

TWG 捷榮集團

The HKICPA Accounting and Business Management Case Competition
2020-21

Business Proposal

Table of Contents

Executive Summary	P.1
Introduction	P.2
Financial Analysis	P.2
Operations in Hong Kong	P.6
SWOT Analysis	P.7
Business Plan	P.10
Conclusion	P.17
Appendices	P.17
Survey Questionnaire and Results	P.18

A. Executive Summary

1. Current state of business: In over 85 years, the Group has grown from an outlet providing coffee roasting and trading of coffee and tea to a leading integrated B2B coffee and black tea solutions provider in Hong Kong, Macau and Mainland China with an established food products business. On 11 May 2018, the shares of the Company were successfully listed on the Main Board of the Stock Exchange.

2. Corporate's Strategic Direction: Eyeing to become a “world-class integrated food and beverages services provider”, the Group is constantly in search of means to enhance its solutions offering capability and for horizontal business expansion. To stay tune with the markets, the Group strives to leverage off its stable and diversified customer base and well-established multi-channel distribution network and endeavors to diversify its product portfolio which enables it to capture changes in market trends and consumer preferences in the markets the Group serves; and work with new strategic partners to increase its presence in Mainland China and explore business opportunities in Southeast Asia.

3.1. Key Findings of Financial Analysis: The overall profitability of the Group was high and has increased. The overall change in management efficiency remains ambiguous. The long-term solvency of the Group is promising and has greatly improved. Return on investment has slightly enhanced.

3.2. Key Findings of SWOT Analysis: Based on the analysis, the well-known brand name, high quality products and services, global sourcing network and good governance boost the sales of the Group. The change in consumers' habits, increasing trend in healthy food and the tremendous demand in mainland have brought opportunities for the Group. However, the immature development of frozen food and lagging in the development in the O2O market has weakened the Group's competitiveness. Also, the outbreak of pandemic, globalization and climate change are unfavorable for the business.

4. Main Conclusion: From the above analysis, we have suggested a series of initiatives to increase the Group's competitiveness and performance including 'TEACATION', 'with TW, we dare to expand' and so on. The initiatives are aimed to increase profit and revenue.

5. Key Recommendation: To stimulate the sales volume of the coffee and tea, we recommend several schemes in three categories, including B2B, B2C and O2O. For example, '90 stories in 90 years', 'Meat. Exclusive' and utilizing the social media. All these initiatives are suggested to increase the total revenue and the profit of the Group.

B. Introduction

Background: In over 85 years, the Tsit Wing Group has grown from an outlet providing coffee roasting and trading of coffee and tea to a leading integrated B2B (business to business) coffee and black tea solutions provider in Hong Kong, Macau, and Mainland China with an established food products business.

Objectives and Scope: This business proposal is proposed to enhance the performance and competitiveness. A survey has been done to investigate customers' opinions. Based on the financial and SWOT analysis and survey findings, several suggestions on promotion were given for enhancement in the performance of the Group.

C. Financial Analysis

Profitability Ratios			
Ratio	Formula	2019	2018
Gross Profit Margin	$\frac{Gross\ Profit}{Revenue} \times 100\%$	$\frac{309,832,000}{784,998,000} \times 100\%$ =39.47%	$\frac{314,178,000}{831,072,000} \times 100\%$ =37.80%
Net Profit Margin	$\frac{Profit\ Before\ Tax}{Revenue} \times 100\%$	$\frac{111,279,000}{784,998,000} \times 100\%$ =14.18%	$\frac{92,648,000}{831,072,000} \times 100\%$ =11.15%
Return on Average Capital employed	$\frac{Profit\ Before\ Interest\ and\ Tax}{Average\ Capital\ Employed} \times 100\%$	$\frac{111,279,000 + 3,509,000}{(19,004,000 + 549,735,000 + 22,988,000 + 554,327,000) \div 2} \times 100\%$ =20.03%	$\frac{92,648,000 + 4,513,000}{(22,988,000 + 554,327,000 + 57,441,000 + 232,060,000) \div 2} \times 100\%$ =22.42%

Return on Average Assets	$\frac{\text{Net Profit After Tax}}{\text{Average Total Assets}} \times 100\%$	$\frac{89,813,000}{(165,632,000 + 572,871,000 + 142,127,000 + 719,414,000) \div 2} \times 100\%$	$\frac{73,240,000}{(142,127,000 + 719,414,000 + 147,473,000 + 433,988,000) \div 2} \times 100\%$
		=11.23%	=10.15%

The overall profitability of the Group was high and has increased. Despite a decrease in gross profit resulting from drop in revenue, the percentage decrease in gross profit is smaller than the percentage decrease in revenue, causing the gross profit margin to increase by 1.67%, to a high level of around 40% (39.47%). This shows the Group has an excellent and increasing ability to monitor its cost of sales. In addition to it, net profit margin has also risen by a notable 3.03% by virtue of the increase in profit before tax. On the whole, the Group was successful in and has a thriving ability of controlling its cost of sales as well as operating expenses, thereby increasing its profit generated from revenue. Although a slight decrease of 2.39% was shown in return on average capital employed, suggesting the Group's slightly worsened ability to generate operating profit from investment, this is predominantly owing to the expansion of shareholder's equity (which was doubled in 2018). Hence, it remains ambiguous whether the Group's ability to generate profit from investment has worsened in the long run. Meanwhile, the slight improvement of 1.08% in return on average assets has indicated the Group was more able to earn profit from existing assets.

Management Efficiency Ratios

Ratio	Formula	2019	2018
Average Inventory Turnover Period	$\frac{\text{Average Inventory}}{\text{Cost of Sales}} \times 365 \text{ days}$	$\frac{(125,748,000 + 205,795,000) \div 2}{475,166,000} \times 365 \text{ days}$ =127.34 days	$\frac{(205,795,000 + 195,370,000) \div 2}{516,894,000} \times 365 \text{ days}$ =141.64 days
Average Trade Payables	$\frac{\text{Average Trade Payables}}{\text{Credit Purchases}} \times 365 \text{ days}$	$\frac{(73,567,000 + 91,240,000) \div 2}{475,166,000 + 125,748,000 - 205,795,000} \times 365 \text{ days}$ =76.12 days	$\frac{(91,240,000 + 91,624,000) \div 2}{516,894,000 + 205,795,000 - 195,370,000} \times 365 \text{ days}$ =63.29 days

Turnover Period			
Average Total Assets Turnover	$\frac{\text{Revenue}}{\text{Average Total Assets}}$	$\frac{784,998,000}{(165,632,000 + 572,871,000 + 142,127,000 + 719,414,000) \div 2}$ =0.98 times	$\frac{831,072,000}{(142,127,000 + 719,414,000 + 147,473,000 + 433,988,000) \div 2}$ =1.15 times

The overall change in management efficiency remains ambiguous. The average selling time of inventory has reduced by 10.10% (14 days), implying that the Group's ability to turn inventory into cash has greatly increased. However, average trade payable turnover period has increased by 20.27% (13 days), indicating a possibility of worsening relationship with suppliers yet enabling more liquid funds for operations. Moreover, the Group has less efficiently used its assets, with less revenue generated from existing assets. Hence, the average total assets turnover has decreased by 14.78% (0.17 times). The Group has utilized its inventory more efficiently but was less efficient in deploying its existing assets, thus led to an ambiguous change in overall management efficiency.

