



Recap of Major Business and Management Concepts

主要經營和管理理念的概論

Secondary School Group
(Level 1 and 2)

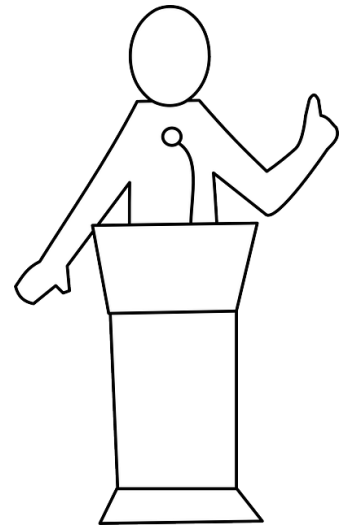
Dora Lee
23 December 2015

The Accounting and **Business**
Management Case Competition
2015-16




Speaker - Dora Lee

- Doctrine in **Business** Administration (*City University of Hong Kong*)
- Master in **Business** Administration (*Distinction*)
- MSc in Strategic **Marketing Management** (*First Class, Worldwide Best Completion Award*)
- The Chartered **Marketer** (UK): *The Chartered Institute of Marketing*
- Certified Professional **Marketer** (Asia Pacific): *The Federation of Marketing Institute*
- Professional **Marketer** (Hong Kong): *Hong Kong Institute of Marketing*



Your role

- **Financial Analyst:** Level 1 (page 2: Question paper and guideline)
- **Management Consultant:** Level 2 (page 3: Question paper and guideline)
- **Target company: JHC** 

Level 1 (Financial Analyst)

- To study JHC's 2014 and 2015 annual reports
- To review JHC's (financial) business environment
- To prepare a business analysis to identify at least **TWO** examples of JHC's achievements + **ONE** suggestion for improvement:
 - Workplace Quality
 - Environmental Protection
 - Operating Practice
 - Community Involvement

Level 2 (Management Consultant)

Prepare a business proposal (商業企劃書) to:

- Part A: Review JHC's overall group financial performance for the past **TWO** years, for the years ended 30 April 2014 and 2015; and
- Part B: Formulate a **business plan** of **HK\$10 million** for the coming **TWO** years (i.e. for the years ending 30 April 2016 and 2017) to further enhance the performance of **JHC's Hong Kong Operations**.

What are the common interests?

- Review business environment
- Enhance JHC's performance



Agenda

A. Introduction

1. JHC's mission
2. Current state of business

B. Non financial analysis

1. External environment
2. Internal capabilities and resources
3. Product portfolio
4. Competitive positioning in the industry
5. Key success factors

C. Implementation Plan

1. Implementation plan
2. SWOT Analysis

D. Evaluation

E. Suggestion for Improvement

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Strategic planning approach

Question: Why it is important to understand JHC's mission?



Strategic planning approach



A.1 JHC mission

Provide **Value, Quality, Variety** and **Convenience** to our customers

為顧客提供**物有所值、高品質、多元化**
的**商品及便利的服務**

(Annual Report 2014, 2015)

A.2 Current state of business

- 1. Problem identification**
- 2. Current management priority issues**
- 3. Current state of retail business in Hong Kong**
- 4. *etc.***

A.2.1 Problem identification

- **The first step in the problem solving & decision making process is to identify & define the problem.**
- **A problem can be regarded as a difference between the *actual state* & the *desired state*.**

A.2.1 Problem identification (2013)

Example: “JHC now specialising in housewares hopes to move into **products for men** [**desired state*] after its planned initial public offering.”

“...with 235 shops in HK, JHC is planning to sell more upscale (高檔的) products & open additional stores after its IPO.”

(Source: SCMP, 13 September 2013.)

A.2.1 Problem identification (2015)

To launch a promotional project to **improve JHC's Hong Kong operations** for the years ending 30 April 2016 and 2017 [*desired state] in terms of:

- ✓ store sales
- ✓ average spending per transaction
- ✓ customer satisfaction level

