Journal of Business Management and Research (JBMR)
ISSN(P): 2250-2343; ISSN(E): Applied
Vol. 7, Issue 1, Jun 2017, 1-12

ORION CONFECTIONARY: A WAY OF SUSTAINING SUCCESS IN CHINA

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ABSTRACT

Orion Confectionery Co, Ltd. is a South Korean confectionery company. The company is one of the three largest food companies in South Korea. Orion's confectionery and snacks are exported to more than 60 countries worldwide. Orion has been on the track of success in China for a long period. It seemed like everything they tried in this country turned to gold. Their product range, especially their blockbuster product ChocoPie gained huge popularity and success in China due to adjusted flavors and marketing. However, in the year 2014, Orion reported consecutive losses for 3 quarters. The reasons for these losses can be ambiguous and can't be clearly determined as they might have multiple reasons.

KEYWORDS: Orion Confectionary & ChocoPie

Received: Mar 10, 2017; **Accepted:** Apr 05, 2017; **Published:** Apr 11, 2017; **Paper Id.:** JBMRJUN20171

Original Article

INTRODUCTION OF ORION CONFECTIONERY

History of Orion Confectionery

Orion Confectionery Co, Ltd. is a South Korean confectionery company. The company is one of the three largest food companies in South Korea and was first established in 1956 as Tongyang Confectionery Corp. In 2001, Orion Group was detached from Tong-yang group and started the businesses on its own. In 1997, Orion entered the Chinese market by building OFC (Orion Food Co.) factory in Beijing. In line with its plans to become an international brand, Orion Confectionery later set up production facilities in China, Russia and Vietnam from 2002-2006 to enter the markets. Today, Orion's confectionery and snacks are exported to more than 60 countries worldwide. Products produced by Orion include biscuits, cookies, crackers, pies, gum, snacks, chocolate and candy. The company began offering the Choco Pie in 1974 and it became the signature product of Orion quickly.

REASONS FOR GLOBALIZATION

There are three main reasons why Orion Confectionery started expanding into international markets in the 1990s. South Korea was adversely affected by the Asian Financial Crisis in 1997 and economy slowed down drastically. Sales in South Korea took a dip and Orion realized the importance of diversifying their markets to ensure losses are minimized in times of such economic downturns. Also, during the period, the South Korean confectionery market reached a point of saturation. Competitors like Lotte Confectionery and Crown Confectionery were equally strong in terms of constantly innovating to introduce new products for the companies while foreign competitors were joining the markets. Hence, market growth for Orion confectionery was slowing down. Last but not least, Orion's global aspiration, as led by Chul-Gon Dam, to become a global company producing confectionery for the world also played an important role in Orion taking steps to internationalize their business.

IMPORTANCE OF THE CHINESE MARKET

As seen from Table 1, overall sales in the Chinese market have increased substantially compared to the other markets. This shows the importance of the Chinese market to Orion Confectionery, and hence we focus our discussion on the Chinese subsidiary of Orion.

Table 1: Percentage of Sales Margin from the Different Orion Branches From 2011 – 2014 (Orion Group, 2014)

Year	2011	2012	2013	2014
South Korea	68%	41%	37%	35%
China	18%	49%	52%	55%
Vietnam	8%	6%	6%	6%
Russia	5%	3%	4%	4%

ANALYSIS OF CHINESE CONFECTIONERY MARKET

Five Force Model Analysis

Rivalry/ High

Traditionally, the confectionery market follows an oligopoly model, since a few firms dominate it. As market size remains constant, there is intense rivalry among companies to achieve larger market share. To differentiate themselves based on quality, companies rather introduce new product than perform price competition. Companies often do this by imitating products of competitors. Furthermore, demand for existing products fluctuates depending on trends and success of marketing strategies. Hence, it is hard to pinpoint a product as the leading product of a company, and expect it to do as well in the near future. The consumers' taste is diverse and can change easily; hence competitors can make changes easily to suit the changing preferences. Thus, threat of competition is high.

