



Tsit Wing Group  
捷榮集團



## Business Proposal

HKICPA Accounting and Business Management  
Case Competition 2020-21

A Fully Integrated Food & Beverage Service  
Platform in Pursuit of Sustainable Growth



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## A. Executive Summary

### 1. Corporate Vision

Tsit Wing (TW) International Holdings Limited, together with its subsidiaries (hereinafter referred to as 'the Group' or 'TWG'), has two core visions and missions. Firstly, it strives to become a **one-stop integrated food and beverage (F&B) services provider**. Secondly, it insists on **providing more varieties of products and services with excellent quality** to the customers.

### 2. Current State of the Business

The Group has been the **leading comprehensive B2B coffee and black tea solutions provider** in Hong Kong, Macau and Mainland China. It intends to develop a **new omni-channel ecosystem** which involves online and offline B2B and B2C markets. In December 2019, its **online sales platform on Tmall.com** was established and preparation for launching **online franchisee platform** including **Cherry & Leaf** and **Papa Chef websites** has started in order to **capture the e-commerce market trend**.

### 3. Key Findings

#### 3.1. Key Findings of Financial Analysis

Although the overall profitability, management efficiency, liquidity, solvency and return on investment of the Group are **satisfactorily improving** in 2019 due to the **strengthened ability in controlling costs**, further progress can be achieved by **boosting sales revenue** and **more effective utilization of capital goods and liquid assets**.

#### 3.2. Key Findings of SWOT Analysis

The Group is renowned for its **quality assurance** and has a **good reputation** among the food and beverage industry. In spite of its mature and diversified B2B business, the Group depends on the businesses of commercial customers too heavily. The **Ineffective**



interaction with individual consumers and less known by younger generation hinders its B2C market development. Despite more diversified development of F&B outlets, adverse operating environment under the pandemic and fierce competition in F&B industry are some potential threats to the business. The Group is recommended to improve promotional strategies and technological development to consolidate its position of B2B market leader and step forwards into B2C and O2O market.

#### 4. Key Recommendations

Our key strategies are exploring potential market and enhancing brand reputation. Therefore, launching mobile application and activities related are suggested to attract potential consumers. Other special events like Coffee Mosaic Creation Event are proposed to raise brand recognition.

### B. Introduction

#### 1. Background

The Group's performance in 2019 is better than 2018 although it earned less profit. In this business proposal, the Group's performances in the previous two years (2018 and 2019) are reviewed through financial and SWOT analysis.

#### 2. Objectives and Scope

This business proposal is put forward to further improve the financial and non-financial performance of the Group in Hong Kong. In addition, a market survey has been conducted to investigate people's consumption pattern on drinks and views towards the Group. Based on the findings, several suggestions are stated aiming to improve the Group's performance on advertising and expansion of its brand name.

### C. Financial Performance – Ratio Analysis

#### 1. Profitability Ratios

Ratio and Formula	Ratio in 2019	Ratio in 2018
<b>Gross Profit Margin:</b>		
$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100\%$	$\frac{309,832,000}{784,998,000} \times 100\%$	$\frac{314,178,000}{831,072,000} \times 100\%$
	= <u>39.47%</u>	= <u>37.80%</u>
<b>Net Profit Margin:</b>		
$\frac{\text{Net Profit Before Tax}}{\text{Revenue}} \times 100\%$	$\frac{111,279,000}{784,998,000} \times 100\%$	$\frac{92,648,000}{831,072,000} \times 100\%$
	= <u>14.18%</u>	= <u>11.15%</u>

<b>Return on Average Capital Employed:</b>	$\frac{111,279,000+3,509,000}{\left(\frac{19,004,000+549,735,000}{+205,795,000+554,327,000}\right)^{\div 2}} \times 100\%$	$\frac{92,648,000+4,513,000}{\left(\frac{22,988,000+554,327,000}{+57,441,000+232,060,000}\right)^{\div 2}} \times 100\%$
$\frac{\text{Profit Before Interest and Tax}}{\text{Average Capital Employed}} \times 100\%$	= <u>20.03%</u>	= <u>22.42%</u>
<b>Return on Average Assets:</b>	$\frac{89,831,000}{\left(\frac{165,632,000+572,871,000}{+142,127,000+719,414,000}\right)^{\div 2}} \times 100\%$	$\frac{73,240,000}{\left(\frac{142,127,000+719,414,000}{+147,473,000+433,988,000}\right)^{\div 2}} \times 100\%$
$\frac{\text{Net Profit After Tax}}{\text{Average Total Assets}} \times 100\%$	= <u>11.23%</u>	= <u>10.15%</u>

The overall profitability of the Group has *increased slightly*. The gross profit margin has increased slightly by 1.67% from 2018 to 2019, implying a *strengthened bargaining power on purchases for production*. It indicates the Group has *greater ability in controlling the cost of inventory and the pricing policies*. Owing to effective control on its operating expenses, the net profit margin has increased by 3.03% within this period. Besides, the return on average capital employed has an acceptable decrease of 2.39%, reflecting that its *efficiency at generating profit from every unit of ordinary shareholders' equity has deteriorated*. Meanwhile, the little increase of 1.08% in return on average assets implies it has become *more effective in utilizing its average assets to generate earning*. In brief, it is more effective in earning profits in 2019, reflecting the *business operating is favorable*. Yet, it has to pay attention to the utilization of capital.