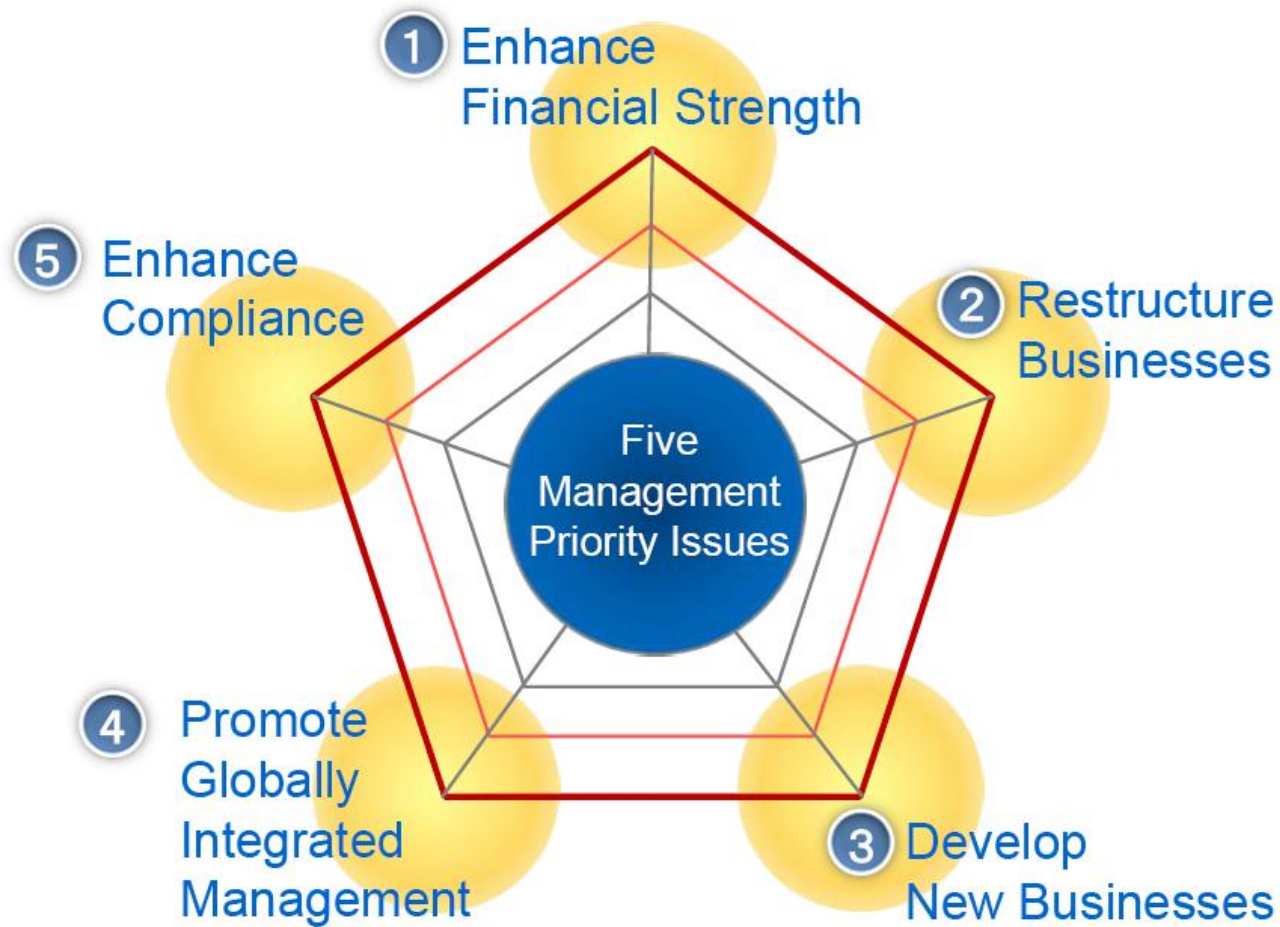
A.2.1 Problem identification (2015)

Question: What is the **current state**?

- ✓ store sales
- ✓ average spending per transaction
- ✓ customer satisfaction level



A.2.2 Current management priority issues



A.3 Current state of retail business in HK

- Hong Kong's economy expanded by 2.5% year-on-year in real terms in the first three quarters of 2015. For 2015 as a whole, the **economy** is **forecast to grow by 2.4%**.
- A slower growth in tourist arrivals and weaker tourist spending, **the value of retail sales**, in nominal terms, **dropped 2.7%** in the first nine months of 2015.

Source: HKTDC (2015)

Major Economic Indicators

	2012	2013	2014	Forecast/Latest
Population, Mid-year (million)	7.15	7.19	7.24	7.30 ^a
Gross Domestic Product (US\$billion)	261.2	274.2	289.2	296.4-302.2 ^b
GDP Per Capita (US\$)	36,500	38,100	39,900	40,600-41,400 ^b
Real GDP Growth (%)	+1.7	+3.1	+2.5	+2.4 ^b
Inflation (% Change in Composite CPI)	+4.1	+4.3	+4.4	+3.3 ^c
Unemployment Rate (%)	3.3	3.4	3.2	3.3 ^d
Retail Sales Growth (%)	+9.8	+11.0	-0.2	-2.7 ^c
Visitor Arrival Growth (%)	+16.0	+11.7	+12.0	-0.5 ^c

^a 2015; ^b government forecast for 2015; ^c year-on-year change in January-September 2015;

^d seasonally adjusted, July-September 2015

A.3 Current state of retail business in HK

- In **2014**, a total of 60.8 million visitors, equivalent to 8.4 times of the size of Hong Kong's local population, were recorded, with those from the **Chinese mainland** accounting for **78% of the total**.
- In **January-September 2015**, visitor arrivals to Hong Kong dropped 0.5% year-on-year, while those from the **Chinese mainland** saw a small year-on-year **increase of 0.3%**.

Source: HKTDC (2015)

A.3 Current state of retail business in HK

- **Expansion** plans are put **on hold** by most retailers : Hong Kong retailing rental prices have continued to soar.
- **Private label** is gaining popularity among consumers.
- A **positive performance** is expected from retailing.

Source: Euromonitor International (April 2015)

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B.1 External environment – Macro/ micro (外圍環境 - 宏觀/ 微觀)

1. Macro (宏觀):

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

2. Micro (微觀):

- **Structure of market/ competitors (市場結構/競爭者)**
- **Consumer needs (消費者需要)**
- **Trends of the market (市場趨勢)**
- **Stakeholders (持份者)**
- **etc.**

(Source: Vrontics, Kogetsidis and Stavrou, 2008.)

B.1.1 PEST Analysis

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

B.1.1 PEST Analysis

- **P**olitical (政治)
- Economic
- Socio-cultural
- Technological

B.1.1 PEST Analysis

- **Individual Visit Scheme**
- Any existing ordinance to supervise **manufacturing and marketing** of the (*private label*) products?
- Trade Descriptions Ordinance (商品説明條例):

Chapter:	362	Trade Descriptions Ordinance	Gazette Number	Version Date
		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. 3; 19 of 2008 s. 3; 25 of 2012 s. 32)

[1 April 1981] L.N. 64 of 1981



B.1.1 PEST Analysis

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

B.1.1 Economic

- Weak global economy.....
- Increases in rental expenses.....
- “Given the products offered are recession-proof necessity products, JHC is relatively **neutral** to **macroeconomic cycles**”.