Short-term Liquidity Ratios			
Ratio	Formula	2019	2018
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{572,871,000}{169,764,000}$ =3.37:1	$\frac{719,414,000}{284,226,000}$ =2.53:1
Quick Ratio	$\frac{\text{Current Assets} - \text{Inventories} - \text{Prepayments}}{\text{Current Liabilities}}$	$\frac{572,871,000 - 125,748,000 - 12,852,000}{169,764,000}$ =2.56:1	$\frac{719,414,000 - 205,795,000 - 19,577,000 - 393,000}{284,226,000}$ =1.74:1
Cash Ratio	$\frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$	$\frac{315,211,000}{169,764,000}$ =1.86:1	$\frac{328,684,000}{284,226,000}$ =1.16:1

A surge in all three short-term liquidity ratios describes a great improvement in loan-

paying ability due to the huge reduction in current liabilities. Current ratio has shown a growth of 33.2%, which indicates the Group will have a better ability to pay off debts in the short term. Furthermore, a respectable percentage increase of 47.1% in quick ratio denotes the Group's greatly improved ability of solving immediate debt-paying problems. There is also sufficient cash in hand for the Group to pay off short-term debt, with the huge increase in cash ratio of 60.34%. The improvement and sufficiency of liquidity suggests that the company will not suffer any short-term loan-paying problems.

Long-term Solvency Ratios			
Ratio	Formula	2019	2018
Gearing Ratio	$\frac{\text{Interest – bearing Bank Borrowings}}{\text{Share Capital + Reserves}} \times 100\%$	$\frac{26,154,000}{76,394,000 + 473,341,000} \times 100\%$ =4.76%	$\frac{139,003,000}{76,207,000 + 460,301,000} \times 100\%$ =25.91%
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\%$	$\frac{169,764,000 + 19,004,000}{549,735,000} \times 100\%$ =34.34%	$\frac{284,226,000 + 22,988,000}{554,327,000} \times 100\%$ =55.42%
Time Interest Earned	$\frac{\text{Profit Before Interest and Tax}}{\text{Financing Costs}}$	$\frac{111,279,000 + 3,509,000}{3,509,000}$ =32.71 times	$\frac{92,648,000 + 4,513,000}{4,513,000}$ =21.53 times

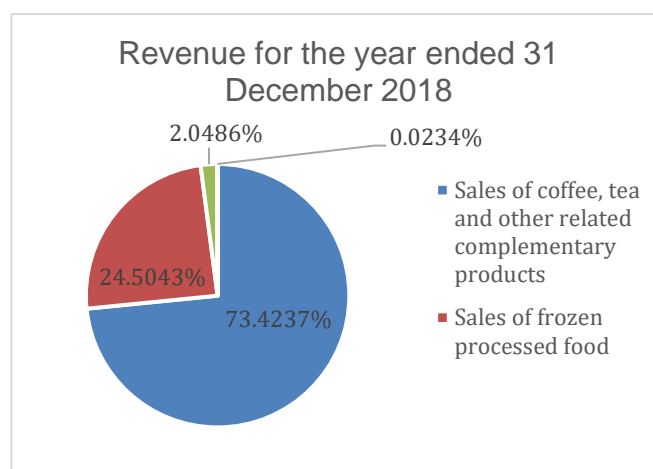
The long-term solvency of the Group is promising and has greatly improved. Hence, the Group was operating with a greatly reduced and very little business risk. Improvement in gearing ratio is exceptional, which has declined by a remarkable 21.15% to a minimal 4.76%, due to the great reduction in interest-bearing bank borrowings. The Group has fewer difficulties in repaying debts from its equity funds. Meanwhile, debt to equity ratio has also dropped by a significant 21.08% given the reduction in total liabilities, suggesting the Group is less debt-financing and less leveraged, which can better sustain any incoming business fluctuation. Besides, the Group's ability to meet interest obligations has greatly improved, with the increased in time interest earned by 10 times to an outstanding level of 32.71 times. The Group is facing few to no difficulties in fulfilling its loan and interest obligations.

Investment Ratios			
Ratio	Formula	2019	2018
Earnings Per Share (EPS)	$\frac{\text{Profit Attributable to Owners of the Parent}}{\text{Weighted - average Number of Ordinary Shares}}$	$\frac{89,813,000}{762,931,000}$ =\$0.12/share	$\frac{73,240,000}{707,571,000}$ =\$0.10/share
Price-Earnings Ratio (P/E Ratio)	$\frac{\text{Current Price Per Ordinary Share}}{\text{Earnings Per Share (EPS)}}$	$\frac{1.09}{(89,813,000 \div 762,931,000)}$ =9.26 times	$\frac{1.06}{(73,240,000 \div 707,571,000)}$ =10.24 times

Return on Investment has slightly enhanced. In spite of the disappointing level of EPS of around \$0.1, it has appreciated by \$0.02 with a percentage increase of 16.7%, showing the Group's steadily improving profitability and hence attractiveness for investment. Investors will have a higher potential return which increase their confidence to invest in the Group. In addition, P/E ratios have also decreased by 1 time and remain at a low level of around 10 times, since the rate of increase in market price is much slower than the growth of EPS. This means that at the moment, the company is relatively under-priced and investors' initial investment can be recovered with shorter time. This may increase the attractiveness for investors to invest in the Group. As a result, investors may have a higher confidence and incentives in investing in the Group.

D. Operation in Hong Kong

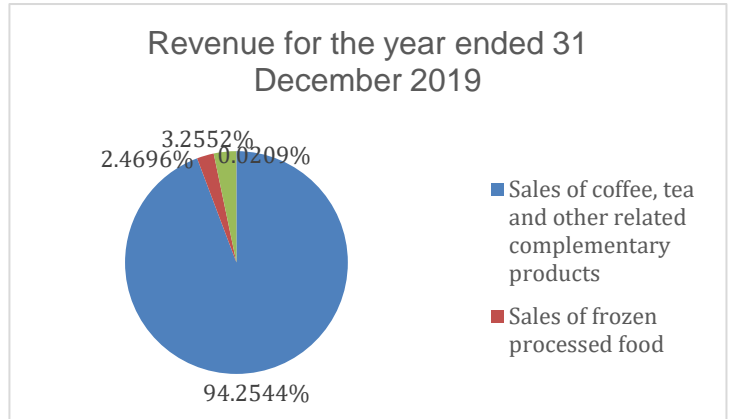
For the year ended 31 December 2018, the total revenue from contracts with customers is \$1071232 thousands mainly contributed by sales of coffee, tea and other related complementary products, sales of frozen processed food, rental income from leasing of coffee and tea machines and lastly food and beverage store operations.



73.4237% of revenue is gained by sales of coffee, tea and other related complementary products. 24.5043% of revenue is gained by sales of frozen processed

food. 2.0486% of revenue is gained by rental income from leasing of coffee and tea machines. Only a small proportion of 0.0234% of total revenue is generated by food and beverage store operations.

For the year ended 31 December 2019, the total revenue from contracts with customers is \$784998. 94.2544% of revenue is gained by sales of coffee, tea and other related complementary products. 2.4696% of revenue is gained by sales of frozen processed food. 3.2552% of revenue is gained by rental



income from leasing of coffee and tea machines. Only a small proportion of 0.0209% of total revenue is generated by food and beverage store operations. Compared to 2018, less revenue is gained by the sales of frozen processed food and more revenue is gained by the sales of coffee, tea and other related complementary products.

From all the above data, we can conclude that most of the income of the Group comes from the sales of coffee, tea and other related complementary products, followed by the rental income from leasing of coffee and tea machines and sales of frozen processed food and lastly the food and beverage store operations.

E. SWOT Analysis

Strength

1. Well-known brand name

The Group has been the **largest coffee solution provider in Hong Kong foodservice sector** and the **largest importer of Sri Lanka tea in Hong Kong**, supplying close to **300 million cups of coffee and over 300 million cups of milk tea a year** through these B2B channels. Moreover, the Group has also established itself as a **pioneer in Hong Kong's F&B industry with its expertise in HK-style milk tea.**

2. High quality products and services

A meticulous and stringent procedure is adopted to guarantee the quality of the product. The **quality management systems**, which consist of **internal quality assurance procedures** and **product recall mechanisms**, are benchmarked against international standards and industry best practices. For example, the Group requires

appropriate pre-shipment reports and conducts internal sensory inspections and benchmark test results against specific requirements of the government authorities. Also, **Vendor Management System**, in which **supplier assessment practices** are adopted to properly evaluate and monitor different performance aspects of our suppliers is carried out. For suppliers with unsatisfactory results in the annual review and/or on-site audit, the **partners will be terminated to the worst extent** in order to ensure the quality.

