

## **Research on Management Innovation and Supply-side Reform of Small and Medium-sized Wine Enterprises**

**Fang Yang**

Hebei University of Engineering, Handan, Hebei, 056006, China

**Keywords:** Liquor SME, Liquor industry, Management innovation, Culture.

**Abstract:** Facing the reality of the excessive production competence of liquor industry, the liquor SME is current in a more disadvantage status than these giant corporations. Whereas, some SME represented by Congtai Liquor Company, also possess their own unique edges, by creating the mode of management, these SME have put forward the effective intervention point to drive the supply-side structural reform of Liquor SME, realized the optimized distribution of resource, the upgrade of quality and the rebuild of brand. It has verified that Innovative management concept and cultural infiltration have brought new energy to the brand of liquor in Congtai.

### **1. Research background and its meaning**

With the rapid development of science and technology, the innovation of production facilities, as well as the continual improvement of production efficiency, the coming result currently is the excessive production competence. Since 2012, because of the strike and pressure of reduce the Excellencies consumption, the situation started to get better in 2015 under the circumstance of the low price and sale situation, and in 2016, the sale of the liquor began to warm up. After the new round of deep regulation, in 2017, the mass liquor consumption eventually back to reason. There are more than 20,000 wine companies in the country. The liquor industry, which is in the period of deep regulation, faces many problems and the transformation is imminent. In the process of falling in the price of sales, whether the quality of our products is guaranteed, it is worth pondering. The market is limited. Once there is overcapacity, it will lower the operating rate and increase the break-even point. If there is excess production, it will form a large amount of inventory. Eventually, it will have to sell at a lower price, the profit will decrease, the innovation ability will decrease, and a vicious circle of competition will be formed. Under the dual pressure of overcapacity and declining demand, the impulsive liquor companies have begun to calm down and think about the future.

### **2. Analysis of the current situation of HD as a small and medium liquor enterprise**

As a large national second-class Liquor-making enterprise, HD Liquor industry plays a decisive role in Hebei wine enterprises. It belongs to regional sales enterprises and is a geographical name card of HD region. There are 62 liquor enterprises in Hebei province, among which the representatives are Hengshui Laobaigan, Banchengshaoguo liquor, Shanzhuanglaojiu, Liulingzui, Shilixiang, Congtai and other brands. Once Hengshui Laobaigan, Shanzhuanglaojiu, Banchengshaoguo liquor constitute the three pillars of Hebei province. While the industry enters the deep adjustment, performance diverges from each other as the competition deepens. Shanzhuanglaojiu and Banchengshaoguo liquor gradually fell behind, and Hengshui Laobaigan starts to dominate the market. Congtai, Liulingzui and Xianwang are the main second-line enterprises in Hebei wine industry, and they all had their own glory. In the intensified competition and adjustment period of liquor industry, these small and medium enterprises will face a new round of reshuffle, but the big ones with competitive advantages will give full play to their strong strength to squeeze the margins of small and medium enterprises. On the one hand, the famous wines from other provinces represented by Luzhou Laojiao are constantly sinking and squeezing; on the other hand, the provincial leader Laobaigan is strategically shrinking, focusing and deep cultivating the provincial market. After the completion of structural upgrade and price adjustment, its high-end

products' infiltration to small and medium enterprises will also become a major threat, making the survival of small and medium enterprises harder.

### **3. Main problems of the small and medium liquor enterprises represented by HD**

Industry cost increases, profit margins tightened, and living space squeezed badly, small and medium enterprises are faced with the situation of failing to go out and defend. Brand building awareness is not enough, even worse is long-term strategic awareness. With the slowdown of liquor market demand and overcapacity, liquor sales prices continues to fall. Without the support of consumer culture, the products lack cultural support, story line and soul. Consumption objects turn their eye to other choice. The main force of the new generation represented by the 80's is not accustomed to drinking liquor, but prefers to drink beer or red wine with cultural background and feelings.

### **4. Exploration of Management innovation Suggestions and supply-side reform measures in the case of liquor overcapacity in small and medium enterprises**

#### **4.1 Pay attention to the continuous innovation of production management, standardize the process, and improve the precision of plan management**

In order to balance the obvious characteristics of off-season in liquor industry, the production management mode without off-season was carried out, and the strategy of "cutting peak and filling valley" was adopted to balance the production in off-season. Scientific capacity planning and flexible organization of production should be made to create a flexible manufacturing capability. Annual production plan should be formulated, various indicators and measures should be decomposed into departments, teams and even every employee through the decomposition of goals to achieve clear objectives and measures in place, and corresponding assessment system should be established. Lean production should be carried out, along with 6S site management and application of lean methods and tools. Production beats should be arranged reasonably and each production process should be optimized, making it as close as possible to production beats and reduce pause waste.

#### **4.2 Strengthen the quality of management, cultivate the quality of brand, and enhance corporate reputation**

The company has developed a complete "quality and safety management system", established and implemented the liquor quality and safety track system, GB/T19001 quality management system and HACPP management system, and the improved management system operates effectively to ensure food quality and safety for consumers. The use of safe food provides protection. Innovate brand management methods, adjust and deal with brands that have deviation, aging, and negative impacts, secondly strengthen brand culture connotation construction, increase brand investment and cultivation in all directions and three-dimensional, and provide zero-defect products and zero defect services. According to the needs of consumers, we constantly revise and improve our products, and finally ensure the quality and quality of our branded products and continuously improve our brand awareness.