(Source: Retail in Asia, December 2014.)

B.1.1 PEST Analysis

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

B.1.1 Socio-cultural

- “JHC’s underlying market is driven by the development of the general economy and private consumption in the relevant economies”.

(Source: Retail in Asia, December 2014.)

B.1.1 PEST Analysis

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

B.1.1 Technology

- Offered more than 20,000 distinct products (in 2013) and enjoyed high margins on its custom-made goods. Gross profit margin on these lines has been at about 55% for the past 3 years.....

Question: Mass production efficiency?

(Source: SCMP, 13 September 2013.)

- New houseware production technology for value-for-money products?
- Research and development capabilities?

B.1.2 Micro (微觀) analysis

- **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.**

B.2 Internal capabilities and resources

Question: The **internal capabilities** of an organisation include ALL of the following **EXCEPT**:

- A. its products
- B. its manufacturing processes.
- C. its talents.
- D. its customers.



B.3 Product portfolio 產品組合

[Why have a range of products?]

- Target different markets
- Meet customers' differing needs
- Spread the risk
- To help maximise sales and profits

The benefits of having a *wide product portfolio*

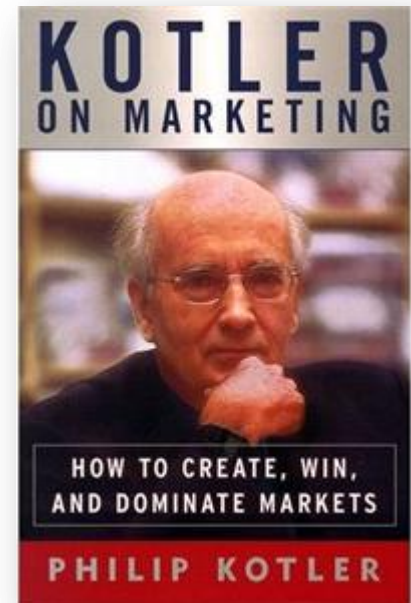
A large range of products = an **extensive product portfolio**

B.4 Analyze the Environment

- **Environmental scanning**
 - Screening large amounts of information to detect emerging trends & create a set of scenarios
- **Competitive intelligence**
 - Accurate information about **competitors** that allows **YOU (*)** to anticipate competitors' actions rather than merely react to them

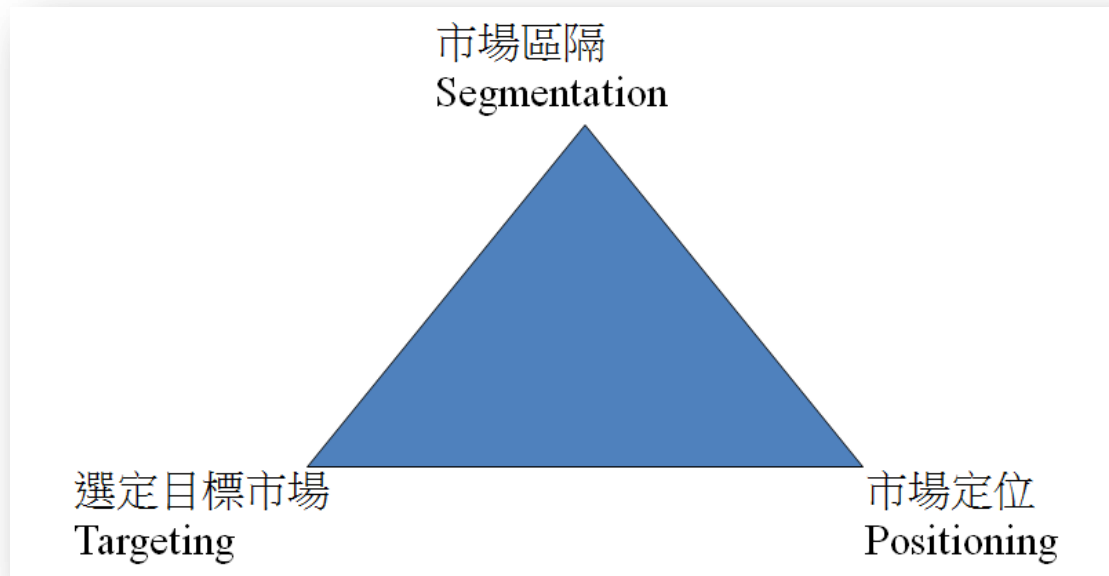
B.4 Competitive positioning in the industry

- 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**).



B.4 Competitive positioning in the industry

Segmentation, Targeting and Positioning Strategies



Hong Kong Demographic Segmentation (April 2015 estimated)

- At mid 2014, there were 858 males per 1000 females.
- The median age of the total population was **42.8**.

<i>Age Group</i>	<i>Male</i>		<i>Female</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
0–14	415 200	5.7	389 200	5.4
15–24	421 400	5.8	413 800	5.7
25–34	457 200	6.3	639 800	8.8
35–44	466 500	6.4	673 000	9.3
45–54	568 500	7.9	679 600	9.4
55–64	519 300	7.2	532 300	7.4
65 and over	497 000	6.9	568 900	7.9
Total	3 345 100	46.2	3 896 600	53.8

Source: <http://www.gov.hk/en/about/abouthk/factsheets/docs/population.pdf> April 2015
(accessed on: 1 November 2015)

Hong Kong Demographic Segmentation (April 2015 estimated)

- The median monthly domestic household income for 2014 was **HK\$23,500** (vs for 2013 **HK\$22,400**).

