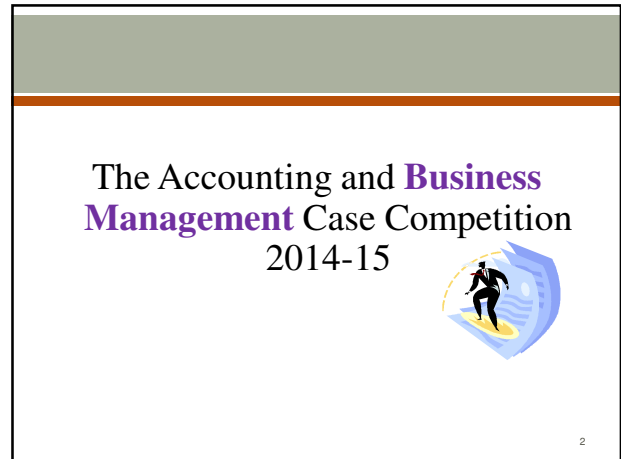




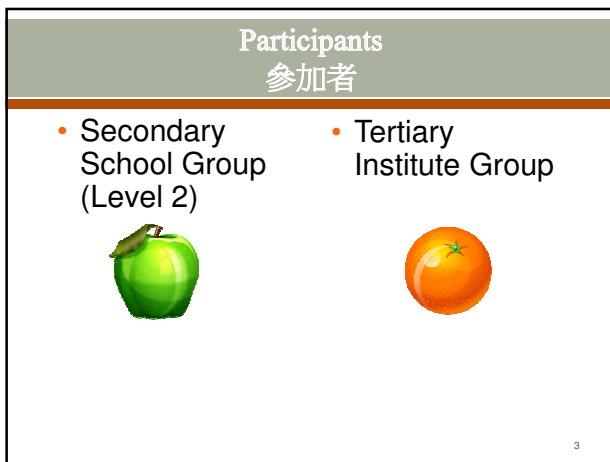
Business management and marketing strategies  
 商業管理及市場策略

Dora Lee  
 15 November 2014





The Accounting and **Business Management** Case Competition  
 2014-15

2



Participants  
 參加者

- Secondary School Group (Level 2) 
- Tertiary Institute Group 

3



Speaker - Dora Lee

Academic background

- MSc in Strategic Marketing Management (First Class, Worldwide Completion)
- Master in Business Administration (Distinction)
- Doctrine in Business Administration (Candidate)

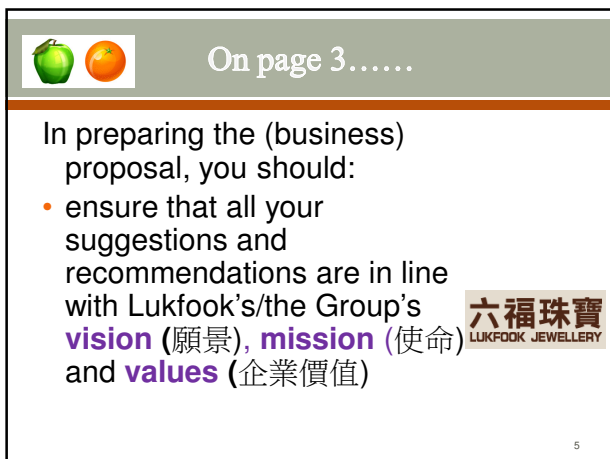
Social responsibilities


- Executive Council Member Hong Kong Institute of Marketing (香港市場學會理事)

Professional Qualifications

- Professional Marketer (HK) - Hong Kong Institute of Marketing (香港市場學會)
- The Chartered Marketer (UK) - The Chartered Institute of Marketing (英國特許市場學會)
- Certified Professional Marketer (Asia Pacific) - The Federation of Marketing Institute (特許市場師亞太區)


4



 On page 3.....

