

Positioning Analysis of AY Field Brand

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Abstract: For a considerable duration, the traditional dairy product market in China has been dominated by a dual oligopoly, primarily led by Mengniu and Yili. Regional brands such as Guangming, Junlebao, and Sanyuan have engaged in staggered competition, contributing to a pattern of feudal separatism among local brands. AY Group, positioned as a significant independent player in the China dairy industry, has strategically extended its reach downstream in the supply chain, establishing the consumer brand AY Field. Despite possessing a robust advantage in self-owned ranches and delivering high-quality products, AY Field grapples with challenges related to unclear market positioning and low brand awareness among final consumers. This study employs a SWOT analysis to delve into identifying a market positioning strategy that best suits the AY Field brand. The research reveals that the current dynamics of competition in the dairy industry market are predominantly concentrated in the high-end and low-end segments, leaving a noticeable gap in the middle market. Leveraging the natural, high-quality, and competitively priced attributes of AY Field milk, the recommended market position involves supplying ambient liquid milk that aligns with the consumption habits of young individuals and office workers. This strategic positioning aims to offer high-quality products at moderate prices, addressing the specific needs of the identified consumer demographic.

Keywords: Milk; SWOT analysis; Market positioning; Supplier brand

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1. Introduction

Established in 2009, AY Group has grown to be recognized as one of the top five dairy farm operators in China, boasting over 100,000 cows. AY Group's primary competitive edge lies in its capacity to consistently provide large-scale supplies of high-quality, traceable raw milk. Among its notable clientele are industry giants such as Mengniu, Guangming, Meiji, Junlebao, New Hope, Jiabao, Kashi, Yuanqi Forest, and Simple Love. In 2014, AY Group embarked on a new venture by introducing the AY Field brand, signaling its entry into the dairy product market.

Despite the inherent advantage of a strong self-owned ranch, AY Field has grappled with the challenge of low brand awareness among end consumers, impeding significant sales growth. This study concentrates on a comprehensive market positioning analysis of the AY Field milk brand. By assessing the strengths

and weaknesses intrinsic to AY Group and considering external opportunities and challenges, tailored recommendations for AY Field's market positioning are presented.

Drawing on contemporary research, Lili Gai applied the 4V marketing theory to meticulously analyze the marketing model and strategy of the Adopt A Cow brand within the dairy industry market from four aspects: differentiation, functionalization, value-added, and resonance. Gai emphasized that differentiated marketing and adoption models significantly elevate a brand's popularity and foster emotional resonance with customers^[1]. Liufang Cao succinctly outlined successful marketing models for the Adopt A Cow brand, highlighting transparent pastures, multi-platform online marketing, and brand personalization through high-frequency interaction^[2]. In their review of China's dairy industry in 2022 and outlook for 2023, Jiajia Liu *et al.* noted the challenges faced by dairy companies due to overcapacity in raw milk production and elevated feed costs, leading to diminished profits in cow ranching^[3].

Furthermore, Liwei Wang *et al.* proposed that the high-end ambient liquid milk market has matured and solidified, with Mengniu and Yili's duopoly commanding a 97% market share in online sales and 45% in offline sales. In contrast, opportunities persist in the high-end low-temperature milk market, where the duopoly's market share stands at 37% in online sales and 39% in offline sales^[4,5].

2. SWOT analysis of enterprise brand competitiveness

2.1. Strengths

2.1.1. Independent large-scale dairy cattle ranch

As of June 2023, AY Group operates 11 large-scale dairy farms, primarily situated in Hebei, Shandong, and Chifeng, housing a total of 124,200 cows. AY Group stands out as the first Chinese dairy farm operator to conceive, construct, and operate a large-scale and standardized 10,000-head dairy farm. This emphasizes an integrated, diversified, and large-scale production chain layout. Notably, AY Field Modern Ranch, an industry benchmark, is the sole dairy farm in China acknowledged by the Ministry of Agriculture and Rural Affairs as a cow tuberculosis-free and cow immune brucellosis-free community.

2.1.2. High position in the market through technology support

AY Group has been at the forefront of commercial genetic breeding technology in the Chinese dairy industry since 2018, implementing a genetic improvement program. Prioritizing animal welfare, hygiene, and comfort in the growth environment, AY Group ensures robust cattle breed advantages. Consequently, AY Group achieves a notable milk production per unit of cows at 13.4 tons/year, surpassing industry (8.7 tons/year) and top-five domestic dairy farm (11.5 tons per year) averages. AY Group even outperforms the global leader, Israel, with a production rate of 11.85 tons/year.

2.1.3. High-quality milk with a significant price advantage

AY Field ranch, strategically located in the internationally recognized golden milk source zone, boasts a temperate monsoon climate with a latitude between 37 degrees to 50 degrees north. This ideal setting, combined with Holstein cows known for high milk production and a milk protein content of 3.42%, contributes to AY Field's production of premium-quality milk. Employing advanced production processes, AY Field maintains a total bacterial count of less than 10,000, a mere one-tenth of the most stringent EU standards. Despite its superior quality, the selling price of AY Field's 250 mL × 10 gift box is competitively set at 29.9 CNY per liter, approximately half of the high-end brands.

2.2. Weaknesses

2.2.1. Low brand awareness

While AY Group enjoys high brand awareness in the raw milk supply market, AY Field struggles with low recognition among terminal consumers. In a market already dominated by the duopoly of Mengniu and Yili, along with regional brands competing in a staggered manner, AY Field faces substantial entry barriers for emerging brands. The brand's insufficient investment in promotion and a lack of powerful marketing tools hinder its ability to swiftly capture market attention.