<i>Monthly household income (\$)</i>	<i>% of total domestic households</i>
Under 4,000	5.4
4,000–5,999	5.3
6,000–7,999	4.8
8,000–9,999	4.9
10,000–14,999	11.3
15,000–19,999	10.6
20,000–24,999	9.9
25,000–29,999	7.7
30,000–34,999	7.3
35,000–39,999	5.4
40,000–44,999	4.6
45,000–49,999	3.5
50,000–59,999	5.5
60,000–79,999	6.1
80,000–99,999	2.9
100,000 and over	4.7
Total	100.0

Source: <http://www.gov.hk/en/about/abouthk/factsheets/docs/population.pdf> April 2015
(accessed on: 1 November 2015)

Current targeting strategies

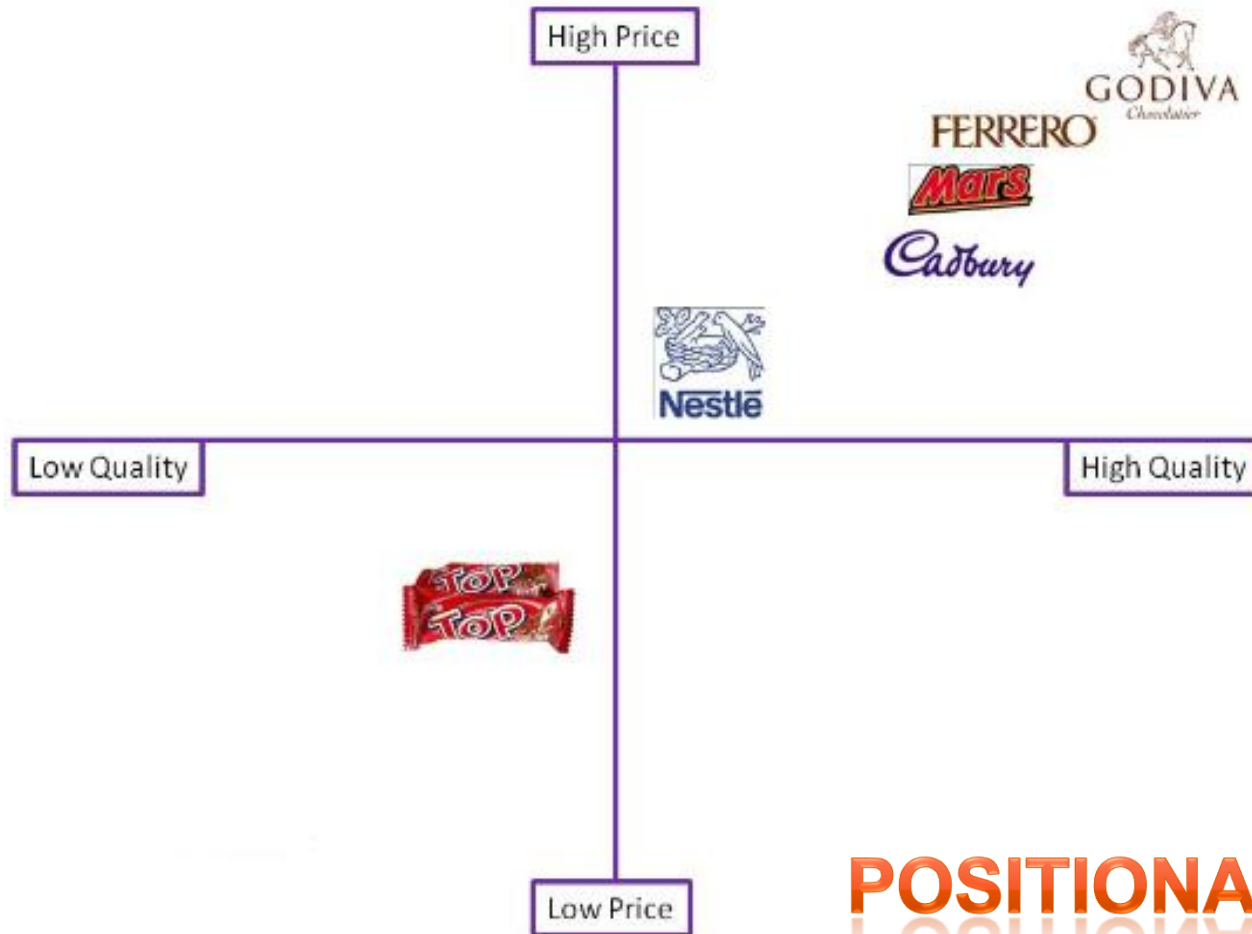
- “JHC customers are middle-class **housewives**.....”

(Source: SCMP, 13 September 2013.)

- “JHC targets the **mass market** with plasticware and housekeeping products as its signature categories”.

