

## **2. LITERATURE REVIEW**

This chapter is a retrospective review of the concepts and related knowledge of marketing, STP, 4Ps of Marketing, as well as some previously established research results.

### **2.1 Marketing**

Marketing is a process in which an enterprise discovers and taps consumer demand, designs products or services to fulfill such demand, sets product prices, produces and packages products, distributes and controls sales channels, promotes products so that the consumers will understand the value of the products or services as well as whether they can fulfill their own demand, and gains profits through the purchase of the products or services.

Philip Kotler defined marketing as “an social process by which individuals and organizations obtain what they need and want through creating and exchanging value with others” (Kotler&Keller, 2012). The most important point of his definition is that he believes the core of marketing is exchange, that is, meeting the needs of both parties. Therefore, needs are permeated in every link of marketing. Marketing centers around the needs of the consumers. Through the activity of exchange, the needs of both parties concerned will be met. Generally speaking, it is the exchange of products and money. We can also call it trade.

The American Marketing Association (AMA) has given marketing four different definitions in different periods of time. The first official definition of marketing was adopted in 1935 by the National Association of Marketing Teachers, a predecessor of AMA, and was formally adopted by AMA in 1948. In 1960, AMA reviewed the first definition and decided against any revisions. At the time, marketing was defined as “the performance of business activities that direct the flow of goods and services from producers to consumers” (Eren Kocyigit,Phd, 2015). With the development of the times, AMA gave marketing a more comprehensive definition in 1985, which was “the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives” (Eren Kocyigit,Phd, 2015). In 2004, AMA gave a new definition and defined

marketing as “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (Eren Kocyigit,Phd, 2015). In 2007, AMA defined marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” (American Marketing Association, 2013).

The Chartered Institute of Marketing (CIM) defines marketing as: “the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably”.

The key processes of marketing include “opportunity identification, new product development, customer attraction, customer retention, loyalty building, and order fulfillment”. The purpose of marketing is to generate sustainable return and pursue maximum profits.

Marketing methods vary among different industries in the same country. Within the same industry, different enterprises adopt different marketing methods. Even for the same enterprise, different marketing methods should be adopted targeting different countries where there are different political, economic and cultural environments.

## **2.2 The Theory of STP**

In the theory of STP, S, T and P stand for market segmentation, market targeting and market positioning respectively. These are the three core elements that constitute the marketing strategy of a company. They are collectively called STP marketing.

The concept of market segmentation was first proposed by an American marketing specialist Wendell R. Smith in 1956. Afterwards, Philip Kotler, also an American marketing specialist, further developed and improved Wendell R. Smith’s theory and eventually formed a mature STP theory.

Market segmentation refers to the market classification process in which the entire market is divided into different consumer groups based on the differences in consumer

needs and desires, purchasing behaviors, buying habits and other factors. Each group of consumers with similar demand tendencies constitute a market segment. Different segmentation variables will lead to different segmentation results. The bases for segmenting consumer markets include geographic segmentation, demographic segmentation, psychographic segmentation and behavioral segmentation.

Market targeting refers to the process following the market segmentation in which an enterprise prepares to meet the needs of one or more market segments with corresponding products and services. Choosing the target markets, as well as clarifying what types of users it should serve and which of their needs it should fulfill, constitute an important tactic for an enterprise in its marketing activities. Not a single enterprise will have sufficient human resources and funds to fulfill the needs of the entire market or pursue any other excessively ambitious targets. Therefore, it is essential to identify target markets that are favorable for an enterprise to give full play to its existing advantages in human resources, finance and materials. There are generally three kinds of strategy to choose from while selecting a target market: undifferentiated market strategy, differentiated market strategy and concentrated market strategy.

Market positioning was first proposed by Al Ries in the 1970s. It refers to the process in which an enterprise, based on the competition of similar products in the target market and how much the customers value certain characteristics or attributes of this type of products, creates powerful and distinctive qualities for its products or brands, and then passes them on to the customers in a vivid way for their recognition. The essence of market positioning is to strictly differentiate one enterprise from the others, so that such differences will be clearly felt and recognized by the customers, create an indelible impression on them and take up a special place in their hearts. The enterprise will thus gain its competitive advantages.