3. Global sourcing network

The Group sources the coffee and tea raw materials from various locations around the world. Not only can the Group **more easily find the raw material with the best quality** by a large sourcing network, the global network can also **minimize the impacts brought by the climate changes and some uncertainties, diversifying the risk.**

Weakness

1. Immature development of the B2C market

The company has just developed in B2C and only **accounts for a small share of the beverage industry in the B2C market.** Even though the Group has a well-known brand name, it lacks exposure to the customer in the B2C market. Compared with other competitors, such as Vitasoy, the Group **lacks sufficient visibility and competitiveness** due to a small customer base. It is also noteworthy that the **B2C market is relatively saturated**, and the company has little room for development, and hence, it will be **tough for the Group to develop in the market.**

2. Immature development of the frozen food market

The company has only developed in the frozen meat market for a short period of time and **lacks relevant expertise and a consolidated customer base.** Moreover, the market competition of frozen food is fierce, whereas the Group **lacks an unique market positioning**, which makes it **difficult to attract and stabilize customers.** Worse still, the company sold 60% of its equity in the frozen food business last year, further weakening the Group's influence in the market.

3. Lagging behind in the development in the O2O market

The Group's **O2O business has just started**, whereas some renowned retailing brands have started for years with customer loyalty built. Moreover, as the Group focuses on the B2B business with less exposure to the B2C market, it makes it more **difficult for the Group to develop the O2O market.**

Opportunities

1. Trends in healthy food

The **population of Hong Kong has been ageing**. Consequently, the colossal needs of health products determine future consumption patterns as the **silver-haired have greater demand for healthy food**. In addition, due to the COVID-19, more people pay attention to health and hygiene. Under these circumstances, it is conspicuous that there will be **an eager demand for healthy food and beverage** in the future. While the Group is famous for the product of coffee and tea, which is undeniably healthy choices (since number of studies has shown that coffee has been found to reduce the risk of Alzheimer's disease and heart disease), the Group can utilize this advantage, **using the concept of health in future market to promote the beverage products**.

2. Outbreak of the African swine fever

The **recent outbreak of African swine fever has aroused public concern**. For one thing, the customer of fresh meat may concern **the increasing price and the safety of eating the fresh meat**. For another, the producers may concern the stability of the supply of the fresh pork. Thereby, the frozen food becomes more and more popular. With the **increase in demand for and the customer base of the frozen food**, the Group can grasp this opportunity to **maximize the market share in the market of frozen food**. The Group can **offer discounts as well as using the safety and quality of the premium meat as a selling point**.

3. Tremendous demand in Mainland

The **mainland has a monumental population(near 1.4billion)**, thus the huge demand for food and beverage will then be derived. In China's coffee market, instant coffee, which is the expertise of the Group, accounts for 72%. Therefore, the products of the Group may recordm a contented sales with the reputation of the Group in Hong Kong, The Group's **instant coffee** can have **sufficient demand and optimistic development in the mainland market, hence an increase in profitability**. Moreover, coffee consumption in China is still in its early stages, and competition is not as fierce as in Europe and the United States. The Group can **expand its business in the mainland market and occupy more market shares with relatively less resistance**.

Threats

1. Pandemic of Covid-19:

With the grave situation of covid-19, the government has introduced a **gathering restriction order** for a year, and hence, the restaurants are suffering grievously. For one thing, **more people choose to eat at home** due to the concerns of safety and the restriction. For another, a substantial **decrease in the number of tourists serves as a final straw to many restaurants**. So, there is a large decrease in order from the restaurants. It is also estimated **the virus keeps on ravaging the globe for not less than a year**. Therefore, the revenue of the TW Group, as a leader in the industry of food and beverage, may be greatly **affected by the decrease in order from the restaurants since the major business category of the Group is B2B**.

2. Globalization

In recent years, many **Taiwanese milk tea brands have entered Hong Kong's market**, for instance Ten Ren and Share Tea, to mention but a few. Apparently, the brand is really welcomed by the people in Hong Kong, as we can easily observe a long queue outside those shops. Furthermore, the public has paid more attention to health in recent years, so some **herbal teas and energy drinks also occupy part of the market share**. Major competitors in Hong Kong such as Vitasoy are making every endeavor to expand and develop, rolling out innovative products. **The fierce market competition serves as a high resistance to the Group on developing the B2C market**.

3. Climate change

Climate change has led to an **increase in temperature and adverse weather**. Given the sensitivity of coffee and tea crops to cultivation conditions, climate change will adversely affect the growth environment of coffee beans and tea, causing their **quality to be greatly fluctuated**. With the influence of climate change, the **supply stability of raw materials will be significantly affected**. Not only will the prices and production costs of materials increase, which directly **affect the Group's profit, but also add uncertainty to the Group on trading**.

F. Business Plan

Category1: B2B (Business to Business)

Initiative 1: A regular online exhibition

All customers and potential partners will be invited to join the exhibition. The Group can **share with them the latest news and new arrivals**, pinpointing **how the new**

products will bring opportunities to them. Also, a special discount of 15% is offered for deals made during the exhibition.

- Rationale 1: **Maintaining a tight relationship with trade partners.**
- Due to the pandemic of COVID-19, there are travel barriers imposed. Therefore, a tight relationship can be maintained through regular online interaction.
- Rationale 2: **Discovering opportunities.**
As potential partners will be invited, it provides a platform for the Group to deal with the potential partners and **start a long-term relationship on collaboration.**

Initiative 2: 'with TW, we dare to expand.'

The Group offers the trade partners who are now focusing on the business of beverage or food, with **special discounts of 20%** on the Group's products and **exclusive consultancy services** to those who will expand their business to **provide both the food and beverage service.**

- Rationale: **Expanding the customer base.**
It is estimated that some partners **will be incentivized to expand.** Hence, they will then buy products, which they have never brought before, from the Group.

Initiative 3: partnering with producers on high-end catering service

Since the development of business in the premium meat of the Group **is still in the early stage.** The Group can **collaborate with producers** who are especially **famous for the dish of meat** on high-end catering service, with a **special trade 10%-off discount given** to them.

- Rationale 1: **Upgrading the image of the products.**
Quality on the presentation of the products by the producers on high-end catering is **stably high.** Therefore, it will efficiently upgrade the image of the products. This initiative provides the Group's products, especially the premium meat, with a **stepping stone to the high-end market in the future.**
- Rationale 2: **Getting first-hand information.**
Through the collaboration, the Group can more easily get the first-hand information about the high-end market. Thus, the Group can **deploy the information** to improve the quality of the premium meat **for the high-end market in the future.**

Category 2: B2C (Business to Customer)

Initiative 1: “TEACATION”(Tea+Vacation)

The initiative aims at incentivizing the people to put [down their electronic gadgets and take a rest with a coffee or tea](#). Throughout the initiative, the Group collaborates with the coffee shops which are buying the products from the Group. The Group will afford the discount given to the customer. To get a discount, the customers first buy a coffee or tea in specific coffee shops, then put down their electronic gadgets. Read the books and play the table games for at least two hours. [A discount of 15% OFF will then be given.](#)

- Rationale: [Hectic lifestyle in Hong Kong](#)

People in Hong Kong always live under pressure, while everyone wants to break away from this hectic life. Hence, this initiative [should be extremely popular](#) among the citizens as it [provides a platform for them to take a break with an appealing discount given.](#)

Initiative 2: 90 stories in 90 years(九十年，九十個故事)

The initiative can be used as [a celebration of the 90th anniversary](#) as well as a promotional plan. To join the activity, customers first buy any products of the Group, afterwards use the products to make a set of afternoon tea while recording the procedures in a video at the same time. Then, [share the personal stories or aspirations related to the idea of the set](#). Finally, post the video (not longer than 1 minute) and the stories on their social media, asking for 'like'. A maximum of 100 marks will be given according to the creativity and the presentation. The video with highest marks will be used as the advertisement of the Group while the other 90 videos scoring the highest marks will be awarded the supermarket coupons.