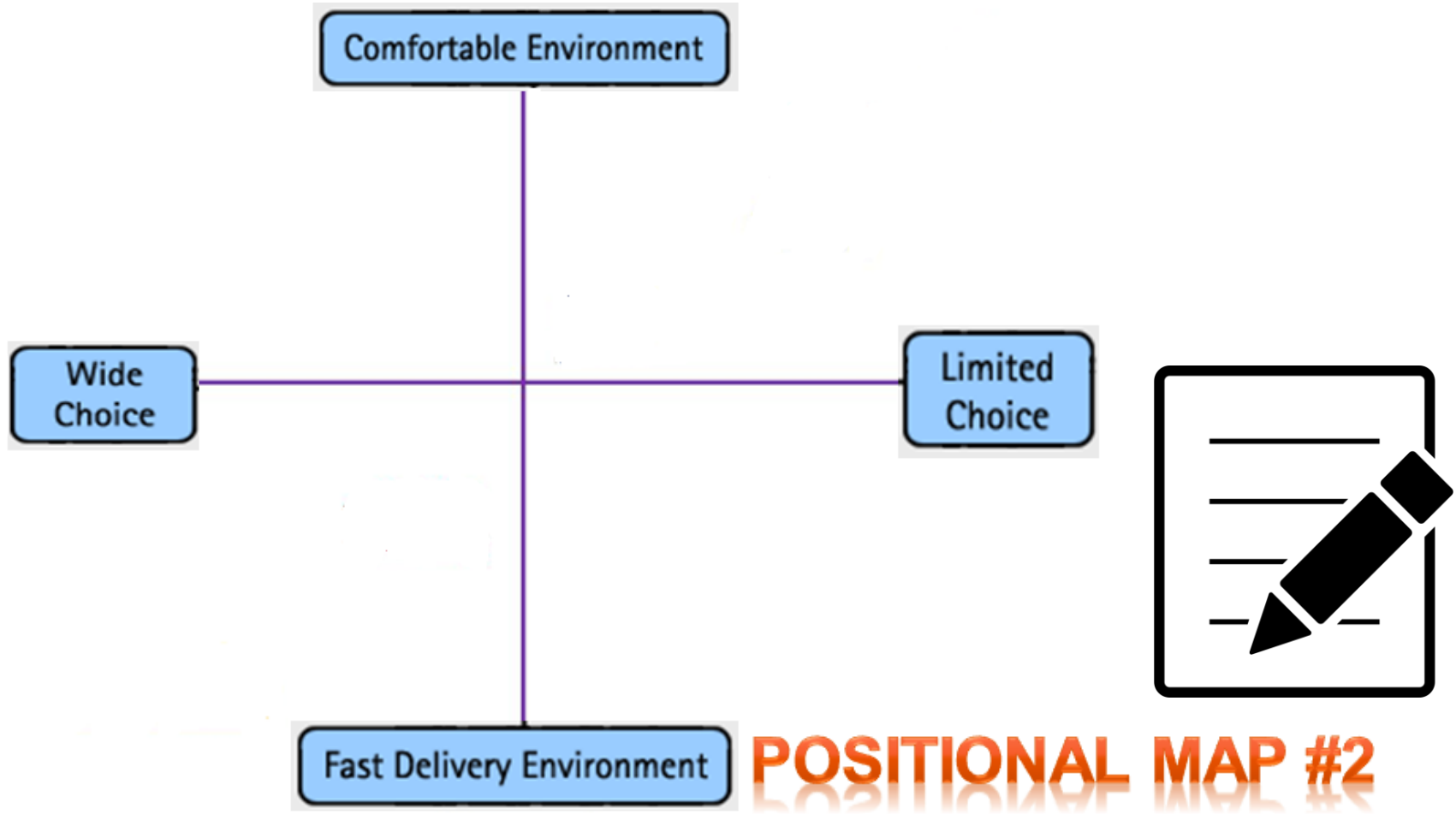
(Source: Retail in Asia, December 2014.)

Current competitive positioning



POSITIONAL MAP #1

Current competitive positioning



Current competitive positioning

- “JHC main rivals are supermarkets or small family owned shops with a limited product range.”
- “The real competitor JHC has is Living Plaza by Aeon, but it is slightly difference because [Living Plaza] sells mostly HK\$12 fixed-price products. JHC has a full range of categories.”
- “JHC has higher-value products from different brands. IKEA is just one brand.”
- “JHC plans to offer men’s personal and health care products and more upscale housewares could position it against Watsons, Mannings and even Lane Crawford.”

(Source: SCMP, 13 September 2013.)

B.5 Key success factors

- Retaining customers
- Product development
- Cash management
- etc.