### **2.3 The Theory of 4Ps**

The theory of 4Ps is the basis for marketing strategy. In the concept of marketing mix, 4Ps refer to product, price, place and promotion. The 4Ps concept was proposed by an American marketing specialist Jerome McCarthy in 1960.

“Product” refers to all kinds of tangible and intangible products that an enterprise

provides to its target markets to fulfill the consumers' needs, which will create unique product value and brand value for the consumers. It includes product specifications, styles, quality, packages, functions, features, trademarks, brands and so on.

“Price” refers to the setting and changing of prices by an enterprise in accordance with the laws of the market. It includes basic prices, discounted prices, allowances, payment terms, commercial credit, as well as various pricing methods and techniques. Enterprises can price their products based on three factors: costs, demand and market competition.

“Place” refers to an enterprise's reasonable choice of distribution channels and its organization of commodity circulation. It includes channel coverage, commodity circulation, intermediate traders, network settings, storage and transportation.

“Promotion” refers to an enterprise's utilization of various information dissemination measures to communicate with its target markets, pass its product value and brand value to the consumers, stimulate their desires to purchase and promote its product sales. It includes advertising, personal selling, sales promotion and public relations.

In 1986, Professor Philip Kotler, a renowned marketing specialist, proposed “mega-marketing”. Based on the original 4Ps, he added another 2Ps, power and public relations. It was abbreviated as 6Ps.

In 1990, Professor R.F. Lauterborn, an American marketing specialist, redefined the four basic elements of marketing mix and proposed the theory of 4Cs: consumer, cost, convenience and communication.

## **2.4 Overview of OPPO**

The brand of OPPO was registered in 2001. In 2004, OPPO (China) was established, with Chen Mingyong as its CEO. In the same year, OPPO Digital was established in Silicon Valley, California, the US, engaging in the R&D and production of Blu-ray products. From 2005 to 2017 when OPPO had undergone multiple transformations during its operation, its core business involved DVD players, MP3 players, MP4 players and mobile phones. Since 2013, the company has started to focus on the R&D, production and

sales of smart phones. Since 2015, through precise market positioning, high-frequency brand promotion, as well as large-scale channel building and distribution, OPPO has become China's fastest growing mobile brand in terms of market sales.

In 2005, OPPO launched its first MP3 player. X9 was launched in the same year.

In 2006, OPPO launched its first MP4 player.

In 2008, OPPO launched Smart Walkman S9. In the same year, OPPO started to engage in the field of mobile phones and created OPPO Real sub-series. In May, OPPO released its first "Smiley Face Mobile Phone" A103, marking its official entry into the field of mobile phones.

In 2009, OPPO launched its second sub-series OPPO Ulike.

Also in 2009, OPPO entered into the overseas markets. OPPO have access to markets all over the globe. Until 2018, it has access to markets in 31 regions, including Russia, Thailand, Myanmar, Philippines, Malaysia, Vietnam, Sri Lanka, India, Pakistan, Bangladesh, Indonesia and Morocco.

In 2011, OPPO's first full-QWERTY-keyboard smart phone X903 was released to the market, marking OPPO's formal entry into the field of smart phones.

In June 2012, OPPO released the world's thinnest smart phone Finder. In December, OPPO released Find 5, a flagship product of the Find series which was the first 1080P-display mobile phone in China. It was rewarded by *PC Magazine* as a recommended best buy of that year and won the IF Design Award which was known as the "Oscars of the design industry".

In April 2013, OPPO launched ColorOS, an Android-based in-depth customization system. In September, OPPO released the flagship product of N-Series – N1, the world's first smart phone equipped with a rotating camera.

In March 2014, OPPO launched Find 7, an all-round flagship 4G mobile phone. It was the first mobile phone equipped with fast and safe VOOC flash-charging technology,

as well as 50MP high-resolution photography technology. In October, OPPO launched N3, the world's first mobile phone with an electric rotating camera.