## 2. Management Efficiency Ratios

Ratio and Formula	Ratio in 2019	Ratio in 2018
<b>Average Inventory Turnover Period:</b>	$\frac{(125,748,000+205,795,000)^{\div 2}}{475,166,000} \times 365$	$\frac{(195,370,000+205,795,000)^{\div 2}}{516,894,000} \times 365$
$\frac{\text{Average Inventory}}{\text{Cost of Sales}} \times 365 \text{ days}$	= <u>127.34 days</u>	= <u>141.64 days</u>
<b>Average Trade Payables Repayment Period:</b>	$\frac{(73,567,000+91,240,000)^{\div 2}}{\left(\frac{475,166,000+125,748,000}{-205,795,000}\right)^{\div 2}} \times 365$	$\frac{(91,240,000+91,624,000)^{\div 2}}{\left(\frac{516,894,000+205,795,000}{-195,370,000}\right)^{\div 2}} \times 365$
$\frac{\text{Average Trade Payables}}{\text{Credit Purchase}} \times 365 \text{ days}$	= <u>76.12 days</u>	= <u>63.29 days</u>
*Credit Purchase = Cost of Sales + Closing Inventory – Opening Inventory		
<b>Average Total Assets Turnover:</b>	$\frac{784,998,000}{\left[\frac{(165,632,000+572,871,000)}{+(142,127,000+719,414,000)}\right]^{\div 2}}$	$\frac{831,072,000}{\left[\frac{(142,127,000+719,414,000)}{+(147,473,000+433,988,000)}\right]^{\div 2}}$
$\frac{\text{Revenue}}{\text{Average Total Assets}}$	= <u>0.98 times</u>	= <u>1.15 times</u>

The management efficiency of the Group is *satisfactory*. The average inventory turnover period has been *shortened* from 141.64 days to 127.34 which indicated that *inventory could be sold more quickly*. A *more efficient inventory management and higher liquidity was reflected*. This can reduce its risk in having *abnormal inventory loss or obsolete inventory*. The average trade payable repayment period has *increased* by 12.83 days. It indicated that the Group has obtained a *longer credit period from its supplier* and had



a **better cash position**. However, it may **increase the risk** that some creditors no longer continue supplying the goods **due to the longer repayment period**. The average total assets turnover has **decreased** by 14.81%, implying that it was **less effective** in generating sales revenue by utilizing its assets over the year.

### 3. Short-term Liquidity Ratios

Ratio and Formula	Ratio in 2019	Ratio in 2018
<b>Current Ratio:</b>		
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{572,871,000}{169,764,000}$	$\frac{719,414,000}{284,226,000}$
	= <u>3.37:1</u>	= <u>2.53:1</u>
<b>Quick Ratio:</b>		
$\frac{(\text{Current Assets} - \text{Inventories} - \text{Prepayments})}{\text{Current Liabilities}}$	$\frac{(572,871,000 - 125,748,000 - 12,852,000)}{169,764,000}$	$\frac{[719,414,000 - 205,795,000 - (393,000 + 19,577,000)]}{284,226,000}$
	= <u>2.56:1</u>	= <u>1.74:1</u>
<b>Cash Ratio:</b>		
$\frac{\text{Cash} + \text{Cash Equivalents}}{\text{Current Liabilities}}$	$\frac{315,211,000}{169,764,000}$	$\frac{328,684,000}{284,226,000}$
	= <u>1.86:1</u>	= <u>1.16:1</u>

The Group has a **strong, healthy and gradually improving liquidity condition** with **all ratios increased** in 2019. Both current ratio and quick ratio has a **substantial increase** indicating the Group is **guaranteed for debt repayment**. Also, the cash ratio has increased by 60% from 1.16 to 1.86 showing that the Group has a **more abundant cash and cash equivalents** in paying its short-term financial obligations. The Group also holds **excessive cash**. It indicated that the Group **has the ability repaying not only on the fall-due short-term debts but also on the instant debts**. Nevertheless, the current ratio is much higher than the quick ratio by over 30% in 2019, reflecting an **excessive inventory stored** and the **ineffective use of cash**. The Group can **utilize the liquid assets more fully in the investments** to increase its profitability.

### 4. Long-term Solvency Ratios

Ratio and Formula	Ratio in 2019	Ratio in 2018
<b>Gearing Ratio:</b>		
$\frac{\text{Interest-bearing Bank Borrowings}}{\text{Share Capital} + \text{Reserves}} \times 100\%$	$\frac{0 + 26,154,000}{76,394,000 + 473,341,000} \times 100\%$	$\frac{17,217,000 + 139,003,000}{76,207,000 + 460,301,000} \times 100\%$
	= <u>4.76%</u>	= <u>29.12%</u>
<b>Debt to Equity Ratio:</b>		
$\frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\%$	$\frac{19,004,000 + 169,764,000}{549,735,000} \times 100\%$	$\frac{22,988,000 + 284,226,000}{554,327,000} \times 100\%$
	= <u>34.34%</u>	= <u>55.42%</u>

<b>Time Interest Ratio:</b>	$\frac{111,279,000+3,509,000}{3,509,000}$	$\frac{92,648,000+4,513,000}{4,513,000}$
$\frac{\text{Profit Before Interest and Tax}}{\text{Financing Costs}}$	= <u>32.71 times</u>	= <u>21.53 times</u>

The solvency ratios of the Group have presented an *overall remarkable improvement*. The Group was *low-gearred* and *relying less on debt-financing than on equity*. Declined from 29.12% to 4.76% by 24.36% in the gearing ratio, the Group was having *more potential to obtain funds from debt-financing*, as well as having *less difficulties in repaying debts* from its equity funds. Though non-controlling interests reduced slightly, *total liabilities diminished by significantly large amount* and led to the drop of debt to equity ratio by 21.38%. Meanwhile, with the rose in profit due to the *increased other income but lower other expenses*, along with the *withered financing cost*, the Group's *financing cost were better covered* by 11.18 times more.

## 5. Investment Ratios

Ratio and Formula	Ratio in 2019	Ratio in 2018
<b>Earnings Per Share (EPS):</b>	$\frac{89,813,000}{762,931,000}$	$\frac{73,240,000}{707,571,000}$
$\frac{\text{Profit Attributable to Owners of the Parent}}{\text{Weighted-average No. of Ordinary Shares}}$	= <u>\$0.12 /share</u>	= <u>\$0.10 /share</u>
<b>Price-Earnings Ratio (P/E Ratio):</b>	$\frac{1.09}{\left(\frac{89,813,000}{762,931,000}\right)}$	$\frac{1.06}{\left(\frac{73,240,000}{707,571,000}\right)}$
$\frac{\text{Current Price Per Ordinary Share}}{\text{Earnings Per Share (EPS)}}$	= <u>9.26 times</u>	= <u>10.24 times</u>

The return on investment is *slightly improved*. The EPS has *increased* from \$0.10 to \$0.12 per share due to a greater percentage increase in profit. It tells that the *potential return from holding shares was rising*, implying a *better business performance*. On the contrary, the P/E Ratio faced a *decrease* of 0.98 times. Seeing the relatively greater increase of profit but small rise in current share price, shareholders would be less confident. Overall, the Group can *explore its company growth* to attract investors as they may buy stocks at higher prices in expectation of a future payoff from its investment.