Threat of New Entrants/ Low

Since the confectionery was oligopolistic market for a long time, barrier to enter the market is high. It demands large amount of capital investment to start business. So original companies already have economies of scale in supply. Because of the long history of oligopoly, consumers are intimate with existing brands. Also, they have close access to distribution channels. So it is hard for new entrants to get into the market.

Bargaining Power of Supplier/ Low

In supplier's point of view, confectionery industry is an important customer for the supplier group. Confectionery companies buy primary materials in large amount. Although supplier's product is essential to the buyer's business, suppliers are not totally independent from confectionery companies. For example, companies like Orion develop special species of potatoes to produce potato chips. Then they collaborate with farms to grow potatoes for them. Since consumers are increasingly interested in safety of food, most confectionery companies are controlling their suppliers. So, bargaining power of supplier is low.

Bargaining Power of Buyer/ High

Buyers can be divided into two groups, namely distributors and end-users. For distributors such as intermediaries (B2B), bargaining power is high. There are many confectionary companies competing to strike a deal with the distributors. At the distributor's' perspective, there are many options to choose from. Hence, the competition permitting to enter the distribution channel is fierce. For end-users, bargaining power is high as well. There are many options for end-users. Even if customers like a certain brand/product now, it can change easily and its segmentation size is not big. Also, the needs to consume diverse confection can be supported by the on-line purchasing and they can buy other products easily. Confectionery is a non-essential good for consumers. Buyer's' power is much larger than the supplier and its needs are diverse. So, the bargaining power of buyer is high for both.

Substitutes/ High

Consumers' interest in health is growing recently. So people choose natural snacks such as nuts and dried fruits rather than confectionery. There are many energy bars products in the market made with fruits and nuts now. It targets both consumer who care for their health and diet. As the interest for quality of products and development of the technique of packaging, high-quality desserts can substitute demand for confectionery. Consumers prefer confectionery that tastes better. Because the consumer who has higher purchasing power are moving to more luxury brands, this may threaten existing confectionary companies. So the threat of substitute is high.

INCREASING HEALTH-CONSCIOUS CONSUMERS

Health has become the number one concern of Chinese urban consumers, according to the Nielsen Chinese Consumer Confidence Index (Geller et al, 2015). Compared with consumers in other countries including developed economies such as United States, Japan and Western Europe, Chinese consumers are the world's most health conscious. According to Boston Consulting Group's survey, 73% of Chinese consumers are willing to pay a premium for product which is considered healthier, a figure higher than the global average. In 2013, popularity of health care and nutrition products rose to 2nd among 15 product categories (from 11th position in 2011) (Kuo et al, 2014).

One reason why the Chinese's interest in healthy food is growing can be attributed to a series of food safety issues that occurred in China, such as the 2008 Chinese Milk Scandal. As a result, China's domestic organic market is the fourth largest in the world (Chen, 2010). Rising income among the China's middle and affluent classes is another reason that led to growing interest on healthy foods. Vitamin and supplements consumption is increased. And incomes of China's middle and affluent classes are expected to be growing much higher (U.S. Global Investors, 2013).

Rise of the upper middle class will account for changing consumer, who are more focuses on upgraded products. In confectionery industry, it could be healthier or function added products.

There are some distinct characteristics that Chinese consumers have. First, they prefer traditional Chinese medicine and products with multiple functions. It is popular among all ages. Also, products with multiple functional benefits are preferred and are perceived as worth to be paid premium price. Second, Chinese consumers often don't trust the benefits that healthy products claim. Many consumers are worried that health food products may not be made as advertised. This comes from the lack of knowledge on health and wellness since it is quite new for Chinese consumers. But, they are still concerning highly about their health. So, 4 out of 5 consumers read product labels and nutritional fact sheets before they make decision to buy products. Third, Chinese consumers are brand-sensitive. Brand's reputation takes large part on choosing product. Chinese consumers have seen many food safety scandals. They are really concern about those problems, so when that kind of problems exposed in the media, it can strongly influence Chinese consumers. For example, there was a report revealed that clenbuterol, a drug that accelerates growth, was found in pork from the Shuanghui Group, a local leading pork manufacturer. After that report released in the media, the following month, its retail sales dropped 45 percent. The reputation, especially on safety part, is important for Chinese consumers (Qiu, 2011). This is about growing interest in healthy of overall Chinese food consumers.