#### **4.3 Establish consumer-oriented market positioning and management**

Market-oriented market positioning, identify the target consumer groups, on this basis, re-integrate the company's products, management, organizational structure, etc., so that the company's resources are optimized, product competitiveness is continuously enhanced, and in-depth and meticulous research, To find out the position of the company in the market, from the national liquor consumption, the country's industrial policy, consumer sensitivity to product prices, quality, packaging, brand sensitivity, and then combine the situation of Congtai wine industry, Make market positioning. There is a sales team with excellent quality and hardship, a good product quality assurance system, and a high-quality scientific and technological team. In the business strategy, we

will adopt a policy of stabilizing key markets, expanding traditional markets, and selectively opening up foreign markets. We will focus on breakthroughs, step by step, adapt to changes in the situation, adjust the market positioning of enterprises in a timely manner, and establish a research and development organization system that is adapted to the market and close to consumers. Achieve sustainable and steady growth.

#### **4.4 Establish a product strategy that adapts to market positioning and inject cultural elements into the product.**

With the improvement of people's living standards, "green, healthy, low-grade" will become the development trend of the liquor industry. In today's new era, wine is not only a kind of drink, but also an emotional sustenance of people. When people drink, it is also a spiritual experience and emotional release. For the pursuit of perfect wine and unique style, Congtai the R&D personnel spent a lot of time and energy on the design of the wine body. Four state-level liquor judges and 20 provincial liquor judges formed an innovative technical research team to carry out sensory verification. They were professionally provided by Hebei Enterprise Technology Center and Liquor Research Institute. Quality inspection and technical appraisal. Based on decades of experience, through thousands of trials, combined with the valuable opinions of hundreds of senior consumers, the style of the wine after the upgrade of Congtai Liquor was established. Such as Congtai wine age-old puree series wine, mainly for the consumer group for business people, positioning the high-end market, with a mellow smell, a kind of soft sweet after take a sip of the liquor, elegant and delicate, Chen Xiang rich, tail refreshing and five mouth-feel features.

#### **4.5 Continuous Innovation Marketing Strategy**

Develop online marketing, make full use of the Internet+, new retail and e-commerce platform models, and innovate marketing models and means to carry out featured marketing, refined marketing and personalized customized marketing. The company established the E-commerce Department and the Mobile Internet Department, and set up flagship store under the cooperation with e-commerce companies such as JingDong and Tmall, and opened the WeChat public account, subscription and short video account. Effectively use the consumer's mental cognition, constantly explore the product connotation, and establish a sales network with numerous outlets, wide coverage and strong penetration. Not arrogant, open a good channel to achieve both offensive and defensive functions. Focus on channel changes, allowing traditional channels and new sales models to coexist. Make unremitting efforts to create a good mechanism of automatic self-development.

#### **4.6 Make Continuous Innovation Based on People-oriented and Create an Environment that Attracts and Retains Talents.**

To retain talents by the means of good affection, remuneration and career. Enterprises should focus on recruiting highly educated and innovative personnel to continuously enrich the enterprise, inject fresh blood into the enterprise, reserve talents for the foundation industry of hundred years enterprises and strengthen the development aftereffect. While increasing the introduction of talents, talents training should also be focused. First of all, cultivate talents during work practice, for those promising backbone talents, create jobs for them to practice and pay attention to the training of all employees and develop different levels of training so as to improve the overall quality of all staff. The company is constantly improving the proportion of technicians and enhancing its independent research and development capabilities, which fully reflects the company's strategic thinking of using technology as the primary productivity, and the proportion of technicians is rising. The company always adheres to the overall strategy of talents to develop enterprises. In the process of talent recruitment, select and employ high-quality professionals, continuously optimize the knowledge structure of the company's professional staff and improves the overall quality.

#### **4.7 Comprehensively Create Corporate Culture**

The core of the brand lies in its cultural connotation. The brand culture of Congtai Liquor is not unitary, but diverse and compound. The corporate culture of Congtai Wine Industry is not only

reflected in the business philosophy, but also in the extraordinary history and culture. Today, China's economic development has entered the supply-side structural reform. The integration of tourism culture into the liquor industry is the trend of the times. The status and role of the new economic format, which was born by this integration has become more and more obvious in promoting industrial transformation and upgrading and economic growth. In 2017, Congtai Liquor Industry succeeded in establishing a 4A-level scenic spot for industrial tourism, which made the integration of cultural communication and tourism resources of liquors a new force.

## **5. Conclusion**

Starting from the theoretical background of management innovation reform and supply-side reform, this paper briefly analyzes the cost reduction while income increase and brand building brought by management innovation to enterprises, improves product quality and service through supply-side reform, changes traditional sales channels, and utilizes each new sales model expands customer resources, and attaches great importance to increasing the close integration of production, learning and research, increasing the absorption and cultivation of talents, comprehensively creating corporate culture, promoting tourism consumption to promote industrial upgrading and changing traditional consumption patterns through tourism culture. Turn the passive consumption of white liquor customers into active consumption, and solve the current situation of overcapacity in liquor enterprises by increasing new consumption points.

## **References**

- [1] National Enterprise Management Modernization Innovation Achievements Validation Committee Office, China Enterprise Confederation Management Modernization Work Committee, National Enterprise Management Innovation Achievement Level 2002 First Edition
- [2] Ren Jijun Core Upgrading - New Living Environment Wins China Economic Publishing House 2009.1
- [3] Research on the integration path of tourism culture into the liquor industry under the supply-side reform background Brewing Technology 2018.1