- Rationale: [Draw public attention to products of the Group](#)

For one thing, they need to buy the Group's products for making the set. For another, [the brand, the products and the campaign will be further promoted through the number of views received from the videos and stories on social media.](#)

Initiative 3: Meat.Exclusive(獨愛·肉)

The Group collaborates with supermarkets and [hires a prestigious chef](#) for cooking the dish, [with the premium meat of the Group used](#), in the supermarket counter regularly.

Products related to the Group will be placed on the counter. Customers will be awarded a pack of coffee or tea if they buy every three times at the counters and not less than \$200 in total.

- Rationale 1: **Broadening the customer base.**

As the customers who bought the meat will be awarded a pack of coffee or tea, some, who never try the beverage products of the Group, can get a try. Hence, a potential group of customers will be discovered.

- Rationale 2: **Upgrading the shopping experience.**

The customer can try the meat presented by the chef instantly. The initiative provides customers with the sensational shopping experience of the premium meat, which can therefore boost the sales of premium meat in the B2C market.

Initiative 4: Joint venture with the renowned brand

With the lagging development of the Group in the frozen food , the Group should start a joint venture with a renowned brand. The Group can launch brand-new products with the brand collaborated into the market.

- Rationale 1: **Increase the Group's exposure to the customers**

Since the brand, which the Group collaborates with, already has a consolidated customer base and goodwill, it is envisaged that more customers will have a chance to come across the Group's products.

- Rationale 2: **Grabbing the market information**

The Group can grab the market information from the brand collaborated through the collaboration. The market information grabbed will be of help in developing the market strategy in the future

Category 3: O2O (Online to Online)

Initiative 1: Engaging in Live Commerce

The Group can deploy the live streaming platform and collaborate with live streamers. The live streamers then sale the Group's products with their presentation skills and the strategy of 'seckill' (秒杀). The first 10% of goods will be sold at cost price while the remaining will be given a discount of 25%.

- Rationale 1: **Prevalence of the live streaming platform in the area**

Due to the pandemic, the [Otaku Economy](#) becomes more and more popular. The Group must grasp this opportunity to consolidate and expand the customer base in order to [keep leading in this industry](#).

- Rationale 2: [Power of astonishing discount](#)

For one thing, it creates a [fear of missing out](#), so customers may [purchase more decisively](#). For another, the one who cannot get the discount may build up thinking of misfortune, this [incentive drives them to join the next live streaming](#). In the long term, the Group can [build up customer loyalty](#).

Projected impacts on revenue and profit for the year ended 31 December 2021

Category	Changes in revenue	Changes in profits
B2B	+12%	+6.5%
B2C	+7%	+3%
O2O	+14.5%	+5.5%

In B2B, with the regular exhibitions, policies of incentive and the partnership, it is envisaged that [the Group's relationship with trade partners will be further tightened](#). The revenue is estimated to be 12%, whereas the profit will only increase by 6.5%, mainly due to [the high cost of partnering with the producers in the high-end market and a special discount offered](#). In B2C, with the innovative initiatives being rolled out, it is estimated that [the market of coffee, tea and the premium meat will be stimulated](#). Quantity sold of the goods will be increased with the [larger customer base, larger consumption and the help from the renowned brand](#). The revenue is expected to be increased by 7%. Whereas the increase in profit will be estimated to be 3% only in this year, it is because the [4 new plans will be rolled out](#), and hence, a high cost will be spent on the market research, dealing with the traded partners, invention as well as the discount offered. In O2O, with the effect of online personality, the revenue will be estimated at a sharp increase of 14.5%. The profit will slightly increase by 5.5% since a substantial amount of commission and discount will be given.

Projected impacts on revenue and profit for the year ended 31 December 2022

Category	Change in revenue	Change in profits
B2B	+4.3%	+3.8%
B2C	+7%	+4%
O2O	+6%	+2.4%

Generally speaking, [the difference in percentage increase in revenue and profit is smaller in 2022](#) as most of the initiative will be rolled out in 2021. [Less cost will be](#)

spent on market research and invention in 2022. In B2B, with the 3 promotional plans rolled out in 2021, the customer base and the Group's position (as a leader) will be further consolidated. The profit and revenue will be recorded a steady increase of 3.8% and 4.3%, respectively. In B2C, with the plans rolled out in 2021 and an innovative plan-'90 stories in 90 years' in 2022, the market exposure of the Group products will be further increased, hence the customer base and sales volume. The profit and revenue will be recorded a steady increase of 4% and 7%, respectively. In O2O, with the initiative rolled out in 2021, it is envisaged that the revenue will be kept on increasing by 6%. Whereas the percentage increase in profit will be 2.4% since there is a large sum of discount will be given.

Budget plan

Initiative	Details	Budget (HK\$'000)	% of Budget
A regular online exhibition	Decoration of the studio	10	0.1%
	Gadgets	80	0.8%
	Administrative cost	200	2%
	Subtotal	290	2.9%
'with TW, we dare to expand'	Administrative cost	50	0.5%
	Consultancy service	300	3%
	Subtotal	350	3.5%
partnering with producers on high-end catering service.	Administrative cost	50	0.5%
	Cost of partnership	800	8%
	Subtotal	850	8.5%
'TEACATION'	Subsidy to coffee shops on books and table games	300	3%
	Subsidy to coffee shops on giving discount	500	5%
	Subtotal	800	8%
'90 stories in 90 years'	Administrative cost	100	1%
	Tv advertisement	500	5%
	Prizes	200	2%
	Subtotal	800	8%
'Meat.Exclusive'	Salary to the chef	100	1%
	Miscellaneous cost in the operation of the supermarket counter	50	0.5%
	Gifts for redemption	300	3%
	Rent to the supermarket	100	1%
	Subtotal	550	5.5%
Joint venture with the renowned brand	Cost of partnership	2000	20%
	Cost of invention	1000	10%
	Administrative cost	800	8%
	Subtotal	3800	38%

Engaging in live commerce	Commission paid to the live streamer	800	8%
	Administrative cost	100	1%
	Subtotal	900	9%
Spare budget		1660	16.6%
Total		10000	100%