In the case of confectionery market, traditionally, confectionery products are offered as gifts for special occasions such as New Year's day, weddings and birthdays. However, foreign influence, along with higher purchasing power, has contributed to a growing trend of snacking between meals.

Chinese consumers concern on nutritional content also exists in confectionery products. Candy is generally perceived as having too much sugar for regular consumption and Chinese consumers prefer packages that are smaller than the Western standard. Dark chocolate was preferred in 2011, because they believe it has health benefits. Chocolate is also known as a good way to relax from a stressful day at work and as a way to treat oneself. As many Chinese consumers suffer from stress-related disease, it worked for them. Gum sector also follows health-concerning trends. Functional, herbal and sugar-free gums are selling well. Xylitol was also a popular ingredient, as it is known for its dental and health benefits (Troesch, 2012). As disposable income has been increasing, demand for premium products also raised. Chinese consumers believe the higher the price, the better the quality of products. And foreign brands usually perceived as having a better taste and safety standards. So Chinese shoppers are willing to pay more on foreign premium products.

STRATEGIC ISSUE

Situation of Orion in China

Orion has been on the track of success in China for a long period. It seemed like everything they tried in this country turned to gold. Their product range, especially their blockbuster product ChocoPie gained huge popularity and success in China due to adjusted flavors and marketing. Brand awareness for Orion goes so far that the Chinese actually believe it to be a Chinese company rather than a Korean company due to the marketing name in Chinese that translates to "good friend".

However, in the year 2014, Orion reported consecutive losses for 3 quarters. The reasons for these losses can be ambiguous and can't be clearly determined as they might have multiple reasons. For example, the distribution industry underwent a period of restructuring and this could have an impact on Orion for increased costs. Also, the government began regulating gifts amongst the Chinese, which reduces luxury goods and gifts certificates as presents for one another (Koreatimes, 2014).This could be a potential reason for lower purchasing needs amongst the Chinese and thus leading to a slowdown in terms of sales for Orion. Whichever it is, seeing the losses as a need to react in one way or another is a good way to reflect on the business. Orion should evaluate their strategy and environment in China and how it has changed over the period of Orion being in the market. Based on the previous data regarding the Chinese market in eastern China and change of consumer taste, we based our analysis on reasoning and will be suggesting our solutions accordingly.

ISSUES FOR ORION IN CHINA

Increasing Competition and Diversity in Products + Health-Conscious Trends

As the data regarding the Chinese market suggests, it is still highly attractive to remain in the growing market in China. The Chinese middle class is growing rapidly and Chinese consumers are willing and able to spend money on nonessential goods like confectioneries. Companies entering the market can gain profits with innovative products as the market is still in growth stage. An additional advantage for foreign companies entering the Chinese market is that their products are seen as luxury goods and consumers are willing to pay a premium for the product even if Chinese products have the same features and quality.

These companies entering the market have led to an increased competition for Orion. As Orion competes in the quality-oriented section of the market putting focus on hyper clean production facilities and ingredient certification they are in need to charge a price premium due to higher production cost. This price premium is hard to maintain if foreign competition enters the market with new premium products constantly. Additionally Chinese customers aren't as loyal to brands making it hard to maintain permanent success.

Next to the increased competition, Chinese customers have become more health-oriented. This shows itself in a stronger focus on ingredients and health additives. Especially the confectionery industry must react to this trend, as their products are usually considered unhealthy as being overly sweet or fatty.

To deal with increased competition, lack of consumer loyalty and the health trend within Chinese consumers, Orion needs to adjust their product range to stay attractive in the market. This is why we will look into how Orion can adjust their product line to especially react to the health trend of Chinese consumers as this seems a big chance for Orion to retain their strong position in the Chinese market.