## D. Comments on the Group's Operation in Hong Kong

Regardless of geographical location, the *total revenue generated has decreased* by around 5.54% from \$831072000 in 2018 to \$784998000 in 2019. As the Group *relies too heavily on the sales of beverage products* like coffee, tea and other related complementary products, the *drop in demand* causes a more *significant drops in sales and revenue*. The Group has a *less effective revenue generation* by using assets but with an improved expenses control.



It is essential for the Group to develop new items for sales. Developing diversified products mitigates risks in the event of downturn of a specific type of products. Besides, with the fierce competition in the same industry, developing new products can increase its competitiveness and therefore boost the Group's profitability.

In addition, it is a wise choice for the Group to develop a new omni-channel ecosystem which involves online and offline B2B and B2C markets. As it is a long-established company, the brand is more famous among the older generations. It is essential for the Group to target its products in new market to increase the customer sources. It can keep up more on the updated trends in the teenagers' group to in line with their preferences and draft up more suitable promotional strategies for providing better promotions.

## E. Non-financial Factors – SWOT Analysis

### 1. Strengths

#### 1.1. Solid Foundation of B2B Network

As the Group has a long history of 88 years since 1932, it has a strong and well-established B2B and sales market not only in Hong Kong but in the worldwide. Many world-famous suppliers have cooperated with it for over ten years for products sales or agency lines. Also, it has a stable sourcing network with major suppliers which guarantee the quality and supply of raw materials.

#### 1.2. Diversified Business

The Group is a one-stop food and beverage supplier which provides variety and series of catering products ranging from coffee, tea, milk to the precooked food like snack, chicken. Most of the precooked food are provided by more than one brand which offer more choices to customers. Besides, the Group also sell equipment like coffee or tea machines and provide courses to public where these can satisfy different market needs.

#### 1.3. Quality Assurance

The Group has put effort into ensuring the food safety and the consistency of product quality by monitoring the whole supply chain from searching quality raw materials in different continents to the production process. It also provides after-sale support like maintenance service, product education, preparation techniques that ensure the customers are having a quality service. In 2018, the Group has received the awards Hong Kong Premier Brand and Quality Food Traceability Scheme Diamond which affirmed their efforts and help to build a reputation for reliable service.

#### 1.4. Platform Available for Coffee-related Professions

The TWG Coffee Connoisseurs Academy gives coffee lovers chances of **learning coffee industry professionally**. In the Academy, the citizens can **learn theories** like its history, species, the art of roasting and coffee sensory. Not only can the service **introduce the coffee culture** and **promote the brands** to the public, but also can **enhance the customers' satisfaction in leisure**.

## 2. Weaknesses

### 2.1. Weak Competitiveness against Substitutes

The Group's products **lack uniqueness and novelty**, which causes the problem of customer loyalty. If other companies offer homogeneous products at a cheaper price, the **customer flow will be easily diverted**. On the other hand, it has a lower popularity and hence lower competitiveness than other beverage brands, e.g. Nestle or other frozen food brands. Insufficient competitiveness of the its products against close substitutes makes it **hard to retain its customer base, limiting market influence**.

### 2.2. Heavy Reliance on Businesses of Customers

Since the gross profit of the Group is mainly contributed by its B2B food and beverage solutions business, the **revenue of it is directly proportional to that of its business customers**. It lacks dominant role for boosting the sales of their B2B products through different marketing strategies. **Once the catering industry is adversely affected by external factors, the revenue of it will decrease significantly**.

### 2.3. Ineffective Interaction with Individual Consumers

Due to its B2B services, the Group provides individual consumers with their products through caterers, such as cha chaan tengs and fast-food restaurants. After repackaging by those caterers, consumers are **unaware of the brand** since its logo on the products is usually removed. This leads to **difficulties in seeking potential consumers**. In addition, as it is not facing towards the public directly, **barriers to obtain first-hand consumer feedback exist**. As a result, it could be **complicated for it to capture the market trend and hence fail to cater consumers' preference**.

### 2.4. Less Known by Younger Generation

Despite its time-honored brand with a history of 88 years, it is **only well-known by the elder generation** that grew up accompanied by it, but **less known by the younger generation** due to lacking of advertising on TV, social media or in MTR.



The younger generation who are the potential consumers, fails to acquire information of it from multilateral channels. The younger market segment of it in the B2C market may be gradually eliminated, which is unfavourable for it to step forward into B2C market.

### 3. Opportunities

#### 3.1. Emerging Trend of Hipster and Wave of Photographing

With the bolstering usage of social media and digital social networking, consumers ranging from children to middle agers love sharing Instagrammable photos to show their social status and hedonic lifestyle. It is observed that the popularization of hipster has motivated more people to consume light western F&B like coffees, while cafes and coffee shops are often considered as new-generation scenic hotspot for checking-in.

#### 3.2. Expansion of Unilateral Distribution Channels

The new information and communication technology and widening use of mobile software allow businesses to publicize products directly to target markets through digital platforms, while customers could order and contact the suppliers such as the Group directly via Internet. The traditional way of distributing F&B products through multilateral distribution channels could be replaced by unilateral distribution channels, in which businesses could respond to market changes more promptly.

#### 3.3. Increasingly Diversified Development of F&B Outlets

With more operational restrictions and withering customer flow under the COVID-19 pandemic, F&B outlets are observed to be responding by expanding target segments and repositioning. For example, restaurants may serve more variety of food options to meet different tastes and preferences. Since restaurants would require more raw materials of different types, it could gain the opportunity to provide a total solution with their wide range of F&B supplies.