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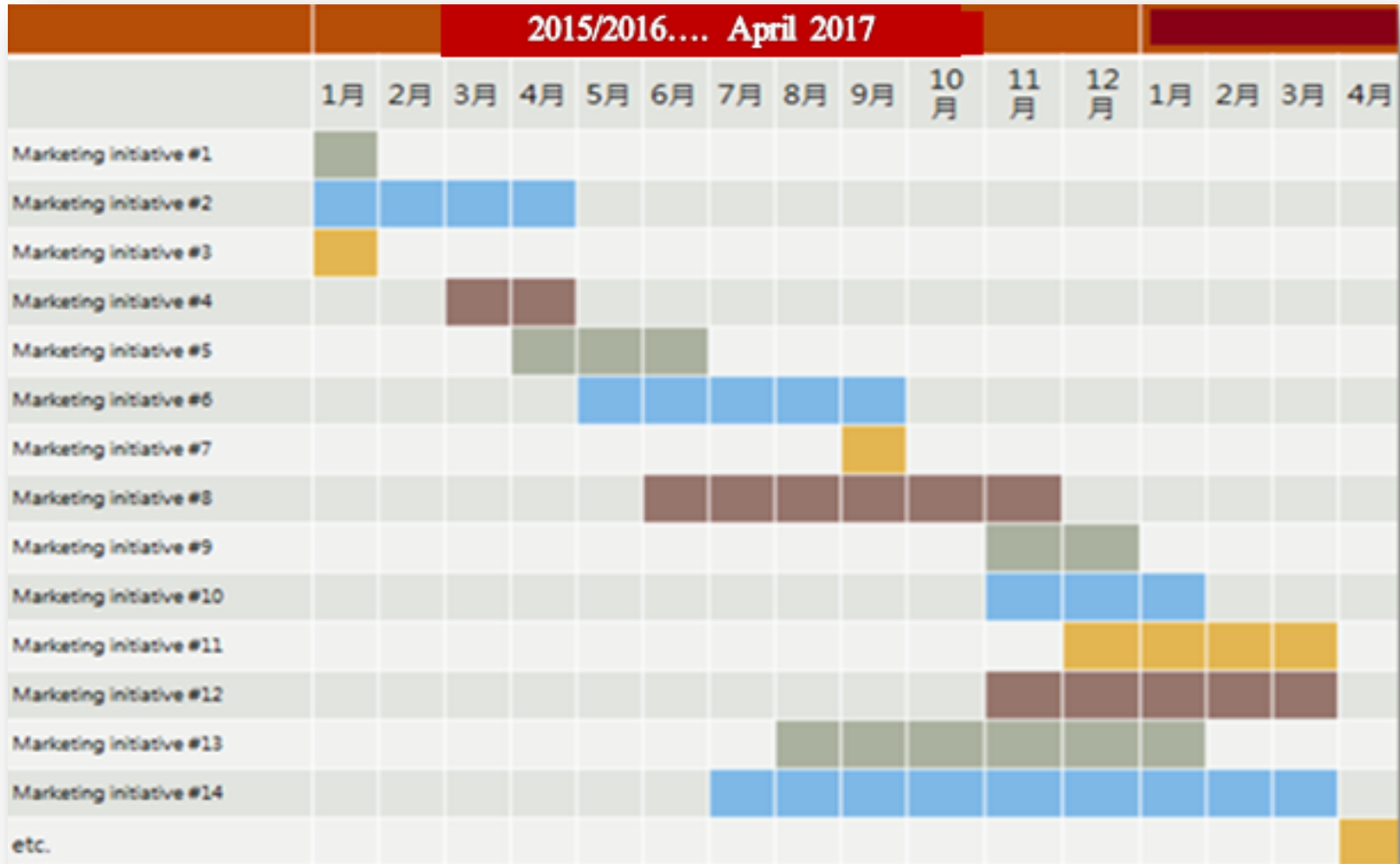
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C.1 Implementation plan 實施計劃



C.2 SWOT Analysis: Identifying Organizational Opportunities

SWOT analysis

Analysis of an organization's strengths, weaknesses, opportunities & threats in order to identify a **strategic niche** that the organization can exploit



C.2 SWOT Analysis (強弱機危分析)

Strengths (優勢)

- 😊😊😊😊😊
- 😊😊😊😊😊

Weaknesses (劣勢)

- ☹️☹️☹️☹️☹️
- ☹️☹️☹️☹️☹️

Opportunities (機會)

- 😊😊😊😊😊
- 😊😊😊😊😊

Threats (威脅)

- ☹️☹️☹️☹️☹️
- ☹️☹️☹️☹️☹️

C.2 Strengths (強項)



- Leading housewares retail chain in Hong Kong (Retail in Asia, 2014.): Leading market presence
- “JHC home and living” brand → explore household goods market worldwide (HKTDC, 2015)
- Large retail networking in Hong Kong, China, Macau, West Malaysia, Singapore (Annual Report 2015)
- Efficient merchandising and sourcing capabilities ensure product quality (ESG compliance?)
- Diverse store formats catering to broad range of customers
- Licensing plan using the “Team Brand” concept for the China market (HKTDC, 2015)

Key success factors/ competencies?

C.2 Weaknesses (弱項)



- Poor financial performance in **???** Years
- Geographic concentration in **China** market??
- IVS → Declining comparable store sales??
- Management issues?/ Corporate governance?
- Current **Environmental, Social and Governance (ESG) reports: adequacy and appropriateness??** [Appendix 27: Environmental, Social and Governance Reporting Guide]

C.2 Opportunities (機會)



- Opening stores in new & existing markets
- Growing use of e-retailing platform
- Direct sourcing opportunity?
- “Demand is relatively **inelastic** during economic slowdowns... increasing GDP and ***rising levels of disposable income*** will drive sales.....”

(Source: SCMP, 13 September 2013.)

C.2 Threats (危機)