In preparing the (business) proposal, you should:

- ensure that all your suggestions and recommendations are in line with Lukfook's/the Group's **vision** (願景), **mission** (使命) and **values** (企業價值)



5



 Vision 願景 

- "..... our vision is **to be the "Brand of Hong Kong, Sparkling the World".**"
- 「香港名牌 國際演繹」
- 本集團一直堅持不懈，盡心竭力使六福成為全球認知的品牌。作為香港知名奢侈品牌，本集團致力為全球顧客提供優質首飾，以進一步確立其於國際市場上的聲譽。

6



### Mission 使命



---

- To add value to shareholders' investment, maintain a steady in business and profit (為股東提升價值，保持穩健及持續增長的盈利)
- To provide value-added products and services to its customers (為客戶提升價值，提供優質及物超所值的產品及殷勤摯誠的服務)
- To provide its employees with a professional development environment and grow together to achieve corporate goals (為員工締造專業發展環境，達致共同成長，邁向理想)
- To contribute to the community through enforcing the communications with public and participating in charity events (為社會延續關懷，加強公共溝通，積極參與公益活動，回饋社會)

7



### Corporate values 企業價值觀



---

- Practicality – Advocating a pragmatic and realistic way of doing business (務實：主張務實精神，實事求是)
- Innovation – Continuous learning and strive for change as well as innovations (創新：持續增值學習，勇於求變創新)
- Integration – Build a harmonious corporation both internally and externally (融合：共建內外和諧企業，以整體為先，求同存異)
- Excellence – Demonstrate full commitment, quest for excellence and continuous improvement, endeavor to be the best (卓越：全力以赴，與時並進，邁向卓越)

Source: <http://www.lukfook.com/en/about-lukfook/corporate-overview/mission-and-mission/>  
 (accessed on: 25 Oct 2014)

8

### Vision, mission and values 願景、使命及企業價值

---

What does it mean to you?

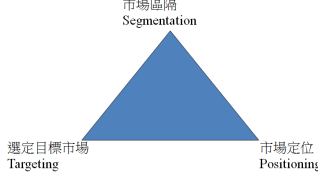
- Management Consultant 
- Business Strategy Advisor 

9

### STP Strategies

---

#### Segmentation, Targeting and Positioning Strategies



Market Segmentation (市場區隔)  
 Targeting (選定目標市場)  
 Positioning (市場定位)

10

### Hong Kong Demographic Segmentation (June 2014 estimated)

---

- At mid-2013, there were 864 males per 1000 females.
- The median age of the total population was 42.5.

Age Group	Male		Female	
	Number	%	Number	%
0-14	411 600	5.7	385 500	5.4
15-24	434 400	6.0	427 000	5.9
25-34	463 700	6.3	639 000	8.9
35-44	469 300	6.5	669 700	9.3
45-54	584 500	8.1	679 000	9.4
55-64	501 300	7.0	511 000	7.1
65 and over	475 900	6.6	545 600	7.6
<b>Total</b>	<b>3 330 700</b>	<b>46.3</b>	<b>3 856 800</b>	<b>53.7</b>

Source: <http://www.gov.hk/en/about/about/hk/factsheets/docs/population.pdf>  
 (accessed on: 25 Oct 2014)

11

### Hong Kong Demographic Segmentation (June 2014 estimated)

---

- The median monthly domestic household income for 2013 was HK\$22,400.

Monthly household income (\$)	% of total domestic households
Under 4,000	6.0
4,000-5,999	4.9
6,000-7,999	5.0
8,000-9,999	5.3
10,000-14,999	12.1
15,000-19,999	10.9
20,000-24,999	9.9
25,000-29,999	7.7
30,000-34,999	7.3
35,000-39,999	6.5
40,000-44,999	4.6
45,000-49,999	3.2
50,000-59,999	5.1
60,000-79,999	5.6
80,000-99,999	2.8
100,000 and over	4.3
<b>Total</b>	<b>100.0</b>

Source: <http://www.gov.hk/en/about/about/hk/factsheets/docs/population.pdf>  
 (accessed on: 25 Oct 2014)


12

### Targeting Strategies

**Mass Marketing (Undifferentiated Strategy)**

- Ignore market segment differences and target the **whole market** with one product/ offer
- What is **common** in consumers' rather than on what is different

