

Analysis of CJ Brand Promotion Strategy Based on Porter's Five Forces Framework

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Abstract: CJ Health Technology Co., Ltd. is a group enterprise with manufacturing, marketing, and exporting of fitness equipment as its main business, with industry-leading manufacturing technology and a long-term and stable overseas customer supply chain. However, the market channel in the process of developing the domestic market is stagnant due to low brand awareness. This paper uses the Porter five-force framework to explore the marketing strategy suitable for CJ brand promotion. Based on the analysis of the bargaining power of existing and potential competitors, buyers and suppliers, and alternative commodities in the fitness equipment industry, a specific implementation plan is proposed, which can improve brand awareness through the construction and maintenance of online platforms, opening offline stores in domestic market and sponsoring sports events.

Keywords: Fitness equipment; Brand planning; Porter's five-force framework; Brand promotion

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1. Introduction

CJ Health Technology Co., Ltd. is a group enterprise with manufacturing, marketing, and exporting fitness equipment as its main business, with industry-leading manufacturing technology and a long-term and stable supply chain for overseas customers. However, the market channel in the process of developing the domestic market is stagnant due to low brand awareness. To further enhance CJ's brand awareness and improve its domestic market share, this paper put forward a marketing strategy suitable for CJ's brand promotion based on Porter's five force framework.

Addolorato et al. found that fitness equipment is the sustainable result of optimizing human movement in various environments with bibliometric methods ^[1]. Du put forward the design of fitness equipment brand promotion based on STP theory ^[2]. Wang et al. propose a marketing optimization strategy based on analyzing the existing problems of fitness equipment marketing for community consumer groups ^[3]. Zhang et al. recommend traditional sports products enterprises change the strategy of network marketing in combination with the O2O model ^[4]. Chen has optimized the marketing strategy of the international fitness brand Taino in the Chinese market based on the investigation into the fitness equipment industry ^[5].

2. Porter's five-force framework analysis

2.1. Competition by the existing producers

For the domestic market pattern as shown in **Figure 1**, international brands, such as Icon, Life Fitness, and Precor, have an early start and a relatively experienced development, accounting for 70% of the market share, which dominates high-end markets in China. Famous domestic fitness equipment brands such as Inpulse, Shuhua Sports, and Jinling Sports are positioned in the middle market and gradually appeared in the high-end market, accounting for about 8% market share, while small local brands mainly occupy the domestic low-end fitness equipment market at 22% market share.

In terms of product features, Shuhua Sports and Inpulse have superior sales advantages due to their higher popularity, relatively advanced technology, and larger audience. The quality of CJ's high-end treadmill is quite comparable with international brands, as CJ has advanced production technology and manufacturing capacity for many years. The CJ company controls the whole process from product design, material procurement, and manufacturing to quality control, together with a complete management system and considerable quality advantage.

For the business aspects, Shuhua has built a business moat, reduced the chance of imitation, avoided price war, focused on new marketing methods, and paid equal attention to independent and cooperative R&D. Inpulse utilizes paper media and online outlets to realize brand management strategy, which is one of the first enterprises to implement this strategy. In addition, the brand image is spread through event sponsorship and brand integration to stimulate downstream consumer demand. At present, the CJ brand is still using low-cost marketing strategies such as exhibition displays and online publicity. When the surrounding competitive market is developed to a certain extent, it will be difficult to further penetrate the market. This reflects that CJ's marketing innovation ability is still relatively weak. Therefore, in the process of competing with other competitors for market share, CJ still needs to further improve its marketing innovation ability and explore new marketing channels.

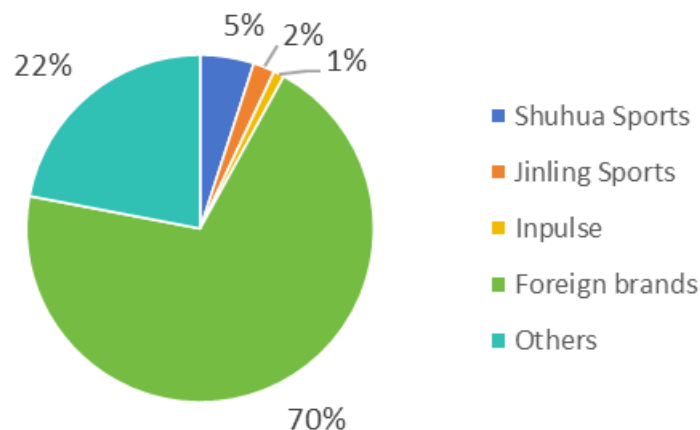


Figure 1. Brand distribution of China's fitness equipment market in the year 2019–2020