Implementation plan

Implementation plan								
Initiative	Year ended 31 December 2021				Year ended 31 December 2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Regular online exhibition	Research of identifying the potential customers.. Decorate the studio.	Send invitations. Regular exhibition hosted.	Analyse the feedback and improve. Regular exhibition hosted	Analyse the feedback and improve. Regular exhibition hosted	Analyse the feedback and improve. Regular exhibition hosted	Analyse the feedback and improve. Regular exhibition hosted	Analyse the feedback and improve. Regular exhibition hosted	Analyse the feedback and improve. Regular exhibition hosted
'with TW, we dare to expand'	research to identify the target trade partners	Launch the initiative and promote it to the trade partners.	Contact and deal with the partners joined, meeting about the discount and benefits granted	analyse the comment from partners. Evaluation the plan.	Keep identifying the target trade partners and persuade them	analyse the comment from partners. Evaluation on the	analyse the comment from the partners. Evaluation	analyse the comment from the partners. Evaluate on the plan
Partnering with producers on high-end catering service	research to find out which producers are worth to collaborate with	Contact and deal with the selected restaurant. Start designing the dish.	Launch the dish.	Analyse the comment received and ameliorate the dish.	Evaluate the market information got and adjust the marketing	analyse the comment to ameliorate the dish and adjust the market	analyse the comment to ameliorate the dish and adjust the	analyse the comment to ameliorate the dish and adjust the market strategy.
'TEACATION'	Find the coffee shops to collaborate with and deal with them.	Launch the initiative and promote it through social media. Monitor	analyze the comments from customers and shops to make improvement.	Evaluate the effect on sales volume and profit and adjust the plan.	Evaluate the effect on sales volume and profit and keep close watch on the situation of the pandemic to adjust the plan.	Evaluate the effect on sales volume and profit and keep close watch on the situation of the pandemic to adjust the plan.	Evaluate the effect on sales volume and profit and keep close watch on the situation of the pandemic to adjust the plan.	Evaluate the effect on sales volume and profit and keep close watch on the situation of the pandemic to adjust the plan.
'Hong Kong People, Hong Kong Taste'		Promote the campaign on the social media and receive the idea from	analyze the popular taste. Choose some favor for the public voting. Promote the voting.	Calculate the ballot of each taste. Start producing preparation for the taste.	Produce that taste in bulk. Start promotion on the product in the market.	Launch the product. Analysis the market information got to adjust the business	analyse the comment from the customers to ameliorate the	analyse the comment from the customers to ameliorate the quality.
'90 stories in 90 years'				Set up a team responsible for the campaign. research of possible supermarket for sponsorship	Formulate a detailed rule for the campaign and the marking standard for the videos. Also, contact and settle the deal with the selected supermarket	Launch the campaign through social media. Start to get in touch with broadcasting firms for the TV advertisement.	Evaluate the videos and give the marks. Contact and settle with the selected broadcasting company and design the advertisement	Publication of the TV advertisement. Analyse the effect brought by the campaign and extract information for the future campaign
'Meat.Exclusive'	research on the suitable supermarket and chef to collaborate with.	Contact and deal with the selected supermarket and chef. Meeting with the chef	Prepare and start the operation of the counter.	Receive and analyse the comment from the stakeholders to adjust the operation and plan	Receive and analyse the comment from the stakeholders to adjust the operation and plan	Receive and analyse the comment from the stakeholders to adjust the operation and plan	Receive and analyse the comment from the stakeholders to adjust the operation and plan	Receive and analyse the comment from the stakeholders to adjust the operation and plan
Joint venture with the renowned brand	Research on the possible companies to collaborate. Analyze the data and choose the firm.	Contact and deal with the selected company. Start the collaboration and invention of the tailor-made products.	Launch the products and promote them.	Receive and analyse the comment from customers to improve the quality.	Analyse the market information got throughout the collaboration to adjust the Group's marking plan in the area.	Maintain the close relationship with the partners. analyse the comment and market information.	Maintain the close relationship with the partners. analyse the comment and market information.	Maintain the close relationship with the partners. analyse the comment and market information.
Engaging in the commerce	research on the possible live streamers to collaborate.	Contact and deal with the selected live streamers.	Start the promotion on live streaming platform	Evaluate the effects brought and the performance of	Evaluate the effects brought and the performance of	Evaluate the effects brought and the performance of	Evaluate the effects brought and the performance of	Evaluate the effects brought and the performance of

		Meeting with the live streamers.		the live streamers to adjust the plan	the live streamers to adjust the plan	the live streamers to adjust the plan	the live streamers to adjust the plan	the live streamers to adjust the p
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G. Conclusion

The Group is a company of an excellent profit-generating ability from its existing assets. With its loan-repaying capability and steady income flow, the Group is ready to accept any financial challenges in the future. Based on the SWOT analysis, we suggested a several initiatives to enhance the Group’s competitiveness. On B2B ground, we suggested to hold a regular online exhibition, to run a ‘with TW, we dare to expand’ scheme and to partner with producers on high-end catering. On B2C ground, a total of 5 initiatives were given, including ‘TEACATION’, ‘Hong Kong People, Hong Kong Taste’, ‘90 stories in 90 years’, ‘Meat. Exclusive’ and joint venture with renowned brand to minimize the negative impact brought by the outbreak of COVID-19. Lastly, on O2O ground, utilizing the social media and engaging in live commerce are suggested to tackle the lagging in the development in O2O market. Aiming to get a higher profit and revenue, the above suggestions for promotion were made.

H. Appendices

References

2018 Annual Report of Tsit Wing Groups

https://www.twcoffee.com/wp-content/uploads/2019/03/Annual-Report-2018_e-20190326-uploaded.pdf

2019 Annual Report of Tsit Wing Groups

https://www.twcoffee.com/wp-content/uploads/2020/03/e_02119ar-20200326.pdf

2019 Environmental, Social, and Governance Report of Tsit Wing Groups

https://www.twcoffee.com/wp-content/uploads/2020/05/20200512-ESG-Report_e.pdf

Survey Questionnaire and Results

HKICPA Accounting and Business Management Case Competition 2020-2021

Questionnaire

1. Your Gender
 Male Female
2. Your Age
 14 or below 5-30 31-65 65 or above
3. Have you ever heard of the TW Group?
 yes no (jump to question 9)
4. Where did you get the information and hear of the TW Group?
 beverage products in the restaurants food products in the restaurants
 advertisement social media the Internet others
5. Have you ever brought or consume any products of the TW group?
 yes no (jump to question 10) not sure
6. Which products of the TW Group do you most frequent purchase?
 food products beverage products meals at restaurant
 others: _____
7. How frequently do you purchase the products of the TW Group?
 2 times or below each month 3-5 times each month 6 times or above each month
8. Why do you purchase the products of the TW Group instead of other brands?
(After this question, please jump to question 11)
 well-known brand name high quality of the products discount offered
 others
9. Which criteria do you think the TW Group should put more effort into so that you can take notice of this brand? (After this question, please jump to question 11)
 more promotion on social media
 more promotion using the ways other than the social media
 improve the quality of the products offer more discount
10. Why do you not purchase the product from the TW Group?

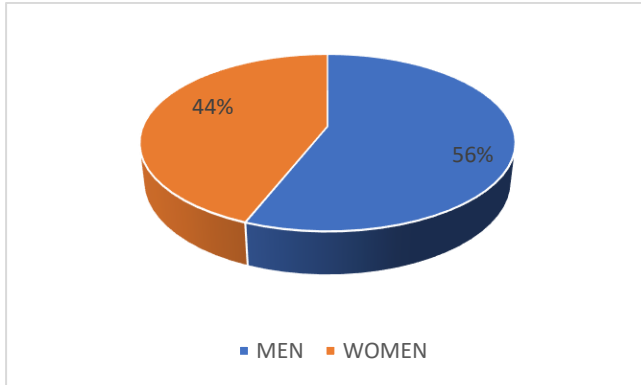
- unsatisfactory quality of products no appealing discounts offered
insufficient channel of buying the products others
11. Do you enjoy the time spent at the coffee shop?
yes no
12. Do you think coffee or tea helps you relax?
yes no
13. Have you ever made a set of afternoon tea using the coffee or tea yourself?
yes no
14. Do you enjoy trying food at the supermarket counter?
yes no
15. Do you think trying the food at the supermarket counter will give you a greater chance of buying those products?
yes no depend on the quality of the food
16. Do you prefer buying products from the renowned brand instead of the indie brand?
yes no (jump to question 18) not sure (jump to question 18)
17. Why did you buy products from the renowned brand instead of the indie brand?
more confidence in the product quality more choices offered
others
18. Do you agree that promotion on social media nowadays is most effective?
yes no
19. Have you ever joined live streaming?
yes no (thank you, you can skip the remaining questions)
20. Have you ever bought during live streaming?
yes no (thank you, you can skip the remaining question)
21. Why did you purchase during live streaming?
a lot of discount presentation of the live streamer others