**Other options?**



13

### Positioning 定位

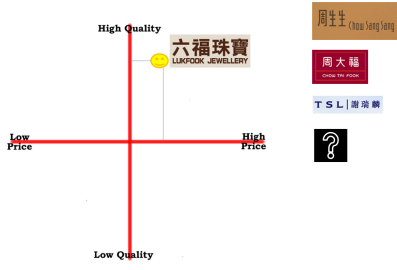


- A firm can be the **product leader** (產品領導者), the **operationally excellent firm** (營運卓越的公司), or the **customer intimate firm** (對顧客貼心的公司) (Kotler, 2007).
  - Some customers favour the firm that is advancing technological frontier (**product leadership**).
  - Another customer group wants highly reliable and dependable performance (**operational excellence**).
  - A final customer group prefers the firm that is most responsive and flexible in meeting their **individual needs** (customer intimacy).



14


### Positioning




"The four most successful Hong Kong jewelry brands (Chow Seng Seng, Chow Tai Fook, Tse Sui Luen, and Luk Fook) penetrated the mainland market as well." (Berger, 2014)

15

### On page 3.....



- ... state clearly any **underlying assumptions** which can justify your analysis and recommendations
- 清楚說明任何支持你的分析及建議的有關假設



16

### Assumptions made 假設



For example:

- Business segment (業務)** – product life cycle (產品生命週期) of gold and platinum jewellery will continue to grow over the short to medium term (1 – 2 or 3 years)
- Competitors (市場競爭者)** – no buy-out of Lukfook by another company
- "If a company is facing competition, its operational margin may

	Mar05	Mar06	Mar07	Mar08	Mar09	Mar10	Mar11	Mar12	Mar13	Mar14
Operating Margin	7.78	5.35	8.04	11.06	8.04	11.79	12.76	13.37	11.19	12.02

- Social (社會)** – increasing acceptance of luxury products
- Economic and trade (經濟貿易)** – exchange rate remains stable (匯率維持不變), US economy recovers (in slow pace), etc.
- Political (政治)** – political stability in Hong Kong/China (2015 – 2017)
- etc.

17

### Objectives & scope of report 報告的目的及範圍



- Formulate business plan (HK\$10 M): 2015 – 2016
- 制定一個耗資1,000萬港元的市場計劃書: 2015年及2016年
  - To enhance the performance of Lukfook' s Hong Kong retailing business
- Financial performance review (財務表現分析): 2013 – 2014
- Strategic analysis (策略性分析): external environment, internal capabilities & resources, product portfolio, competitors, key success factors, etc.
- Critical issues to be addressed (須解決的關鍵問題): **current corporate governance practices**
- Marketing plan: implementations (實施計劃), projected income/ possible outcomes (估計所帶來的收益及影響)
- If any, market research (survey questionnaire & results) (市場研究、問卷調查及結果)

18



### Objectives & scope of report 報告的目的及範圍

- Formulate strategic plan: 2015 – 2017
  - To improve business performance
- Financial performance analysis: 2012 – 2014
- Strategic analysis: external environment, internal resources, current strategies, core competencies, competitors, etc.
- Critical issues to be addressed: **current corporate governance practices**
- Overall direction the Group should pursue: 2015 - 2017
- Strategic plan: marketing, production, operations and/ or different business units of the Group
- Market research (survey questionnaire & results)


19



### A combined version


- Strategic plan: 2015 – 2016/2017
  - To enhance the performance of the Group business/ overall business
  - Financial performance review/ analysis: 2012/2013 – 2014
- Strategic analysis: external environment, internal capabilities & resources, current strategies, product portfolio, competitors, key success factors, etc.
- Critical issues to be addressed: **current corporate governance practices**
- Overall direction the Group should pursue: 2015 - 2017
- Strategic plan: marketing (implementations, projected income/ possible outcomes), production, operations and/ or different business units of the Group
- Market research (survey questionnaire & results)

20



### Areas of discussion (Scope of your report) 討論範圍

- ① Situation analysis (形勢分析)
  - ① A description of the current situation
  - ② External environment : Macro and micro
  - ③ Internal environment
- ② SWOT analysis (強弱機危分析)
- ③ Marketing tactics (市場策略)
- ④ Implementation (實施計劃)
- ⑤ Measurement and control (量度及控制)