Slowed Down Growth in Eastern Chinese Market

China's growth has mainly been concentrated in the eastern regions. As Orion has mainly been active and successful in eastern China it grew with the market. In recent years however, the market has lost some of its dynamics and foreign companies trying to set foot in the big eastern cities of Beijing, Shanghai and Guangzhou. As market growth has lost its dynamics in eastern China it starts to turn from a blue ocean to a red ocean. For Orion it might therefore be more attractive to look actively for further expansion into geographically diverse markets in China. Interesting to expand are especially the central and western regions of China as they catch up with wealth increasing and economic development catching up with the rather developed eastern regions. Especially the central chinese market being geographically close to the eastern region and quite concentrated compared to the wide western part of the country seems to be the next step to expand for confectionery companies.

This is why we additionally look for Orion to expand into the market in central China. Focus is put if the region is ready to be entered by Orion and if the timing in entering the market seems right.

VALUE-CHAIN ANALYSIS

We next make use of Value-Chain Analysis to find out what are Orion's competitive advantages, so that our solutions can leverage on them.

Primary Activities

Operations

A critical aspect of Orion's operations is hygiene management. For businesses in the food industry, ensuring high levels of hygiene is very important. In this aspect, Orion has been outstanding compared to other Korean confectionary companies. Orion was the first confectionery company to achieve the HACCP recognition, which set a high benchmark for other firms to follow in terms of hygiene management. HACCP refers to the Hazard Analysis and Critical Control Point and is awarded by Korea Institute for Food Safety Management Accreditation. Also, Orion requests for inspection by AIB (American Institute of Baking) spontaneously. AIB inspects the environment of production factory, the safety of machine and the hygiene of individual. Orion has managed to achieve a stellar record of “excellent” grade for 18 years and it is the only one company who is conducting the audit of AIB for Orion’s all factories (EPO News team, 2015).

Outbound Logistics

Restrictions put in place by the Chinese government make it hard for Orion to set up and manage their distribution channel themselves. Instead, Orion makes use of large and local distribution companies such as Vanguard and Jiajiayue while competitors like Wrigley and Want Want uses global distribution companies such as Walmart and Carrefour. These local companies are growing and have strong distributing power so Orion puts in effort to manage the good relationship with the local retailer companies. As a result, Orion has received the best company award in the food category, which is selected by various distribution companies. Through the agents, Orion has taken the indirect selling method where agencies play a role of delivery and collecting of money. Orion itself is responsible for managing and arranging their inventory with their employees.

Marketing

Orion has established a strong positive brand image with their Chinese brand name, “Haoliyou”, meaning good friend. For example, the Chinese name of the Chocopie has the meaning of good friend, and marketing materials are prepared to bring out the friendship amongst people. Hence, many Chinese customers choose to purchase Chocopie not only because of the taste, but also as a gift for a specific subject to convey the meaning of ‘good friend’. They also changed their color of packaging from blue to red and added the star to the design, associating the product with China’s flag. This led consumers to believe that Orion is a Chinese brand instead of a South Korean brand.

Sales

In China, Orion manages its sales with the Cash-Based System with its Chinese partners. This was established to minimize payment failures from distressed debtors. While the system initially failed due to the lack of brand awareness of Orion and reluctance from Chinese partners, Orion Group Chairman Tam Chul-kon insisted on making use of the system based on his strong understanding of the Chinese market. Eventually, his persistence paid off and the system proved to be a strong asset to the company’s actions (Orion world com, 2015). Retailers who paid with cash are incentivized to sell the goods quickly to earn profits as soon as possible. The confectionery products also had expiration dates, and hence goods cannot be sold if they were not sold early. This led to them distributing the products more actively. For Orion, the system also allowed them to achieve fund flexibility. While other firms struggled to collect payments on time from retailers, Orion avoided the problem.