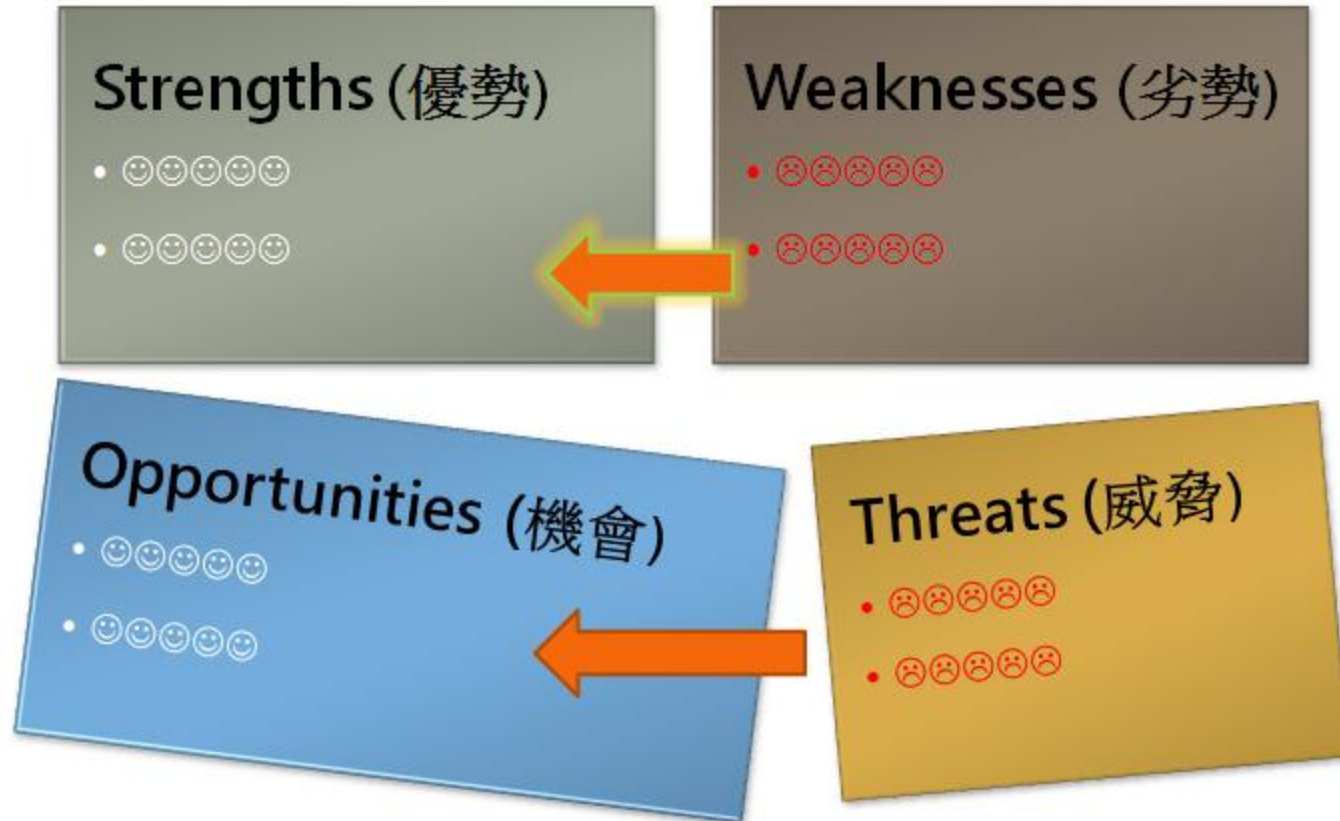
- Local property sales have been sluggish in the wake of government cooling measures, reduced demand for home furnishings and products.

(Source: SCMP, 13 September 2013.)

- Increased minimum wages
- Intense competition/ competition with other retailers

C.1 SWOT Analysis (continued)

強弱機危分析 (續)

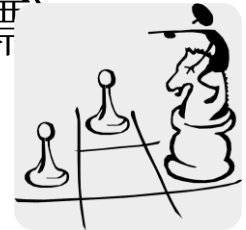


C.2 Marketing tactics (市場策略)

Setting marketing 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...



C.2 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)

“CREATIVITY”

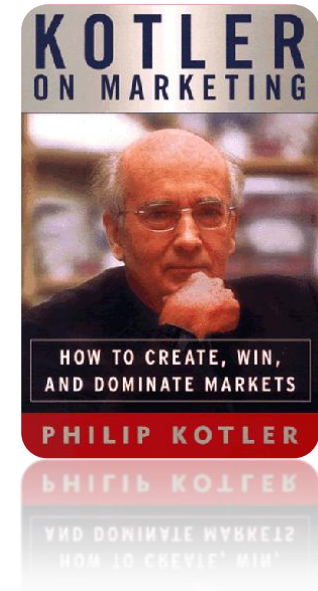


Photo from: <http://hk.image.search.yahoo.com/images>

C.2 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)