21

### Areas of discussion 討論範圍

- ① Situation analysis (形勢分析)
  - ① A description of the current situation (形容現況)
  - ② External environment: Macro and micro
  - ③ Internal environment
- ② SWOT analysis
- ③ Marketing tactics
- ④ Implementation
- ⑤ Measurement and control

22

### 1. Situation analysis 形勢分析

A description of the current situation (現況形容)

- Total sales of jewellery products in Hong Kong (本港珠寶產品銷售量)
- Market share and market penetration (市場佔有率及滲透率)
- (2012/after) Increased **Mainland tourists** buying prestige products in Hong Kong and Macau.....and we saw **“China remains an attractive market with its increasing disposable income and government policies which stimulate domestic consumption.....”** (Lukfook Annual Report, 2013)
- etc...

23

### Areas of discussion 討論範圍

- ① Situation analysis 形勢分析
  - ① A description of the current situation
  - ② **External environment: Macro and micro**  
 外圍環境 - 宏觀/ 微觀
  - ③ Internal environment
- ② SWOT analysis
- ③ Marketing tactics
- ④ Implementation
- ⑤ Measurement and control

24


1. Situation analysis: External environment – Macro/ micro  
 形勢分析 :外圍環境 -宏觀/ 微觀

<p><b>Macro (宏觀):</b></p> <ul style="list-style-type: none"> <li>□ Political (政治)</li> <li>□ Economic (經濟)</li> <li>□ Socio-cultural (社會)</li> <li>□ Technological (科技)</li> </ul>	<p><b>Micro (微觀):</b></p> <ul style="list-style-type: none"> <li>• Structure of market/ competitors (市場結構/競爭者)</li> <li>• Consumer needs (消費者需要)</li> <li>• Trends of the market (市場趨勢)</li> <li>• Stakeholders (持份者)</li> <li>• etc.</li> </ul> <p><small>(Source: Vrontics, Kogetsidis and Stavrou, 2008)</small></p>
--	---

25

## PEST Analysis

- **P**olitical 政治
- **E**conomic 經濟
- **S**ocio-cultural 社會
- **T**echnological 科技



26

## PEST Analysis

- **P**olitical 政治
- **E**conomic
- **S**ocio-cultural
- **T**echnological


27

## PEST Analysis

- **I**ndividual Visit Scheme
- Any existing ordinance to supervise manufacturing and marketing of the products?
- Trade Descriptions Ordinance (商品說明條例):

Chapter:	362	Trade Descriptions Ordinance	Gazette Number:	L.N. 72 of 2013	Version Date:	19/07/2013	
Long title:						L.N. 72 of 2013	19/07/2013

To prohibit false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods; to confer power to require information or instruction relating to goods to be marked on or to accompany the goods or to be included in advertisements; to restate the law relating to forgery of trade marks; to prohibit certain unfair trade practices; to prohibit false trade descriptions in respect of services supplied by traders; to confer power to require any services to be accompanied by information or instruction relating to the services or an advertisement of any services to contain or refer to information relating to the services; and for purposes connected therewith.  
 (Amended 65 of 2000 s. 5; 19 of 2008 s. 3; 25 of 2012 s. 32)  
 [1 April 1981] L.N. 64 of 1981



28


## PEST Analysis

- Political
- **E**conomic (經濟)
- Socio-cultural
- Technological


29

## Economic

- Weak global economy.....
- Increases in rental expenses.....
- Increases in disposable income.....  
 "China visitors continued to be the primary customers for the Hong Kong retail business, contributing around 60% of the Group' s retail sales in this market." (Lukfook Annual Report, 2013)




30



### Defined situation: case content

[ "quote references from the annual reports, with their page numbers" ]

- [Annual Report 2013, page 10] ..... In the first quarter of 2013, Mainland arrivals grew by 13.8%. Tourism-related sales revenue was driven mainly by the increasing number of **middle-class Mainland tourists**. Moreover, the continued **appreciation of the Renminbi** and the **absence of value-added tax** provided positive travel sentiment and strong demand for luxury products, both of which boosted local retail sales.