Secondary Activities

Firm Infrastructure (Management, Finance, Accounting)

The most important strategy of Orion was localization. Orion introduced HHC (Hand Held Computer) to rationalize sales. Production was also rationalized by focusing the products to core-brand oriented. Orion improved the manufacturing cost via ABC (Activity Based Costing) system. The system was developed to understand the income/loss structure of products accurately and boldly eliminate non- profitable products to rationalize product costing. Since 2002, the Orion’s Korean headquarters ordered the self-supporting accounting system to Chinese office. So they operated with head quarters in China and functioned as a Chinese company.

Human Resource

Orion China consists of 99.6% of Chinese and 0.4% of Korean employees. Most companies make use of the rotation system, which sends employees from a country to another (Korea → China) for a period of time, ranging from months to a maximum of 2 years. However, Orion does not make use of the rotation system, and instead send their Korean employees to Chinese office for 10-15 years. By doing so, Orion maximizes the benefits of human resource training, as employees based in China understand the situation in China completely.

So how should Orion react to the slowing market growth in eastern China and increasing competition? How can Orion keep their success in Eastern China, or should Orion expand their operations to Central China to escape the competition of the Eastern Chinese market? The following analysis should deal with both issues and recommend solutions for them.

SOLUTIONS AVAILABLE

With China being such a critical market to Orion, the company should maintain and maximize its position in the country. Moreover, with the experience and establishments Orion has already made, Orion has the potential to do so. How can Orion achieve such result by utilizing the knowledge they acquired? There are two solutions for Orion.

EXPANDING MARKETS

With Eastern China being the most affluent region, Orion's business was mainly focused on the east. Hence, the first solution is to expand their market by penetrating into central China and western China. There are several advantages for doing so.

Larger Percentage Living in Central and Western Provinces of China

ven though Eastern China may be the most developed region, but more than half of the population (approximately 55.7%) lives in Central and Western China (Dijk, 2011).

Table 2: Population Concentration in China[11]

2008	Northeast and East Coastal Region	Middle & Near Reach West Region	Far-Reach North Region
Population (millions)	588.38	666.03	53.86
Percentage	44.3%	50.2%	5.5%

Faster GDP Growth in Western Provinces Compared to Eastern

Table 3: Comparing GDP Growth in Eastern and Western China[11]

	Eastern Provinces (%)	Western Provinces (%)
2004	17.38	8.73
2005	24.6	11.01
2006	13.4	15.05
2007	16.54	19.56
2008	12.87	19.46

Table 3 shows that with Western province's GDP constantly increasing, there is a possibility that the Western province will eventually catch up or become close to Eastern province's current GDP levels. In terms of future prospects, western and central provinces have much more potential because with their increased GDP and their huge population, the number of middle class customers might exceed that of the east.

Rise of Central China Plan Implemented By the Government

Additionally, China acknowledges the problem of the gap of development between eastern region and the others, so the government is trying to invest in central and western regions. In their Rise of Central China plan, they plan to establish a comprehensive national transport hub in Hebei province. They also intend to promote 4 specific types of production, grain production, energy and raw materials, equipment manufacturing, and high technology. If vast amounts of ingredients are delivered in a very short time to the Orion manufacturing facility, they would be able to save time and money used in transportation. This would be one of the reasons why Orion is planning to establish a factory in Sichuan region by 2018. However, we believe there are **disadvantages** in adjusting product strategies.

Significantly Less Distribution Channels in Central and West China

Table 4: Number of Distribution Channels in China (Trosech, 2012).

2011	Hyper Markets		Super Markets		Specialty Stores		Convenience Chains	
	Dom	Intl	Dom	Intl	Dom	Intl	Dom	Intl
East	3	9	12	3	11	3	12	2
South	1	5	7	0	4	0	4	3
North- west	0	5	7	0	0	0	1	0

Even though the land area and population exceeds those of the east, there are much less established distribution channels in the Western area. The government is willing to invest in establishing a national transport hub in central China, but it would take a large amount of time to build distribution network all over the regions that connect every town. Therefore, with this limited resource, even if Orion do penetrate into central China, it would be hard to satisfy the demand of the population.