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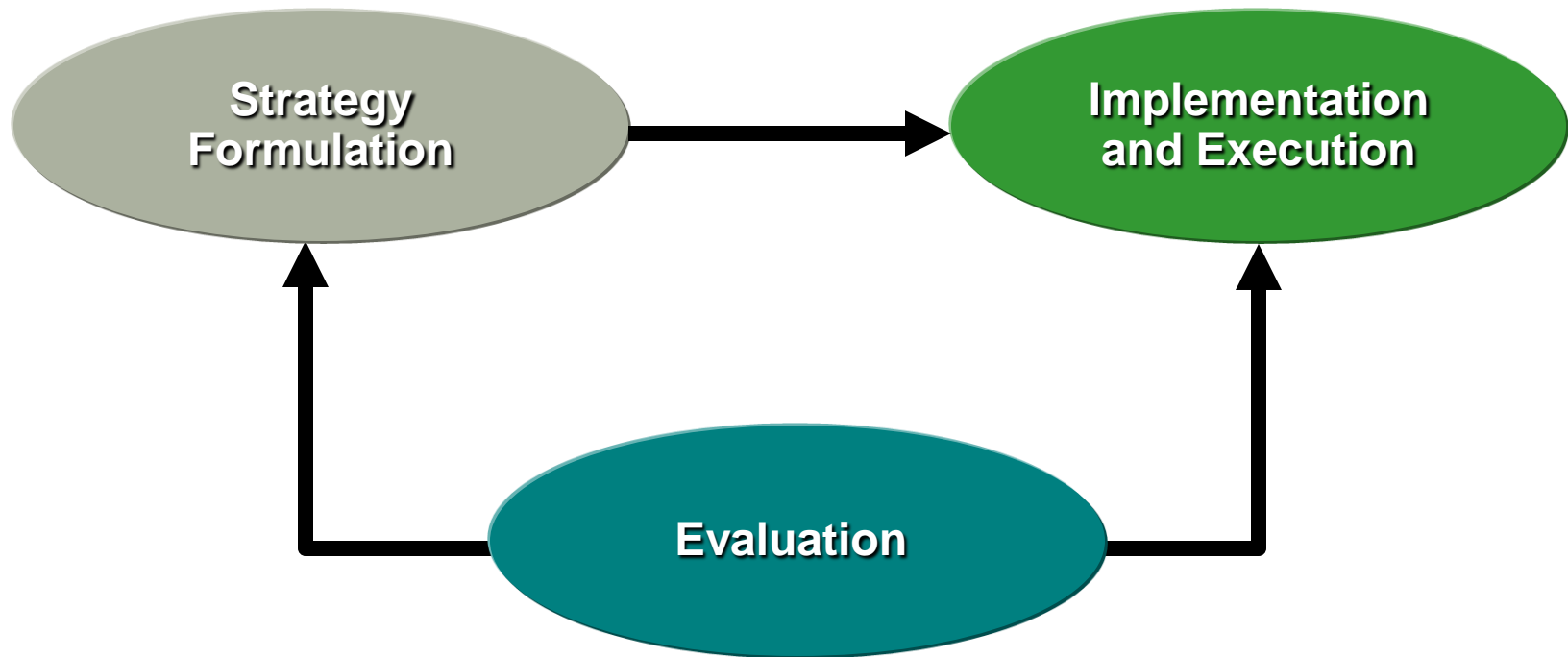
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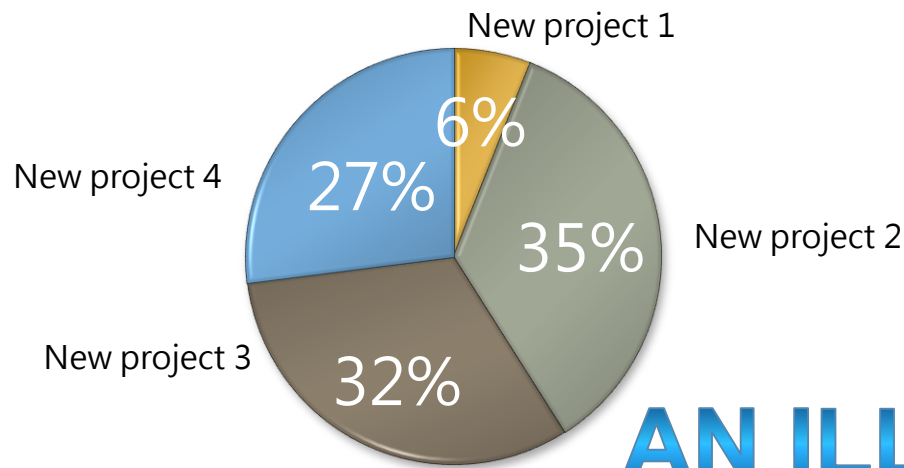
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D. Evaluating Strategy



D. Measurement and control (量度及控制)



AN ILLUSTRATION

Measurement and control against :

- (Marketing and management) Objectives
- Budget allocation (e.g. HK\$10 M)/ financial situations
- Other (non monetary) resources allocation
- Government regulations
- etc.

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E. Your suggestions on improvement



Components of Continuous Improvement

- * Intense focus on the *customer*
- * Concern for *continuous improvement*
- * Improvement in the **quality** of *everything* the organization does
- * Accurate *measurement*
- * *Empowerment of employees*



Example: Increased Concern for Quality

- **Continuous improvement**
 - Organizational commitment to constantly improving the quality of a product or service

IMPROVEMENT

4 Focuses (Level 1)

1. Workplace Quality
2. Environmental Protection
3. Operating Practice
4. Community Involvement



Workplace Quality Improvement

Psychosocial risks arise from

- poor work design & unfavourable social context of work
- may result in **work-related stress & poor overall organization performance**



Environmental Protection

Source: Sky Post (17 Nov 2015)

生活 Life

學校獻策環保 巨額捐款支持

GREEN SCHOOL PROGRAM
百!能!幫!僑!
乾!練!幹!練!

2014-15年度傑出項目(排名不分先後)

翠濠庭小學：植樹活動推廣
嘉諾撒聖瑪利學校：2014年國際環保及園藝比賽 - 國際園藝設計及園藝設計 - 冠亞軍

嘉諾撒聖瑪利小學：安插綠洲計劃推廣
嘉諾撒聖瑪利小學：2014年國際環保及園藝比賽 - 國際園藝設計及園藝設計 - 冠亞軍

Operating Practice



Community Involvement

- Collaborating with NGOs
- Donating to Charity
- Caring Company
- Hong Kong Corporate Citizenship (香港企業公民嘉許計劃)



HKCC
香港企業公民

第五屆香港企業公民計劃

共同促進經濟、社會、環境的可持續發展

主辦機構:

HKPC[®]

合辦機構:



公民教育委員會
Committee on the Promotion of Civic Education

贊助機構:



中國銀行(香港)
BANK OF CHINA (HONG KONG)

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Thank you