2.2. Threats from potential competitors

2.2.1. Low entry barriers

At present, domestic fitness equipment is still in the stage between growth and maturity, at which the profit margin is relatively high. However, the entry barrier of the fitness equipment industry is relatively low, so there are a considerable number of potential competitors. The production of fitness equipment does not need much

investment or advanced technology, which leads to a relatively low threshold for new manufacturers. Some enterprises have experience in original equipment manufacturing or representing sales of high-end fitness equipment, and can fully utilize their supporting production capacity, integrative supply chain, and low cost to achieve mass economic scale. Moreover, the new manufacturer can utilize a low-cost strategy to quickly capture the market, which threatens the existing fitness equipment producers.

2.2.2. Strong Internet fitness development trend

Due to the improvement of economic development and health awareness in China, the development prospect of fitness enterprises is promising. As shown in **Table 1**, this development can be seen in online fitness and traditional fitness enterprises that are competing with each other. The recent pandemic has also popularized online fitness and home fitness. The main source of profit in traditional gyms is mainly from gym membership and personal trainer courses. Internet fitness undoubtedly breaks the traditional model through the user’s personal preferences and physical features to select a suitable fitness program supported by big data. Even those who join the fitness plan for the first time without any experience can choose the right routine without high cost.

Table 1. Comparison between traditional fitness enterprises and Internet fitness enterprises

Type	Characteristic	Main products	Core competitiveness
Traditional fitness enterprises	Cost-effective with advanced and more professional fitness equipment	Professional equipment, one-to-one course	Higher quality fitness equipment, better professional trainers
Internet fitness enterprise	Diverse, with a large number of users, flexible and convenient	Online courses, fitness products	Various types of online courses, lower cost, and superior software

The pandemic has had a profound impact on the operation of traditional gyms. The habits of fitness users are changing rapidly, and the trend of online fitness is increasing. The market of online fitness products mainly incorporates online sales of fitness equipment and fitness software revenue. Since 2016, the overall market scale of the fitness industry in China has been continuously expanding as shown in **Figure 2**. In 2020, the market size of gyms in China exceeded 120 billion yuan, the market size of fitness equipment reached 52.6 billion yuan, and the market size of online fitness products reached 174.9 billion yuan. Online fitness products are growing at a much higher pace than fitness clubs and studios.

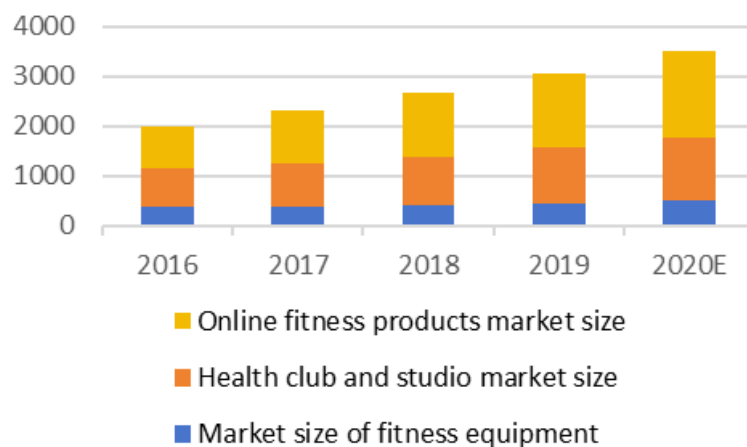


Figure 2. The market size of the fitness industry in China

2.3. Bargaining power of buyers

Commercial fitness equipment is mainly for gyms and other institutions, while home fitness equipment is mainly for individual consumers. Gyms and other institutions belong to rational consumer groups and generally choose suppliers through bidding. At present, the competition for fitness equipment is complicated and fierce. Gyms and other institutions not only have certain psychological advantages but also have price advantages for purchasing in large quantities.

Individual consumers have a large freedom of choice since the fitness equipment in the market is mostly similar. Most buyers will shop around, compare different brands, and be more sensitive to price factors. Thus, consumers can choose independently in terms of price. Enterprises are also inclined to grant greater discounts to attract buyers.