2.2.2. Simple product category and single sales channel

AY Field's sales constitute only about 10% of the group's overall raw milk sales. With a product portfolio limited to four categories – boxed ambient liquid milk, low-temperature refrigerated milk, flavored yogurt, and chocolate milk – AY Field faces challenges in diversifying its product range. Initial attempts to enter supermarkets were hindered by low brand awareness, leading to withdrawal. Presently, AY Field relies on major customers including Starbucks, Luckin, Costa, and other coffee shops or roasteries, offline sales in convenience stores such as Convenience Bee and Yuanfuda, and online platforms such as WeChat mini programs, Meituan Selection, and JD platform.

2.3. Opportunities

2.3.1. National policy support and broad market prospects

The Ministry of Agriculture and Rural Affairs' "14th Five-Year Plan for Improving the Competitiveness of the Dairy Industry," issued in February 2022, emphasized optimizing milk source regions, developing local brands, and meeting differentiated market demands. The plan aligns with the rising per capita consumption of dairy products by Chinese residents, reaching 14.4 kg in 2021 according to China Business Intelligence Network, reflecting a year-on-year increase of 10.6%.

2.3.2. Construction of smart platforms to attract consumers

The integration of Smart Interconnection into daily life presents an opportunity for AY Field. Establishing smart network platforms allows consumers to observe the production process, accurately locate each cattle, and foster brand recognition. This technological integration extends to online sales platforms, providing a diverse channel for consumers to learn about and purchase products.

2.4. Threats

2.4.1. Fierce market competition

China's dairy industry currently exhibits a competitive landscape with two major powers (Mengniu and Yili) holding a market share of 43% and multiple strengths represented by local and emerging internet brand forces. Regional brands, like Hebei Junlebao Dairy, Shanghai Guangming Dairy, Beijing Sanyuan Dairy, and Heilongjiang Wandashan Dairy exert additional pressure. Emerging brands, including Adopt A Cow, Kashi, and Simple Love, further contribute to the competitive intensity.

2.4.2. Rising breeding costs

Persistently high feed raw material costs contribute to elevated breeding expenses, with feed accounting for 77.34% of overall expenses per cattle (refined feed accounting for 55.50% and stored feed accounting for 21.84%). Refined feed is mainly composed of corn and soybean meal, hence changes in corn and soybean meal prices significantly impact dairy farming costs. Despite AY Field's self-owned ranch, the reliance on imported

feed exposes it to market price fluctuations, resulting in a scenario of “increasing income without increasing profits.”

2.4.3. Changes in consumer tastes

Evolving consumer preferences in quality, flavor, packaging, and product diversity pose a challenge. With an increasing array of choices available to consumers, enterprises must continually innovate and adjust product design and production strategies to align with evolving consumption patterns and preferences.

3. Brand positioning

3.1. Natural and safe good milk

Unlike competitors like Mengniu and Yili, who predominantly target the high-end market, AY Field strategically positions itself in the mid-range market. While other brands aim for a high protein content benchmark of 3.6 g/100 mL or even 3.8 g/100 mL, AY Field stands out by maintaining a natural protein level of 3.2 g/100 mL. Achieving this without resorting to the costly reverse osmosis (RO) concentration technique, AY Field prioritizes producing “natural milk” that meets basic nutritional needs, is easily absorbable, and provides a price advantage, catering to the daily consumption habits of the mass market.

The “good” in AY Field milk reflects meticulous control across all production links, from its 11 ranches strategically distributed in the golden milk source belt to comprehensive modern scientific management. AY Group’s focus on Holstein cows, rigorous vaccination practices for collective immunity, spacious living conditions, and advanced production processes result in milk quality meeting the strictest EU standards. AY Field’s positioning in the mid-range liquid milk market targets offline brand stores with high-quality requirements and high demand, including branded coffee shops, milk tea establishments, and bakeries. Simultaneously, it caters to young consumers with ambient liquid milk and yogurt products, aligning with the preferences of students and office staff with casual and irregular dietary habits.

3.2. Low-price route

AY Field’s ambient milk adopts a mid-range mass market approach, adhering to the high-quality, low-price route. With over 80% of AY Group’s revenue coming from its raw milk business (2019–2023), serving as an upstream raw milk supplier to major dairy companies, AY Field leverages its low-price advantage in raw milk supply. In 2021, the top six dairy companies in the market accounted for approximately 83% of AY Group’s total raw milk business revenue, while emerging dairy companies accounted for approximately 15%. By not pursuing excessively high protein content, AY Field achieves a cost-effective, high-quality ambient milk product with a competitive edge in the market. This positioning resonates with cost-conscious consumers seeking quality products at affordable prices.

3.3. Occupy the advantage of upstream milk sources

Recognizing the growing importance of upstream milk sources, AY Group distinguished itself as the largest “independent dairy farm operator” in China, maintaining primary equity control over its large-scale dairy farms. In contrast to other dairy companies with multi-party participation in animal husbandry ventures, for instance, Mengniu Dairy took over Modern Animal Husbandry as early as 2017, and it became the largest single shareholder of China Shengmu by increasing its holdings in stocks in 2020, AY Group’s strict control over its own dairy farms ensures the supply of high-quality, low-priced raw milk. This upstream advantage positions AY Field as a reliable source of quality milk, standing out in a market where control over milk sources

is increasingly considered a strategic advantage by major dairy companies.

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Author contributions

X.L. conceived the idea of the study. L.Z. and Q.F. performed the investigations. H.D. and P.Y. analyzed the data and wrote the paper.

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