#### 3.4. Escalating Household Need of Consumer Goods

Given the outbreak of the COVID-19 virus, citizens are spending more time at home. These have resulted in an increasing need for household daily necessities and supplies like F&B products. In that case, it could further expand market towards B2C consumption and develop effective retailing establishments for household consumers.

## 4. Threats

### 4.1. Adverse Operating Environment

2020 is a difficult year for most of the business sectors under the influence of pandemic. The prohibition on groups gathering **lowers citizens' willingness** to consume foods outside as the infection rate is high. Some customers of the Group will stop getting the supplies of good from it because of a **low demand** of the market. A high inflation rate of raw material together with the exit of customers may **adversely affect profitability** of it.

### 4.2. Changing in Customers' Preferences

The Group mainly **focuses** on the production of coffee and tea. Nowadays, the living pace of citizens is **far faster** than the last decade. People **prefer** enjoying soft drinks products rather than drinking coffee and tea. This may erode the customer base of the Group.

### 4.3. Growing Competition in F&B Business

In recent years, more and more new styles of drinks are produced with **special purposes** such as energy drinks (e.g. Monster), herbal drinks, etc. With the **growing competition**, it is **hard to maintain** its **long-term sales** if no creative ideas are made.

## F. Business Plan

### 1. Promotional Project

#### Key Measure 1: Event Promotion

#### ① Your Own World with Capsule Fun (「你和扭蛋的世界」)

##### i. Rationale

As the Group is mainly a **B2B** company, it may not have much promotional activities for consumers. This campaign can provide a **pressure-free** and **special** shopping experience for customers in which they will not be **disturbed by the staff** and may **receive capsule gifts**. Customers may get the gifts with their luck after their purchase.

##### ii. Details

The Group will rent some stores in all **large-scale shopping mall** which will be used as unmanned stores with capsule gifts. In those unmanned stores, there will be **no staffs** and all the products will be directly **show on the shelves** which provide a **relaxing** shopping experience for consumers. On the shelves, there will be its products which includes its different products ranging from meat products, tea and coffee products to dairy products. A **cashier machine** will be installed in each store and customers are required to use it to pay for the products.



If customers do not pay for the products, the **alarm system** of the stores will send out signal to avoid any shoplifting. There will be a **capsule machine** in each store. **One** chance of playing a **capsule game** will be given to each customer if they purchase its products. Customers may **win extra capsule gifts** (i.e. Knickknack) with different themes in each season as the result from the **market survey** showed that **consumers prefer receiving gifts than receiving discount**. For example, the nostalgic style, such as the 70s, 80s cartoon characters, neon signs, cha chaan teng food, or izakaya style.

### iii. Expected Impacts

#### a. Provide Special Shopping Experience to Customers

Customers may feel **dull and monotonous** if they only purchase the products as normal. As some capsule gifts are **commemorative**, customers can treat them as collections. A special shopping experience provides them **entertainment** and have **deep impressions** towards the Group. Besides, customers will not be monitored and disturbed by the staffs. This **pressure-free** shopping experience can attract customers.

#### b. Facilitating Sales

With the **growing competition** of other beverage products, the sales of coffee and tea will be **adversely affected**. Unmanned stores will sell different products ranging from meat products, tea and coffee products to dairy products. It provides **more choice** for consumers. Playing capsule machines is a **popular trend** among teenagers, so it can **increase customers' willingness** to purchase its products and **boost the sales**.

### ② Coffee Cup Mosaic (「拼出新意」)

#### i. Rationale

This event intended to **attract citizens' attentions** on its beverages with the **mosaic picture** arranged in coffee made by the bartenders.



#### ii. Details

Many **coffee bartenders** will be invited to cooperate with the Group's coffee bartenders to make coffee in the coffee cup with **different flavour** like Sumiyaki, Mocha, Colombian, Blue Mountain, etc to ensure there is enough coffee for arranging the **mosaic patterns**. Some **citizens** are invited to participate for arranging the mosaic patterns like **local landmarks** or **world-famous celebrities** according to the instructions provided. The citizens are provided with meals cooked with the ingredients of the Group and a cup printed with the date and the picture of the mosaic patterns arranged as the **souvenirs**.

### iii. Expected Impacts

#### a. Promotional effects through news or social media

This event can raise the **awareness** of the brand by the mosaic patterns created as the event can **grab the attention** of the news reporters or some bloggers to interview the Group. With the **extensive spread of information** and the **high stopping power** of the mosaic pattern, it can attract the netizens to stop and have a look. Following the wave of photographing, passerby is also a **factor of advertising**. Furthermore, the world-famous celebrity pattern can attract the celebrity **fandom** attention.

#### b. Experiential Consumption

The participants can enjoy meals cooked with ingredients of the Group and the coffee provided by the bartenders which enable them to **experience** and **test the quality and reliability** of its products before consumption. The positive **pre-consumption experience** can raise their **satisfaction** and enhance the **brand preference** of the customers.

### ③ Coffee Beans GOLD Rush (「淘金淘豆淘金豆」)

#### i. Rationale

It intended to **expand the brand name** of the Group through the focus on promotion of **soft drinks products and the precooked food** in pop-up stores and **boost short-term sales** by **providing extraordinary experiences** to customers.

#### ii. Details

Some **pop-up stores and booths** will be **rent** from large shopping malls and **themed as a Western Cowboy Town** which its staff will also **dressed up like cowboys**. Besides, a **GOLD Rush activity** will be included which customers have a **chance** to get the **golden coffee beans**. A large pool filled with real coffee beans and a few coffee beans made by gold with special layer covered will be placed at the centre. If the customers **buy products** total valued **exceeds \$500**, they will be given **30 seconds** to go in and **find** the golden coffee beans by using a basket to **shake off the layer** of golden coffee beans.



### iii. Expected Impacts

#### a. Increase Customers' Awareness on Its Diversified Products

As the Group is **famous for its coffee and tea products**, this campaign enables it to **promote food products** and **increase the citizens' awareness** on its products other than beverage products like coffee and tea. Also, it can **reduce the risk of heavy reliance** on those products and **increase its competitiveness** in the F&B sector.