Results

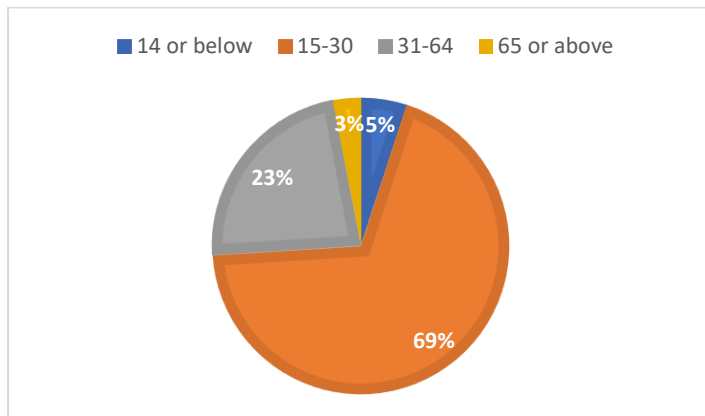
Total respondents: 101

Part 1: Basic information

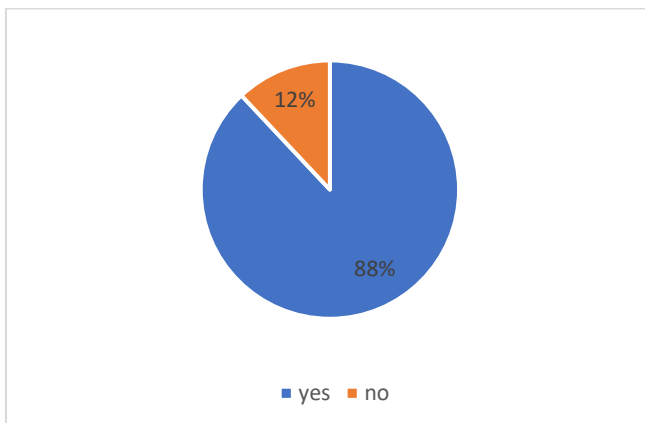
1. Gender distribution



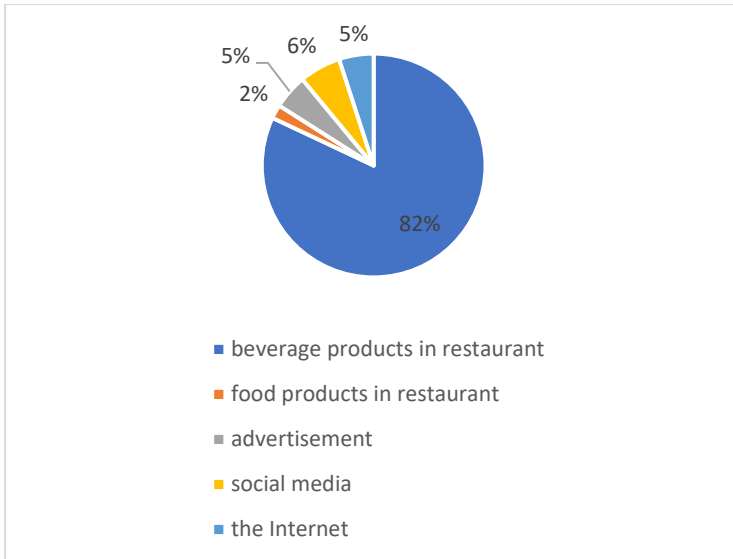
2. Age distribution



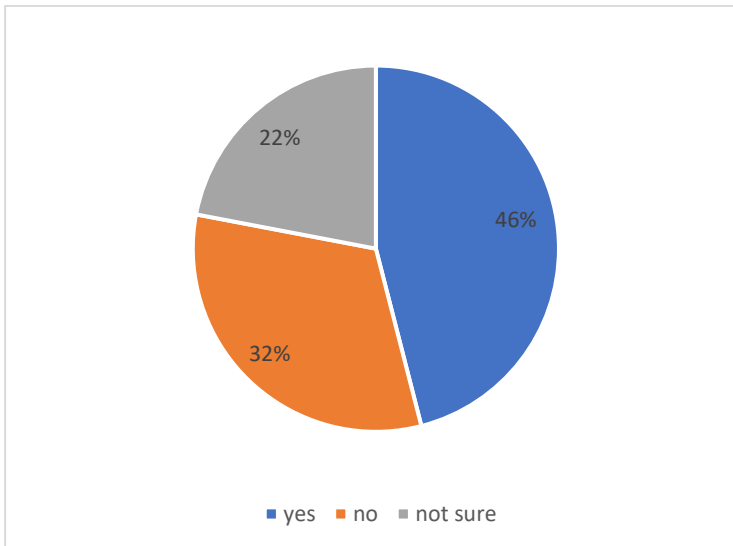
3. Have you ever heard of the TW Group?



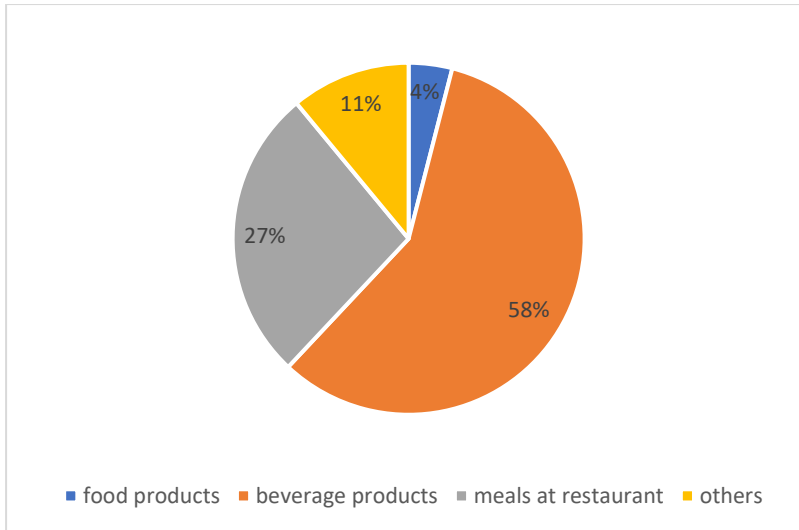
4. Where did you get the information and hear of the TW Group?



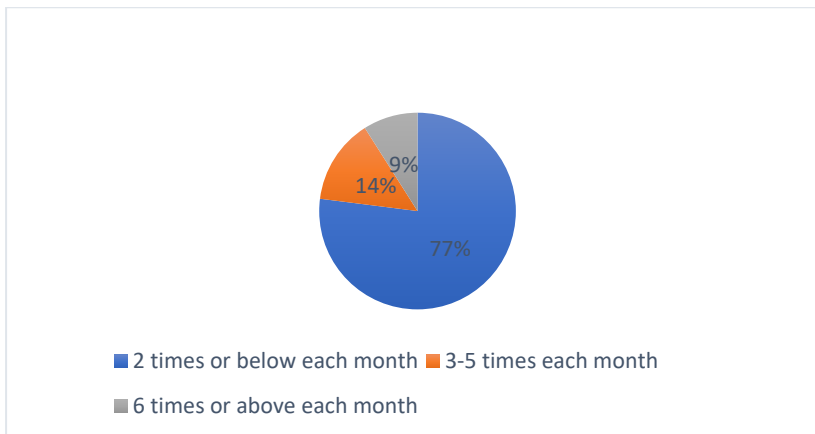
5. Have you ever brought or consumed any products from the TW group?