Difficulty in Gaining Market Share

It is also difficult to gain market share in these regions. Due to the lack of distribution channels and information gap between regions in China, it is not easy to gain brand awareness among customers. Furthermore, Central and Western China residents are not as enthusiastic about Korean products as the Eastern provinces; so Korean brand power is low. Most importantly, these regions have a more serious case of "Guanxi" culture, which favors people from the same region, school etc. Hence, foreign brands are less preferred. These reasons led to failure for many companies in establishing themselves in the area, leading to them pulling out soon after.

ADJUSTING PRODUCT STRATEGY

The second solution for Orion to sustain/maximize their business in China is to adjust their current product strategy while staying in their original business focus area - the Eastern provinces. It can be achieved by methods such as changing product range or coming up with new marketing idea. Why is this solution Orion should consider taking?

Even if the West and Central Regions Have Fast Growing GDP, the difference between the Amount of Them and East Region's is Still Significantly High

Table 5: List of Chinese Administrative Divisions by GDP Per Capita (National Bureau of Statistics of China, 2012)

List of Chinese provinces by 2014 GDP[4]

average rate: CN¥ 6.1428 per US dollar;
CN¥ 3.6192 per intl. dollar based on PPP (IMF WEO Data APR.2015)[5]
(in millions of GDP; PPP: abbreviation of purchasing power parity)

Provinces	Rank	GDP (CN¥)	Nominal GDP (US$)	PPP GDP (Intl.$)	real growth (%)	Share of total GDP (%)
Mainland China		63,646,270	10,361,117	17,585,749	7.4	100
Guangdong	1	6,779,224	1,103,605	1,873,128	7.8	10.65
Jiangsu	2	6,508,832	1,059,587	1,798,417	8.7	10.23
Shandong	3	5,942,659	967,419	1,641,981	8.7	9.34
Zhejiang	4	4,015,350	653,668	1,109,458	7.6	6.31
Henan	5	3,493,938	568,786	965,390	8.9	5.49
Hebei	6	2,942,115	478,953	812,919	6.5	4.62
Liaoning	7	2,862,658	466,018	790,964	5.8	4.50
Sichuan	8	2,853,666	464,555	788,480	8.5	4.48
Hubei	9	2,736,704	445,514	756,163	9.7	4.30
Hunan	10	2,704,846	440,328	747,360	9.5	4.25

Guangdong, Jiangsu, Shandong, Zhejiang, Henan regions of the chart are all included in east region of China. The amount of GDP of Guangdong, which ranked as number 1, is almost three times higher than the GDP of Hebei province in central China. In other words, spending power of eastern region is notably higher than other regions. It is true that west and central regions are becoming more developed and they would catch up in the future, however, it would take a very long time for central and western China to become close to eastern regions' GDP and their expenditure average because the gap is huge.

Increasing Population of Eastern Province Due to Migration

Population of eastern province is also increasing. More people from Central and Western China are migrating to Eastern areas to search for jobs. Due to endless attempts to migrate to urban areas, Chinese government even established 'hukou system' to control domestic migration in the past. This system was criticized for unequally treating workers from rural and urban regions. As a result, the Chinese government is now willing to improve the system to allow more rural residents to move to the urban, and to allow them to participate in the economy in order to achieve their goal of having 60 percent of their population, almost 1.4 billion, to be urbanized by 2020. This will encourage more people to move to the east.

Strong Brand Presence in the Eastern Provinces

As mentioned earlier in the Value Chain Analysis, Orion has managed to achieve strong brand power within Eastern China with their successful marketing presence and advertisements. The brand awareness is not as strong in Central and Western China, comparatively, due to lack of access to promotional materials Orion placed in Eastern China.