**b. Facilitate Sales with Interesting Theme**

As the pop-up store is **themed and well-decorated**, it can **attract citizens' attentions** on the operated and know more about the content. Also, as the customers can **have a chance to get the golden coffee beans** if the total value of products that they purchased exceeds \$500, this **encourages them to buy** its products and **raise up the sales**.

**Key Measure 2: Mobile App Development****Strategic Area 1: App Features and Functions****i. Rationale**

It aims at **providing an online ordering platform** for the **viewing of the Group's products** and **facilitate the consumption** through the Internet. Also **providing a B2C communication and retail channel** allows it to have **more interactions** with the individual customers to **perfect its before and after-sale service**.

**ii. Campaign****④ Launch a New Mobile Application**

The app enables consumers to **view all products** on the app with the details like price, characteristics, place of origin, recipes, guidelines and reminders which **convenient them from understanding the nature of the products and cooking process**. The consumers can finish their order through the e-payment systems. Besides, **an online customer service channel** and a **referral system** are included. The members can enjoy discount by showing the promo code received and the referred customers can also **earn points for redeeming** TW coffee or tea **products** online or at any one F&B outlets after each purchase.

**iii. Expected Impacts****a. Pleasant In-app Shopping Experience**

The app provides a **one-stop shopping experience** for customers from previewing the products to payment. All details are written and questions can be easily asked in the app which customers can **save time on researching and going out to buy products**. The pleasant shopping experience **encourages them to recommend it to their acquaintance**.

**b. Expand Its Market Segment**

By **meeting the trend of popularization of online shopping**, the app allows the Group to **develop an O2O channels** where convenient shopping is available. As **youngsters** are more familiar with the electric appliance and **demand for a more comfortable shopping experience**, the app can **attract the teens** with its **clear outlines and interactive functions**.

## Strategic Area 2: App-related Activities

### i. Rationale

The campaigns aim to **make the app more attractive** to the public. It **targets the weakness** of ineffective interaction with individual consumers, less known by younger generation, and weak competitiveness against substitutes, stepping **towards B2C market**.

### ii. Campaigns

#### ⑤ **Especially for You** (「獨家特飲 DIY」)

A game of DIY Special Drinks will be established in the app. It **offers many ideas of special drinks made by tea and coffee products of the Group**. The recipes are designed with the purpose of **emphasizing the superiorities of its products**, allowing it to stand out from its competitors. Recommendations of special drinks according to the users' **emotions, seasons or upcoming festivals** will be made to satisfy different users' preferences. After choosing the drink and its sweetness they preferred, the users can start to make their drink in line with the instructions and appropriate amounts of ingredients provided and decorate it by different methods in this game. They can also create their unique cups of drinks **that are not included in the recommendation list**. If the users share their finished products on social media and hashtag TWG, they can **acquire an e-coupon**. The clear instructions can also allow the users to **make special drinks themselves step by step in the real world**. They can buy the products of the Group through the button to reach the ordering page.

#### ⑥ **Fill It Up** (「填滿咖啡杯」)

An empty coffee cup will be shown on the screen. The users of the app are encouraged to **leave comments to fill up the coffee cup**. They can **share their experiences, stories and pictures related to coffee and tea** through comments and reply on others' comments, **providing coffee and tea enthusiasts with a communication platform**. The comments can be viewed not only in the app, but also on the electronic screens set up in shopping malls near MTR stations. The public can scan the QR code to download the app and leave comments. Leaving comments will **reward with specific TWG products**. When the coffee cup is fully filled, the Group will draw **5 participants** randomly by computer system. They will be **awarded a trip for degustation of tea and coffee**.



### iii. Expected Impacts

#### a. Expanding B2C Consumer Base

Sharing on social media and electronic devices installed in public areas allow more people to **aware of and become interested in the brand TWG**. The games are **especially appealing to teenagers** who like playing games and elegant tea and coffee culture. This helps **widen the market segment** in the B2C market towards the younger generation.

#### b. Increasing Users of the Mobile App

Through sharing on social media by the users, the game will **become a popular trend**. Providing a communication platform can attract many coffee and tea enthusiasts, who are the **target consumers**. **Potential consumers will also be attracted by economic incentives**. As they download the app to play the games, they will realize features and advantages of its products. Hence, **more loyal consumers can be cultivated in long run**.

### Key Measure 3: Develop Customer Interaction Channels

#### i. Rationale

It aims to strengthen the **brand recognition** of the Group as a **one-stop F&B solution provider** in the B2C market by **increasing physical interaction** with consumers and to reach teens and household consumers to **encourage customers' engagement**.

#### ii. Campaigns

##### ⑦ Brand New Direct Touch Points

By **redesigning and repositioning the TW Coffee Concept Coffee Counter and TWG Coffee Connoisseurs Academy** as an **indigenous photo spot**, the Coffee Counters located in supermarkets as well as the Academy would be **renovated and redesigned to emphasize quality lifestyle and elegant design**. In these spots, **live cooking demonstrations and samples** should be offered to showcase the **diversity** of F&B products supply of the Group. When visiting the new spots, visitors could not only appreciate the **trendy design** and might **check-in and share photos** on social media, but also **get in touch with the chefs and sales** there. Thus, household consumers could **obtain information on its F&B solutions** and could **purchase** a variety of its products there. In addition, **celebrities** could also be invited to **attract more consumer flow**.

##### ⑧ TW Help! (「捷榮幫緊你幫緊你！」)

To fulfill the **increasing need to dine at home**, **learners or graduates** from the TWG Coffee Connoisseurs could be dispatched to **high-end household participants'**

residential units to assess consumers' need and preferences of F&B products at the first time for free. After that, the deployed staff could draft a total solution for the household consumer, from everyday meal planning to food delivery or even paid cooking assistance. For example, the staff could offer personalized live demonstration of some dishes so that the consumer could serve themselves with the ingredients ordered.