6. Which products from the Tw Group do you most frequent purchase for?

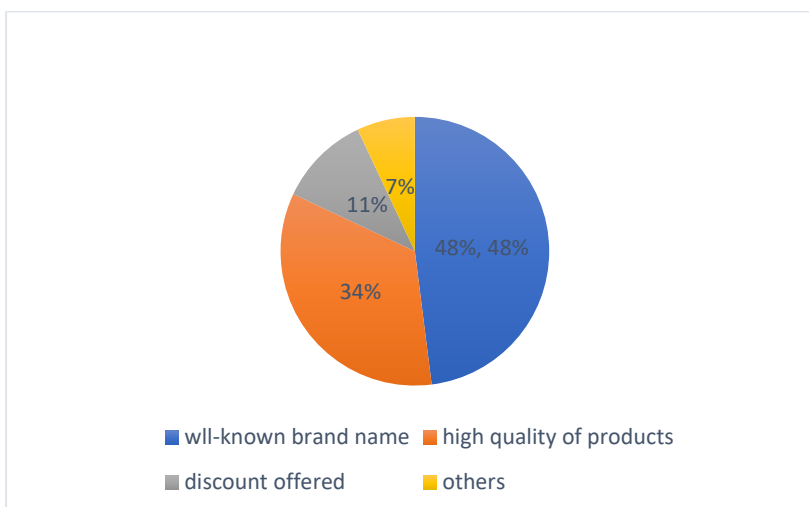


7. How frequently do you purchase the products from the TW Group?

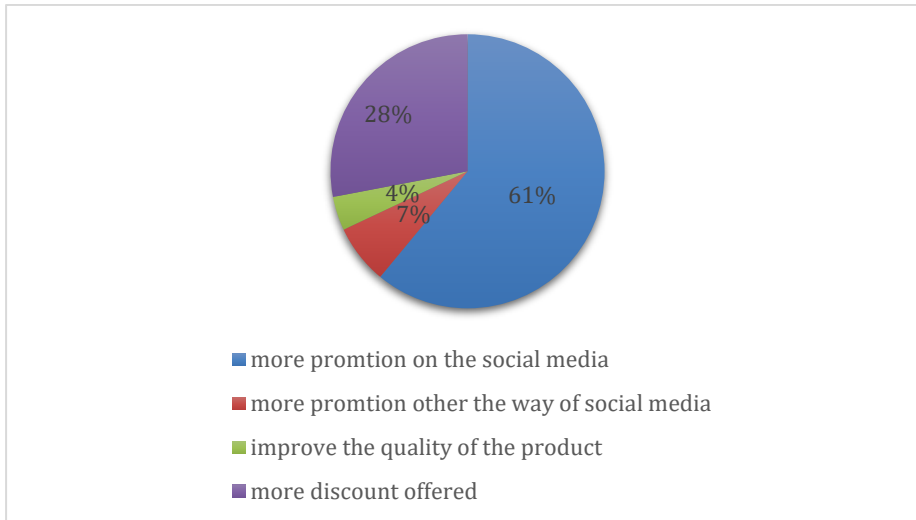


Part 2: strength and weakness of the Group

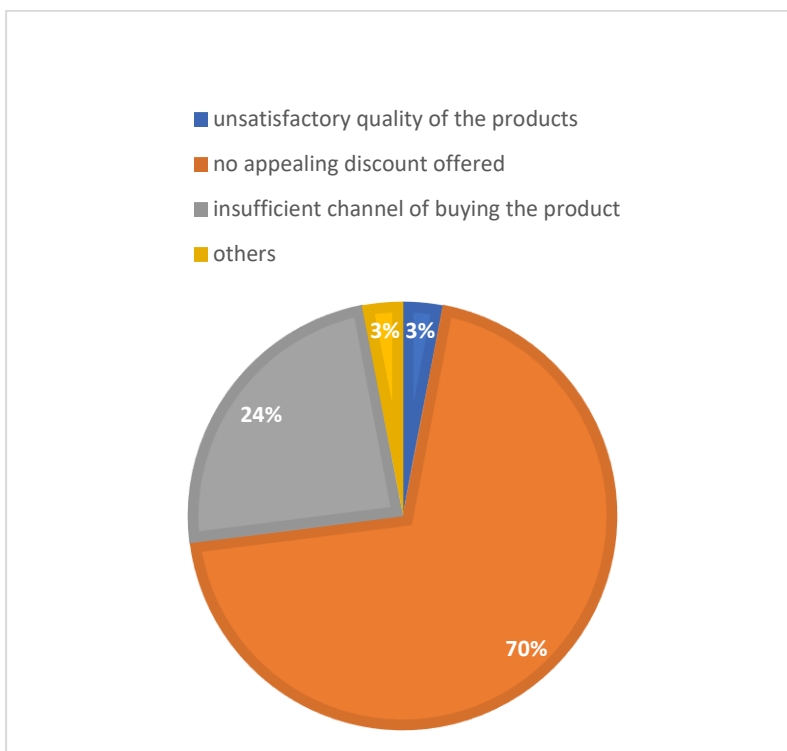
8. Why do you purchase the products from the TW Group instead of other brands?



9. Which criteria do you think the TW Group should put more effort into so that you can take notice of this brand?

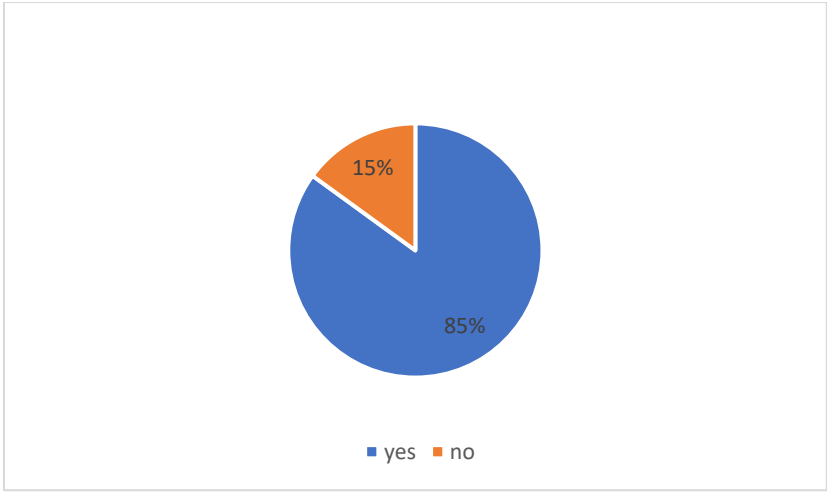


10. Why do you not purchase the product from the TW Group?

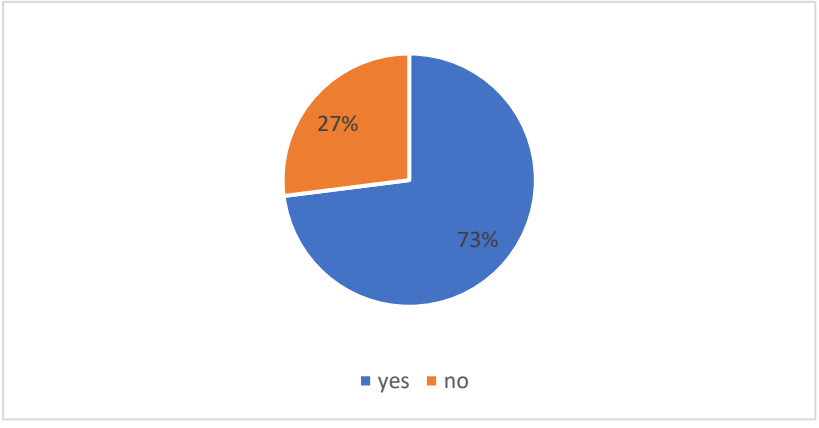


Part 3: Evaluation of the initiatives

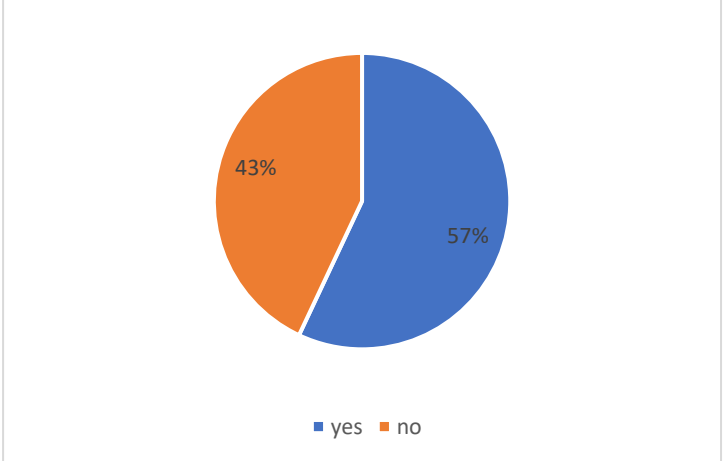
11. Do you enjoy the time spent at the coffee shop?



