzes the current situation of word-of-mouth marketing of this channel, and concludes that "Gree dongmingzhu store" has carried out marketing in social currency, trigger, emotion, publicity and practical value, and has obtained relatively successful results, but has not involved the story of the channel. At present, according to Gree's strategic plan for 2022, Gree will expand China's sinking market. In view of this strategy, the channel of "Gree dongmingzhu store" needs to be refined accordingly. It needs to carry out word-of-mouth marketing of this channel for consumers, consumption patterns, marketing channels, etc. in the sinking Market. Gree needs to promote channel information and promotion through the "acquiescence society" and marketing channels in the sinking market, As well as the need to improve the marketing of transportation, installation, maintenance and other services in the market.

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