**iii. Expected Impacts**

**a. Expand Brand Recognition in the B2C Market**

By directly serving and sharing product information to consumers in the counters and during services, the consumer could understand the total solution that the Group provides to household consumers. The improved customer direct interaction could enhance its brand recognition and be better known in the B2C market.

**b. Reposition TWG in the Market to Fit into the Current Trends**

As the SWOT analysis shows that the Group lacks bonding to the younger generation, through setting up fashionable coffee counters to attract visitors, as well as establishing a unilateral channel to interact with customers and sell products directly, it helps the Group to blend with the more updated trends, such as photographing, KOL culture. These trendy elements help it to better fit into the market and reach consumers easier.

**2. Implementation Plan**

Implication	Research	Design	System testing	Decision making	
Colour					
Implication	Contact	Launch	Production/Restructure	Updating	Evaluation
Colour					

Event Promotion								
Campaign	Year ended 31/12/2021				Year ended 31/12/2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Your Own World with Capsule Fun	Research on the operation of unmanned store	- Contact shopping malls for renting places - Contact capsule machine manufacturer	Decide the themes of capsule gifts and purchase commodities as gifts	System and machine testing	Launch the campaign	Add latest products and update capsule gifts	Evaluation	Refine the operation
Coffee Cup Mosaic	Decide the date and venue of the campaign to be launched	Contact coffee bartenders	Design the mosaic patterns	Contact cup manufacturer for making souvenirs	Launch the campaign	Evaluation		
Coffee Beans GOLD Rush	Contact jewellery store	Contact shopping malls for renting places	Design the decorations of the stores	Set up pop-up stores and booths	Launch the campaign	Add latest products regularly		Evaluation

Mobile App Development								
Campaign	Year ended 31/12/2021				Year ended 31/12/2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Launch a New Mobile Application	Research information of products and recipes	Design the layout of the app, referral and customer service system	System testing	Launch the campaign			Evaluation	Update the server and content of the app
Especially for You	Design the recipes of special drinks	Design page layout and recommendation system	System testing	Launch the campaign	Collect market responds		Evaluation	Update the system
Fill it Up	Design page layout and cartoon illustrations	Contact shopping malls and MTR Corporation	- Contact electronics company for renting screens - Contact travel agency for offering a trip as award	System testing	Set up and decorate the screens Launch the campaign	Collect market responds	Evaluation	Update the system



Develop Customer Interaction Channels								
Campaign	Year ended 31/12/2021				Year ended 31/12/2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Brand New Direct Touch Points	Research on trendy design of photo spots	- Contact supermarkets for permission of renovating the Coffee Counter - Contact decoration & design company for redesigning and renovating	Redesign the Coffee Counters and the Academy	Renovate and decorate the Coffee Counters and the Academy	Contact celebrities Launch the campaign			Evaluation
TW Help!	Design a variety of everyday meal planning	Delivery system testing	Cooking assistance programme testing	Improvement of services	Decide the promotion strategies	Launch the campaign Regular evaluation		

### 3. Budget Plan

Details	Budget (\$'000)	Details	Budget (\$'000)
<b>① Your Own World with Capsule Fun</b>		<b>④ Launch a New Mobile Application</b>	
Venue Renting Cost	700 (7%)	Promotion Cost	300 (3%)
Store Design Cost	100 (1%)	Online Service Channel Cost	200 (2%)
Machines and Systems Cost	300 (3%)	App Design Cost	500 (5%)
Operating Cost	250 (2.5%)	Update and Maintenance Cost	400 (4%)
Maintenance Cost	200 (2%)	<b>Sub-total</b>	<b>1,400 (14%)</b>
Gift Cost	250 (2.5%)	<b>⑤ Especially for You</b>	
<b>Sub-total</b>	<b>1,800 (18%)</b>	e-Coupon System Cost	300 (3%)
<b>② Coffee Cup Mosaic</b>		Game Design Cost	150 (1.5%)
Promotion Cost	350 (3.5%)	<b>Sub-total</b>	<b>450 (4.5%)</b>
Product Cost	450 (4.5%)	<b>⑥ Fill It Up</b>	
Mosaic Design Cost	200 (2%)	Gift Cost	200 (2%)
Venue Renting Cost	700 (7%)	Game Design Cost	150 (1.5%)
<b>Sub-total</b>	<b>1,700 (17%)</b>	Streaming System Cost	300 (3%)
<b>③ Coffee Beans GOLD Rush</b>		<b>Sub-total</b>	<b>650 (6.5%)</b>
Venue Renting Cost	750 (7.5%)	<b>⑦ Brand New Direct Touch Points</b>	
Layout and Design Cost	150 (1.5%)	Design and Renovation Cost	500 (5%)
Administrative Cost	150 (2%)	Labour Cost	400 (4%)
Labour Cost	300 (3%)	<b>Sub-total</b>	<b>900 (9%)</b>
Gift Cost	200 (3%)	<b>⑧ TW Help!</b>	
Miscellaneous	100 (1%)	Labour Cost	500 (5%)
<b>Sub-total</b>	<b>1,500 (18%)</b>	Logistic Cost	300 (3%)
		Promotion Cost	300 (3%)
		Administrative Cost	100 (1%)
		<b>Sub-total</b>	<b>1,200 (12%)</b>
		<b>Spare Budget</b>	<b>100 (1%)</b>
		<b>Total</b>	<b>10,000 (100%)</b>

### 4. Impact on Sales and Profit

As most of our suggested campaigns are planned to be launched **after the fourth quarter** of 2021, only impacts for the year ended 31 December 2022 will be projected.

#### 4.1. Sales

Through the launching of the app “**Tsit Wing Group**” and the games “**Especially for you**” and “**Fill it up**”, the e-coupons, game and the convenience bring **many incentives** for the public to try out the app and purchase products through the app. It can surely **stimulate the sales**. Unmanned stores with **capsule gifts** will be installed to attract customers by **providing special shopping experience** to them. The event “**Coffee Mosaic Creation Event**” acts as a **promotion and advertising channel** through news and social media which help to **boost the sales**. With the suggestions implemented, it is foreseeable that the sales can **increased 3.18%** from \$784,998,000 in 2019 to \$810,000,000 in 2022.