31


### PEST Analysis

- Political
- Economic
- **Socio-cultural (社會)**
- Technological

32

### Socio-cultural

- [Annual Report 2013] "According to the World Gold Council, **over 75% of all urban Chinese women (都市女性)** now own **more than one significant gold piece**. The **demand** for gold and gold jewellery as investments or accessories continues to be strong in the Chinese community, especially in Mainland China."



33

### PEST Analysis

- Political
- Economic
- Social
- **Technological (科技)**

34

### Technology

- Mass production efficiency?
- New jewellery production technology for gold/ platinum products?
- Research and development capabilities?

35

### 1. Situation analysis: External environment – Macro/ micro 形勢分析: 外圍環境 - 宏觀/ 微觀

<p><b>Macro (宏觀):</b></p> <ul style="list-style-type: none"> <li>□ Political (政治)</li> <li>□ Economic (經濟)</li> <li>□ Social (社會)</li> <li>□ Technological (科技)</li> </ul>	<p><b>Micro (微觀):</b></p> <ul style="list-style-type: none"> <li>• Structure of market/ competitors (市場結構/ 競爭者)</li> <li>• Consumer needs (消費者需要)</li> <li>• Trends of the market (市場趨勢)</li> <li>• Stakeholders (持份者)</li> <li>• etc.</li> </ul> <p><small>Source: Vrontics, Kogetsidis and Stavrou (2008)</small></p>
--	---

36

**Micro (微觀):**

- Structure of market/ competitors (市場結構/競爭者)
- Consumer needs (消費者需要) – “P-E-Social-T” refers
- Trends of the market (市場趨勢)??
- Stakeholders (持份者) – Government (政府), customers (顧客), employees (員工), .....
- etc.

37

**Areas of discussion**  
 討論範圍

- ① **Situation analysis (形勢分析)**
  - ① A description of the current situation
  - ② External environment: Macro and micro
  - ③ Internal environment (內在環境)
- ② SWOT analysis
- ③ Marketing tactics
- ④ Implementation
- ⑤ Measurement and control

38

**Internal Environment**

- Internal environment = the conditions and factors within an organization that influences its activities and particularly the employees behaviour.
- Factors that are frequently considered part of the internal environment include the organization’ s mission statement, leadership styles and its organizational culture.

39

**Areas of discussion**  
 討論範圍

- ① Situation analysis
  - ① A description of the current situation
  - ② External environment: Macro and micro
  - ③ Internal environment
- ② **SWOT analysis (強弱機危分析)**
- ③ Marketing tactics
- ④ Implementation
- ⑤ Measurement and control

40

**2. SWOT Analysis**  
 強弱機危分析

**Strengths (優勢)**

- ○○○○○
- ○○○○○

**Weaknesses (劣勢)**

- ○○○○○
- ○○○○○

**Opportunities (機會)**

- ○○○○○
- ○○○○○

**Threats (威脅)**

- ○○○○○
- ○○○○○

41

**Strengths (強項)** 

- Leading player
- Leading market presence
- Diverse brand portfolio
- Large retail networking in China
- Efficient merchandising and sourcing capabilities ensure product quality
- Diverse store formats catering to broad range of customers
- Contract manufacturing strategy

 Key success factors?

42

### Weaknesses (弱項)



- Poor financial performance in ??? Years
- Geographic concentration in China market
- IVS → Declining comparable store sales
- Management issues? Corporate governance?

43

### Opportunities (機會)



- Growing market for luxury goods in Asia Pacific countries
- Growing use of e-retailing platform
- New and refurbished stores
- Direct sourcing opportunity?

44

### Threats (危機)



- Slowdown in the US economy
- Increased minimum wages
- Intense competition/ competition with other retailers
- Uncertain demand, supply and prices

45

## 2. SWOT Analysis (continued)

強弱機危分析



46

## Areas of discussion 討論範圍

- ① Situation analysis
  - ① A description of the current situation
  - ② External environment: Macro and micro
  - ③ Internal environment
- ② SWOT analysis
- ③ **Marketing tactics** 市場策略
- ④ Implementation
- ⑤ Measurement and control

47

## 3. Marketing tactics 市場策略

Setting objectives and goals (設定目標)

For example:

- **Increase the margin**
- **Increase the market share** (e.g. opening more stores)
- **Increase customer satisfaction**
- **Product attributes:** convenient consumer products, multifunctional, high quality, etc.
- **Branding:** a reputable listed company in Hong Kong with a history of more than ?? years
- etc...



