Vitasoy Soft Drink:
Aftermath of the Attack on a Hong Kong Police Officer by a Vitasoy Employee

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EXECUTIVE SUMMARY

An employee of the soft drink brank Vitasoy attacked a Hong Kong police officer and then committed suicide. Vitasoy Group had posted a series of responses about the incident. Most netizens believed that those responses of Vitasoy demonstrated irresponsibility and indifference of the brand towards the attacked on the police officer. The event caused intense discontent and anger among people in mainland China and therefore triggering a heated discussion online. Due to the dissatisfaction of netizens with Vitasoy, the brand's reputation took a hit in the Chinese mainland market, and the sales plummeted as a result.

BRAND BACKGROUND

Brief Introduction of Vitasoy

Vitasoy is a famous soymilk beverage that has been produced in Hong Kong, China, since 1940. With a product portfolio including juice, soy milk, tea drinks, soda, distilled water, and tofu, Vitasoy is now manufactured in mainland China, Hong Kong, Australia, and America.

Paper-wrapped Vitasoy Soy Milk was developed by the founder Dr Kwai-cheung Law in 1940. Lo hoped to provide the average family in Hong Kong with a cheap and protein-rich drink as a substitute for more expensive milk (Fang, 2019). The founder believed that soy milk made from soybeans, with the title of "China's cattle" is rich in protein and inexpensive, can become a milk substitute, so he developed Vita milk.

In the early days, Vitasoy was delivered by salesmen on bicycles, and early Vitasoy drinks were not sterilized and needed to be drunk on the same day, otherwise, it would deteriorate. Therefore, Vitasoy

was not popular with consumers. From 1953 onwards, Vitasoy changed to a high-temperature sterilization method, eliminating the need for refrigerated storage, and sales began to increase significantly.

Business Model

In the beginning, Vitasoy targeted to provide the average family with a cheaper and protein-rich drink as a substitute for milk. However, nowadays, the brand launches high-end products with high prices to satisfy consumers who are chasing a high quality of life. Vitasoy tends to build Vitasoy Soy Milk to be a famous brand among young people, making soy milk as popular as other drinks. To be more popular in the international market, Vitasoy has also shifted its positioning to high-end "natural drinks", which means artificial ingredients such as pigments and additives are not added, and the fat content is low. As a kind of fast-moving consumer goods, supermarkets and retail stores are the main selling platform of Vitasoy. The distribution channel model of Vitasoy is a vertical channel system model. All distributions of Vitasoy begin from manufacturers to distributors, then to retail stores, and finally to consumers who need products (Fang, 2019).

The Development of Vitasoy in the Chinese Market

In 1994, Vitasoy was officially listed on the Hong Kong Stock Exchange, and in the same year, Vitasoy began to build a factory in mainland China. Vitasoy was rapidly adopted by Chinese people. The rapid increase in sales of Vitasoy happened in 2008. In that year, the exposure of melamine incidents exacerbated the people`s trust in the Chinese dairy industry and therefore boosted soymilk consumption (Li, 2020). People have been more willing to consume healthy and green milk products like Vitasoy. Compared to 2007, sales of Vitasoy had increased by about 40% (Docin, 2016; Knowledge-bank, 2021). Moreover, since Vitasoy lacks competitors in the soymilk market, it has the largest market share and is far ahead of its competitors in the industry.

The Business Situation of Vitasoy in China Before the Public Outcry

According to *Sohu Financial Review*, from 2015 to 2020, Vitasoy's sales proportion in mainland China continuedly to increase year by year. From 38% in 2015 to 66% in 2020, the mainland China market has occupied half of Vitasoy's market since 2017. Moreover, sales in mainland China have grown as well, reaching HK$5.137 billion in 2020, almost 2.7times more than that in 2015 (Docin, 2016; Knowledge-bank, 2021).

However, behind the continuous growth of the mainland China market, sales growth has started to decline in recent years. According to public information, from 2018 to 2020, the sales of Vitasoy in mainland China were HK$3.700 billion, HK$6.428 billion, and HK$5.137 billion respectively, with a growth rate of 39%, 25%, and 11%, showing that the growth rate has two consecutive years yearly decline. At the same time, the gross profit margin of Vitasoy has been declining in the past three years before the controversial event happened. The gross profit margin of sales in 2018 was 53.70%, fell to 53.25% in 2019, and fell again to 52.59% in 2020. (Li, 2021)