2.4. Bargaining power of suppliers

In the production process of fitness equipment, steel material accounts for about 40%–70% of the cost. At present, the concentration of the fitness equipment industry is not high, and the steel purchase of a single enterprise is small, so the price of raw materials cannot be reduced through large amounts of purchase. Therefore, the fitness equipment industry has low bargaining power over steel suppliers as they have no chance to negotiate directly with steel enterprises concerning price.

2.5. Threats from alternative products

The competitive pressure in the fitness equipment industry also comes from the ability of manufacturers outside the industry to launch products with alternative functions, such as tourism, beauty, massage, and so on. Fitness equipment not only has the function of leisure and entertainment but also has the effect of physical fitness, so the products cannot be substituted easily.

The second category of alternative products is home fitness with online fitness guidance and home fitness equipment. For example, consumers could download a fitness application and buy training courses online, which can replace part of the value of physical fitness equipment and meet the basic fitness needs of consumers. This type of online course can compete with the fitness equipment industry.

3. Brand promotion strategy

With the expansion and emergence of competing brands, market competition will become fiercer. With the changes in the external environment, the further segmentation of the consumer market, and the transformation of the company's business model, the industry is more likely to have a new round of revolution. In the process of integrating resources and innovating with development, the concentration of resources and market in the industry will be further strengthened, which will induce a group of high-standard professional leading brands with strong influence. Therefore, while CJ faces fierce competition, it also has development opportunities.

CJ should deeply cultivate its advantages, and utilize the Internet and other emerging technologies to promote the R&D investment and production of fitness equipment. CJ can also upgrade the fitness equipment product design by improving the production, manufacturing, supply, and marketing stages. The following brand strategies are mainly proposed below.

3.1. Sponsor sports events to increase brand exposure

Sports event sponsorship can promote the functional, experiential, and symbolic image of the sponsor brand through the perception of sincerity and reliability. This sponsorship will affect the willingness of consumers

to purchase the sponsored brand goods. Therefore, the perception of sports event sponsorship will play an important role in the awareness of sports event consumers as a whole.

The effect of this perception on the promotion of the sponsored brand image is also proportional to the cognitive and emotional involvement of consumers in the sponsored events. The CJ brand can start from the local location of the enterprise and seize the geographical advantage. For example, CJ company can cooperate with local marathon events to sponsor marathon peripheral products, such as gift bags, competition prizes, and so on.

3.2. Construction and maintenance of online platform to build superior brand image

Online platforms mainly include enterprise websites, short video platforms, online sales, and after-sales service platforms. The enterprise website is the face of the enterprise, which is the platform to build public relations and establish a good image. The use of eye-catching slogans can show the purpose and characteristics of the brand. Therefore, CJ can utilize major platforms to release brand information, record enterprise daily activities and progress in major events, share enterprise progress with consumers and decrease the distance between enterprise and consumers. By building a good brand image and credibility, the company can generate goodwill and confidence in the brand to increase sales.

The emergence of the short video platform has allowed easy communication with the masses. The influence of a short video and the appeal of a web celebrity can be utilized by the brand to increase communication with the target audience and improve their brand loyalty.

The operating costs of online sales are relatively low since registration as a seller on shopping platforms is generally free so the rent cost of the traditional retail stores can be saved. The low risk of online sales has been proven in some foreign enterprises. Nowadays, CJ has invested in only a small number of online sales platforms. So in the subsequent operation process, the company could gradually enter into all major platforms and set up flagship stores. Marketing can also be carried out in the advertising space of each shopping app.

CJ should also form a decent after-sales team to increase both the promotion efforts and the after-sale service. This can build a good reputation and improve brand value which can increase customer satisfaction and repurchase rate. If an enterprise improves the after-sales service, it will increase the retention rate of customers.

3.3. Open physical stores in the domestic market

The establishment of the first CJ physical store in 2017 led to the trend of the industry and became a benchmark in the fitness industry. Through the store, customers can experience the products directly and test their effectiveness. As the domestic fitness market is promising, enterprises can maintain the consistency of the online international export brand image and the offline domestic physical stores image to create a good customer brand experience and improve the quality of brand relationship.

Author contributions

Idea conceptualization: Ping Yu

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Data analysis: Bohan Liu and Yuying Li

Study writeup: Bohan Liu and Yuying Li

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