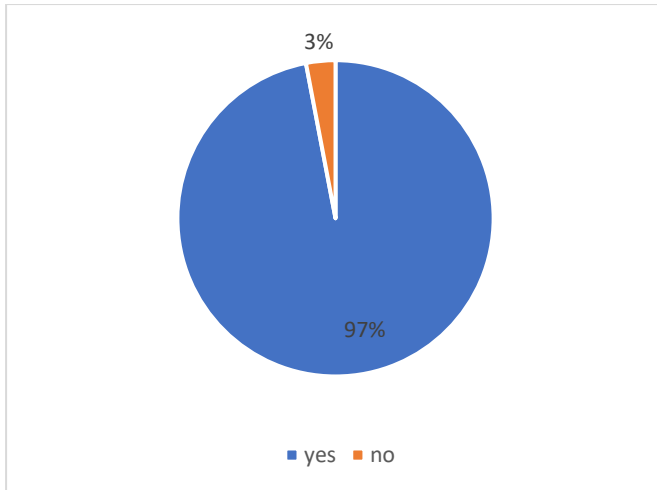
12. Do you think coffee or tea helps you relax?



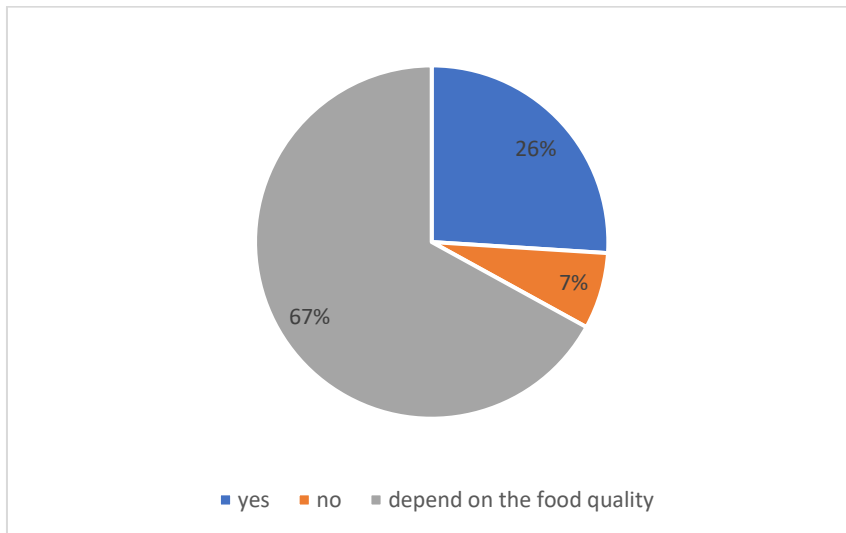
13. Have you ever made a set of afternoon tea using the coffee or tea yourself?



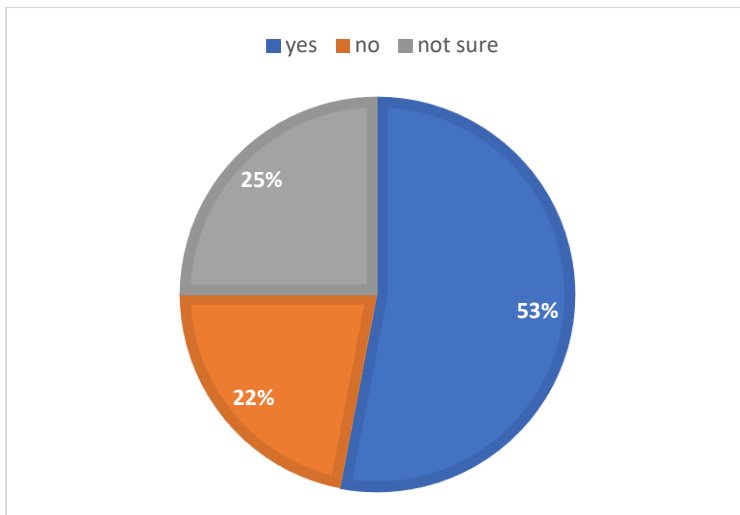
14. Do you enjoy trying food at the supermarket counter?



15. Do you think trying the food at the supermarket counter will give you a greater chance of buying those products?



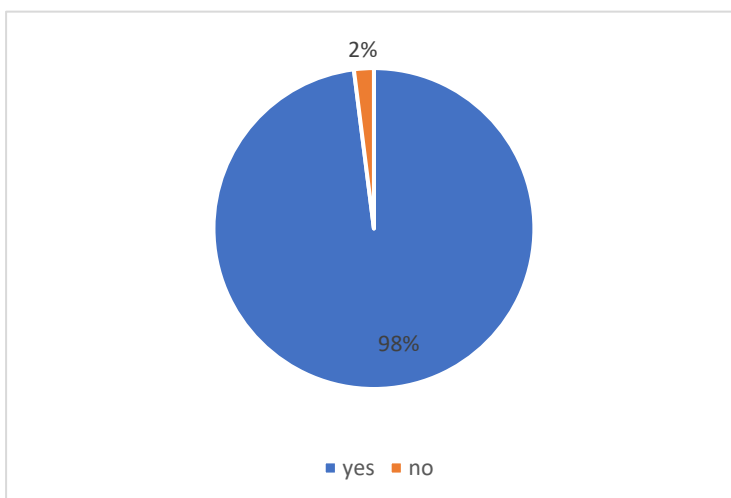
16. Do you prefer buying products from the renowned brand instead of the indie brand?



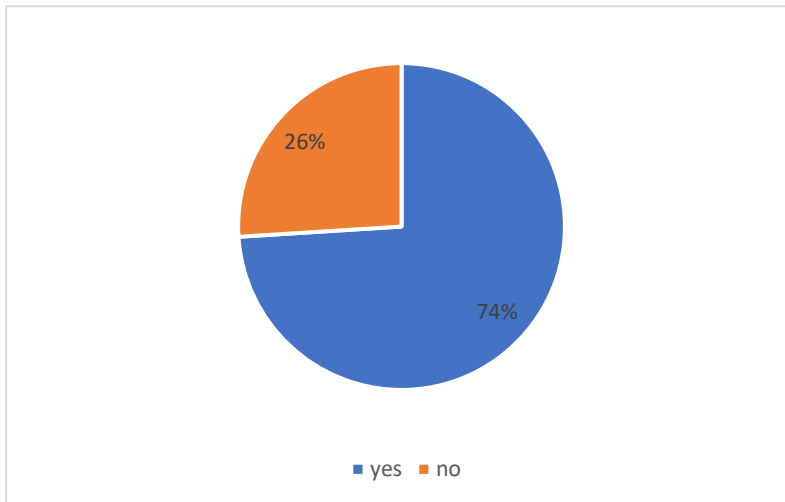
17. Why did you buy products from the renowned brand instead of the indie brand?



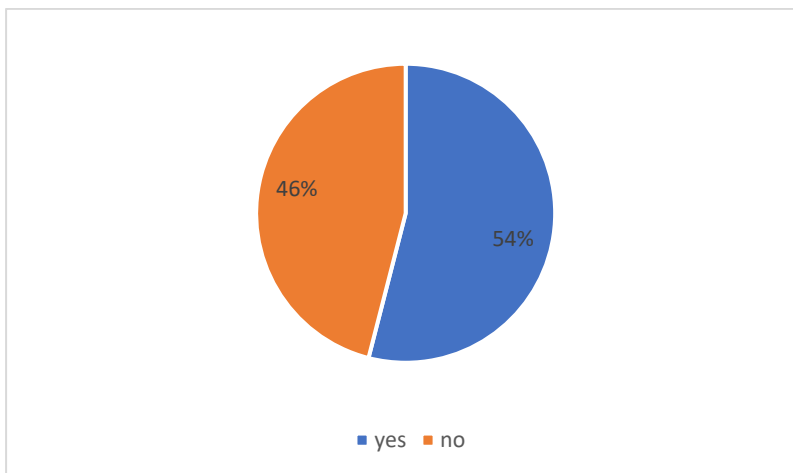
18. Do you agree that promotion on social media nowadays is most effective?



19. Have you ever joined live streaming?



20. Have you ever bought during live streaming?



21. Why did you purchase during live streaming?