## 4.2. Profit

The type of shopping experience offered in “Coffee Beans GOLD Rush” is seldom held in Hong Kong, so people will be attracted to buy more. With the implementation of “Band New Direct Touch Points”, allows the Group to directly interact with customers and make profit by selling their products. It is foreseeable that the profit of the Group can be raised by 3.51% from \$77,290,000 in 2019 to \$80,000,000.

## G. Conclusion

Overall, the Group should strive to explore new markets and develop new types of products. From the financial analysis, it should utilize its liquid assets more effectively to raise up sales and enhance its profitability. As reflected in the SWOT analysis, in spite of the solid foundation of B2B business, there is few consumers from the other markets due to the lack of advertisements and channels for interactions. In light of these, three key measures, including a series of promotional events, the development of a mobile application, and the development of customer interaction channels, are proposed. It is believed that these can boost the sales and raise its brand awareness in the public.

## H. Appendices

### 1. References

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- Tsit Wing Group  
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## 2. Market Research

To analysis the current status of Tsit Wing Group in the Hong Kong market, a market research was successfully conducted in late December 2020. In this survey, 50 random survey participants were invited to share their opinion. The details are as follows.

### 2.1. Survey From (English Version)

#### Market Research on Tsit Wing Group

Please check **one** box for each multiple-choice question unless specified otherwise.

1. Have you heard about Tsit Wing Group (捷榮集團)?

- Yes  
 No

2. Which of the following brands have you heard of? (Choose one or more)

- Lipton (立頓)  Monin



- NH Foods (日邦食品)  PapaChef (大廚巴巴)



- BETAGRO  N/A



3. Which type of promotion method can attract you most?

- Gifts  
 Discounts  
 Advertisements  
 Limited edition  
 Other (please specify): \_\_\_\_\_

4. Have you tried Tsit Wing's products?

- Yes  
 No (please skip to question 7)

5. How frequent do you consume Tsit Wing's products in one month?

- Irregular
- 1 time
- 2-3 times
- 4-5 times
- 6 times or above
- N/A

6. Why do you choose Tsit Wing's products? (Choose one or more)

- Good quality
- Reasonable price
- Good reputation
- Friend's recommendation
- Other (please specify): \_\_\_\_\_

7. Do you think the promotion or advertisement of Tsit Wing is enough?

- Yes
- No

8. Where have you seen Tsit Wing's promotion or advertisement? (Choose one or more)

- Television
- Websites
- Social media (e.g. Instagram, Facebook, etc.)
- Transportation (e.g. bus stop, MTR)
- Retail stores (e.g. 7-11)
- Print advertisements (e.g. newspaper, magazines, etc.)
- Restaurant (e.g. McDonald's)
- N/A
- Other (please specify): \_\_\_\_\_





9. Rank the following beverage products according to your consumption preference.  
(From 1 to 8, 1 is the most preferred, 8 is the least preferred.)

- Coffee and tea
- Soft drinks
- Energy drinks
- Fruit juice
- Alcohol
- Milk
- Water
- Other



\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

10. How much do you usually spend on beverage products a week?

- \$0
- \$1-\$100
- \$101-\$200
- >\$200



11. Would you rather purchase beverage products from physical outlets or through online platforms?

- Physical outlets
- Online platforms

12. Considering physical catering premises, who would you usually go with?

- Individually
- Family members
- Friends
- Co-workers
- Other (please specify): \_\_\_\_\_

13. Have you tried Tsit Wing's products other than tea and coffee?

- Yes
- No (please skip to question 16)

14. Other than tea and coffee, what Tsit Wing product have you consumed? (Choose one or more)

- Milk
- Precooked food (e.g. fried series, cheesy series, stick series)
- Instant beverage
- Other (please specify): \_\_\_\_\_

15. Would you rather consume food products at home or at food premises?

- At home
- At food premises

16. Do you drink coffee?

- Yes
- No (*please skip to question 21*)

17. Why do you drink coffee? (*Choose one or more*)

- Price
- Taste good
- To stay energetic
- Trend influence
- Healthy
- Other (please specify): \_\_\_\_\_

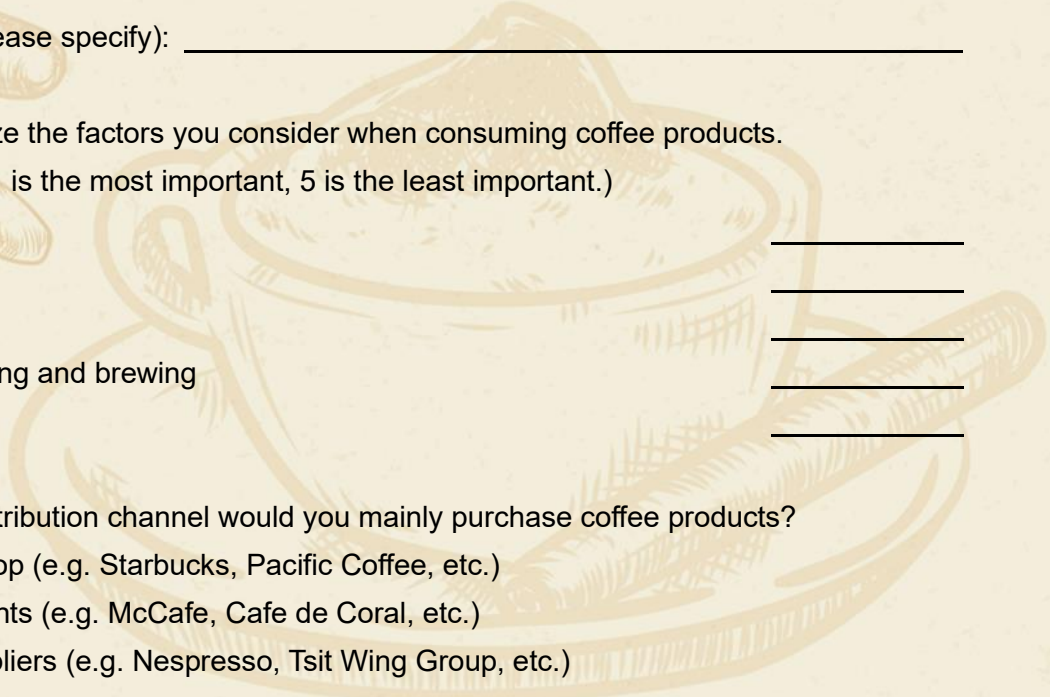
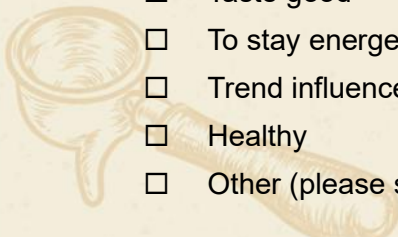
18. Please prioritize the factors you consider when consuming coffee products.