Disadvantages of staying within Eastern China and adjusting product strategies, unfortunately, also exist. Since Chinese confectionery market is growing and has grown rapidly, there are many existing competitors and there are many potential competitors who are planning to enter Chinese market. For instance, the world's top confectionery companies such as Mars, Mondelez International and Nestle are all actively competing against each other. An Australian company is also planning to introduce Candy Crush branded confectionery in China. Candy Crush is a popular mobile game, that has 120 million daily users around the world and 40 percent of the game's daily users are Chinese.

RECOMMENDATIONS

Our team recommends Orion Confectionery in China to focus on **adjusting their product strategies** to suit the changing demands of the Chinese market. As seen from the advantages and disadvantages listed out in the solutions above, there are three main reasons for doing so.

- There is increasing continuous migration towards Eastern China
- Average GDP per capita in Eastern China is still much higher compared to Central China, despite the high growth rates in Central China
- Strong brand presence established in Eastern Chinese.

We believe that there are three most important competitive advantages Orion have are its strong marketing power, ability to localize their products and widespread distribution channels. They can leverage on these competitive advantages to adjust product strategies to cater to the increasingly health-conscious Chinese consumers.

Introduce Dr. You Products to the Chinese Market

Products sold in the Chinese market today include chewing gum, potato chips, chocopies and other small snacks. However, none of these products effectively target the increasingly health-conscious consumers in China. Hence, we recommend that Orion introduce the Dr. You series to the Chinese market. Orion introduced the series in 2011 to the Korean market when South Koreans began placing an emphasis on health benefits in food products. Each Dr. You product delivers different health benefits for different groups of consumers, showing the importance of customization for differences in taste and preferences. Similarly, the preferences of Chinese and South Korean consumers can differ greatly and thus Orion should not introduce Dr. You products as a "copy and paste" solution. Firstly, the health benefits of current Dr. You products might not work in the Chinese market. Secondly, many other competitors are also looking to target the health industry and hence, there is a need for Orion to innovate and produce products that are superior to their competitors.

Orion can make use of their strengths to localize their Dr. You products to suit Chinese consumers. Orion has a high Chinese employee ratio (about 99% of employees in China are Chinese) (Um, 2015) and an innovation center located with China itself. With these advantages, Orion can do a thorough and detailed market analysis on preferences of Chinese consumers. With the new knowledge obtained, the company can innovate new products that incorporate features of Dr. You and additional health benefits that Chinese deem important in brand-new products produced specially for Chinese consumers.

Offer Healthier Alternatives

Healthier alternatives of existing products can also be introduced in the market. For example, Orion can offer less sugar and sugar-free options for their current biscuits, chewing gums and chocopies. The traditional choco-pies can also be offered in dark chocolate forms, since Chinese consumers believe that dark chocolate comes with health benefits.

Marketing As a Healthier Choice

The introduction of healthier alternatives and Dr. You products would be insufficient without the use of marketing and raising awareness for the additional benefits the products bring about. Riding on Orion’s strong skill set in marketing, they should slowly change Orion’s marketing to not just one that is meant for friends, but one with a healthy image. Orion is an extremely safe product for consumption, with high technology measures in place and is HACCP certified. They will be around to keep families and children happy, healthy and safe. This information has to be present in promotional materials to slowly convince consumers.

Utilize Strong Distribution Channels to Promote

Orion’s cash-based system is beneficial to not just themselves, but to their Chinese partners as well. Hence, Orion boasts of good relationships with retailers. They can make use of these relationships to request from retailers to actively promote Orion’s new products to consumers and place these products in prominent places where it is easy for consumers to reach out to. Through these methods, we believe that Orion will be able to adjust their product strategies successfully.

Expansion to Central and Western China

Our team recognizes the importance of the Central China market in the future. The China government is investing plenty of resources to develop the Central areas of China and GDP of those areas are bound to increase with new developments and investments. However, it is not the right time for Orion to penetrate right into Central China. The area is still lacking proper infrastructure and distribution channels and investing in factories now would require huge amounts of investments with slow returns to be reaped. Hence, we suggest for Orion to grow westwards along with the pace of China’s development to the Western cities to reap maximum benefits from the investments.

ACKNOWLEDGEMENT

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