48



### 3. Marketing tactics 市場策略

- **Promotion (愛很美系列):** advertising, spokesman, TV programme title sponsorship, internet advertising, etc.



49

### Sources of market opportunities 市場機會的來源

1. Supply something in short supply
2. Supply an **existing product** or **service in a new or superior way**
3. Supply a **new product** or **service**

Source: Kotler, P. (2007)



Photo from: <http://hk.image.search.yahoo.com/images>

50

### New ways to build demand 製造需求的方法

#### Nine Ways to Build Demand

1. Sell more of our existing products to customers. (Market penetration)
2. Enter and sell our products in other geographical areas.
3. Selling our existing products to new types of customers.
4. Modify our current products and sell more of them to our existing customers. (Product modification)
5. Offer and sell modified products to new geographical markets.
6. Offer and sell modified products to new types of customers.
7. Design new products that will appeal to our existing customers. (New product development)
8. Design new products for prospects in new geographic areas.
9. Design new products to sell to new types of customers. (Diversification)

51

### Free Lunch for Children Fund



- The Group will donate 50 dollars to the "Free Lunch for Children Fund" for each gift set sold.....



Building brand image

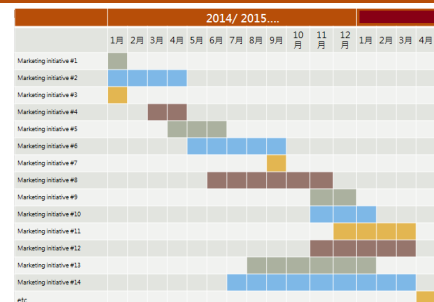
52

### Areas of discussion 討論範圍

- ① Situation analysis
  - ① A description of the current situation
  - ② External environment: Macro and micro
  - ③ Internal environment
- ② SWOT analysis
- ③ Marketing tactics
- ④ **Implementation (實施)**
- ⑤ Measurement and control

53

### 4. Implementation plan 實施計劃



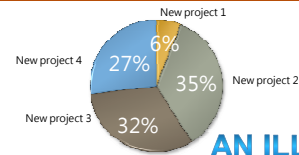
54

Areas of discussion  
 討論範圍

- ① Situation analysis
  - ① A description of the current situation
  - ② External environment: Macro and micro
  - ③ Internal environment
- ② SWOT analysis
- ③ Marketing tactics
- ④ Implementation
- ⑤ **Measurement and control (量度及控制)**

55

5. Measurement and control  
 量度及控制



**AN ILLUSTRATION**

- Measurement and control against :
- a. (Marketing and management) Objectives
  - b. Budget allocation (HK\$10 M)/ financial situations
  - c. Other (non monetary) resources allocation
  - d. Government regulations
  - e. etc.

56

Conclusion  
 結論

For example:

- Win through product innovation/ improvement (產品創新), lower prices (降低價格), better distributions, attractive promotion (有效的宣傳推廣)....., or
- Win through **exceeding customer expectations (超越顧客期望)** [\* **Survey questionnaire and results**, if required]



57

References  
 參考資料

- Berger, R. (2014). The Enigma of the Chinese Diamond Industry: An Evolutionary Perspective of Business Ethics, Chinese Management Studies, Vol. 8, Iss 7, 1-24.
- Kotler, P. (2007). *Kotler on Marketing: How to create, win and dominate markets*. New York: Free Press, pp. 27, 56.
- LukFook Annual Report 2013
- The Information Services Department, Hong Kong Special Administrative Region Government. (2011) GovHK Website. Available at <http://www.gov.hk> [Accessed: 24 October 2014].
- Vrontics, D., Kogetsidis, H. and Stavrou, A. (2008) 'Strategic marketing planning for a supplier of liquid food packaging products in Cyprus', Journal of Business and Industrial Marketing, 21 (4), pp. 250-261.

58

Thank you



59