On May 20, 2015, OPPO released R7 and R7 Plus. At OPPO and FCB Global Partnership Press Conference held on September 8 in Beijing, OPPO officially launched the custom FC Barcelona edition of R7 Plus and became an official partner of FC Barcelona.

In March 2016, OPPO announced to the public its newly upgraded brand concept, "always try to be better", shared its attitude towards product manufacturing, and released "brand new flash-charging selfie experts" R9 and R9 Plus which were developed and produced under the concept of "always try to be better".

On July 26, 2016, the data research by Counterpoint showed that OPPO surpassed Apple, Huawei and Xiaomi for the first time, leaping to the first place with the market share of 22.9%. Data also showed that, in China's mobile market ranking of June, the top 6 brands were OPPO, Huawei, VIVO, Apple, Xiaomi and Samsung.

In June 2017, OPPO launched R11, which came equipped with dual cameras, and was promoted with the slogan "dual 20MP cameras, greater clarity and brilliance". On August 8, OPPO released a FC Barcelona limited edition of R11.

In October 2017, OPPO launched F5, a mobile phone with AI beautifying technology, face unlock feature and a 6-inch high-resolution full screen.

On November 2, 2017, OPPO released full-screen R11s and R11s Plus.

On March 31, 2018, OPPO released R15 which came with AI smart photographing and a super-vision full screen.

## **2.5 Current Research Status**

Wu Ningning and Jin Xiuling carried out a study (2017) of the Weibo marketing strategy of OPPO mobile phones. The results showed that OPPO's Weibo marketing

strategy of its transformation toward the field of mobile phones managed to make full use of the five links of Weibo marketing: talkers, topics, tools, taking part and tracking. By means of Weibo marketing, OPPO created its differentiated product positioning, built an all-round interactive platform, selected and attracted new target users. As a result, its brand image was deeply rooted in the customers and its customer stickiness was increased. Zhao Yuan carried out a study (2014) of the corporate brand marketing strategy in micro-film advertising based on the example of OPPO smart phone's micro-film advertising. The results showed that the micro-film advertising of OPPO mobile phones has clear audience positioning. By utilizing the celebrity effect and with innovative content as well as excellent production, it passed on brand value and built positive brand image for the enterprise. Yang Jiawei carried out a study (2016) of OPPO's corporate advertising strategy, raised the problems of it and provided corresponding solutions. The results showed that the problems of OPPO's corporate advertising strategy included improper use of celebrity endorsements, overlooking advertising communication during its pursuit of aesthetics, insufficiently closed connections between the advertising themes and features of mobile phones, and lacking appealing advertising features. Wang Yuting carried out a study (2017) of the status quo of OPPO mobile phones' marketing channels in China, analyzed the existing problems and proposed countermeasures. The results showed that OPPO mobile phones' marketing channels in China include agents, telecom operators, large-scale chains, exclusive OPPO stores and online channels. Zhou Deming and Liu Jin carried out a study (2017) of the core competitiveness of China-made smart phones based on the examples of OPPO and VIVO. They studied the core competitiveness of OPPO and VIVO in corporate culture, supply chain management, market operation management, technology R&D and operation, brand operation impact and other aspects. With Gionee mobile phones as the main subjects of research and by adopting the 4Ps of marketing, Liu Xin (2017) analyzed the marketing environment of Gionee mobile phones from the perspectives of product, price, place and promotion, discovered deficiencies of their marketing strategy, optimized their marketing strategy and found new marketing ideas that were more suitable for the development of Gionee mobile phones. Chatchai Pitsaphol (2015) researched the influence of brand equity on marketing performance of Samsung and OPPO in Thailand. It found that brand market performance of OPPO smart phone has a positive relation to brand association and perceived quality. Moreover, brand market performance has a negative relation to country

of origin. On the other hand, brand awareness and marketing campaign have not a relation to brand market performance of the OPPO smart phone in Thailand. For Samsung smart phone found that brand association and perceived quality have a positive relation to brand market performance, but brand awareness, marketing campaign and country of origin have not a relation to brand market performance of Samsung smart phone in Thailand. The results indicated that perceived quality and brand association are the key important drivers of brand market performance of both OPPO and Samsung smart phone.