(From 1 to 5, 1 is the most important, 5 is the least important.)

- Price \_\_\_\_\_
- Ingredients \_\_\_\_\_
- Aroma \_\_\_\_\_
- Ease of steeping and brewing \_\_\_\_\_
- Popularity \_\_\_\_\_

19. From what distribution channel would you mainly purchase coffee products?

- Coffeeshop (e.g. Starbucks, Pacific Coffee, etc.)
- Restaurants (e.g. McCafe, Cafe de Coral, etc.)
- F&B suppliers (e.g. Nespresso, Tsit Wing Group, etc.)
- Retail sectors (e.g. supermarkets, stores, vending machine, etc.)
- Online distributor (e.g. HKTV Mall, Taobao, etc.)
- Other (please specify): \_\_\_\_\_





20. Rank the following brands of coffee according to your consumption preference.  
(From 1-6, 1 is the most preferred, 6 is the least preferred.)

Nescafe

Oldtown Berhad

Melitta

Maxwell House

Tsit Wing

Other

(Please skip to question 22)



21. Why don't you drink coffee? (Choose one or more)

Insomnia

Taste bad

Unhealthy

Smell bad

Other (please specify): \_\_\_\_\_



22. Do you drink tea?

Yes

No (please skip to question 27)

23. Why do you drink tea? (Choose one or more)

Price

Healthy

Cultural background

Taste good

Other (please specify): \_\_\_\_\_

24. Please prioritize the factors you consider when consuming tea products.

(From 1 to 5, 1 is the most important, 5 is the least important.)

Price \_\_\_\_\_

Ingredients \_\_\_\_\_

Aroma \_\_\_\_\_

Ease of steeping and brewing \_\_\_\_\_

Popularity \_\_\_\_\_

25. From what distribution channel would you mainly purchase tea products?

- Tea rooms (e.g. Tea Together, etc.)
- Restaurants (e.g. Cha chaan tengs, Bing sutts, etc.)
- F&B suppliers (e.g. Tsit Wing Group, etc.)
- Retail sectors (e.g. supermarkets, stores, vending machines, etc.)
- Online distributor (e.g. HKTV Mall, Taobao, etc.)
- Other (please specify): \_\_\_\_\_

26. Rank the following brands of tea according to your consumption preference.  
(From 1-6, 1 is the most preferred, 6 is the least preferred)

Tao Ti \_\_\_\_\_

Lipton \_\_\_\_\_

Vita \_\_\_\_\_

Nestle \_\_\_\_\_

Tsit Wing \_\_\_\_\_

Other \_\_\_\_\_

*(Please skip to question 28)*

27. Why don't you drink tea? *(Choose one or more)*

- Insomnia
- Taste bad
- Unhealthy
- Smell bad
- Other (please specify): \_\_\_\_\_

28. Gender

- Female
- Male
- Prefer not to say
- Other (please specify): \_\_\_\_\_

29. Age group

- Below 10
- 11-20
- 21-30
- 31-40
- 41-50
- 51-60
- Above 61



30. Monthly income

- Below \$10,000
- \$10,001-\$20,000
- \$20001-\$30000
- \$30001-\$40000
- \$40001-\$50000
- Above \$50001
- Prefer not to say

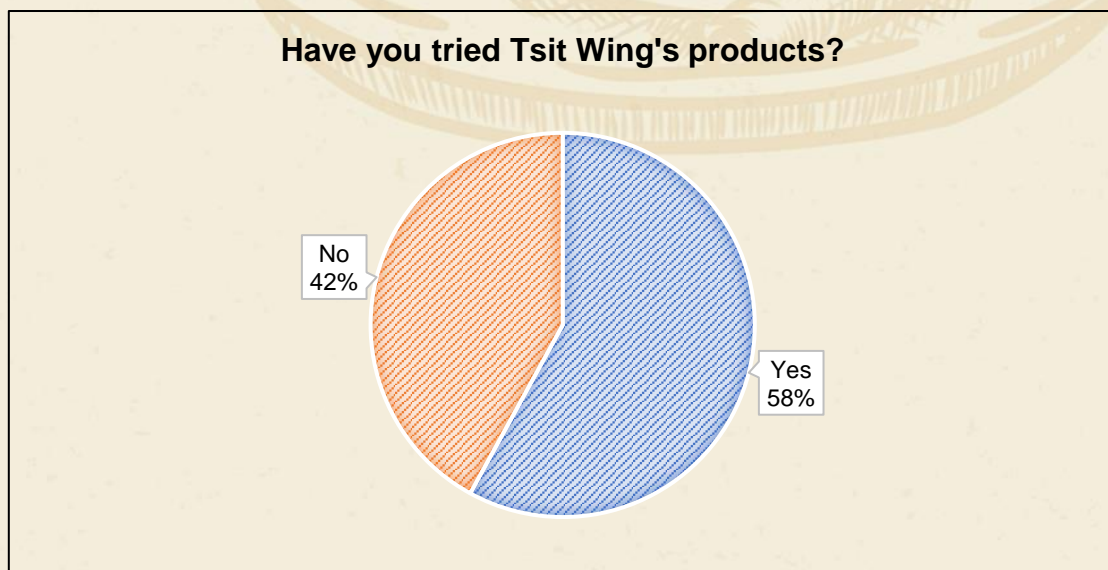
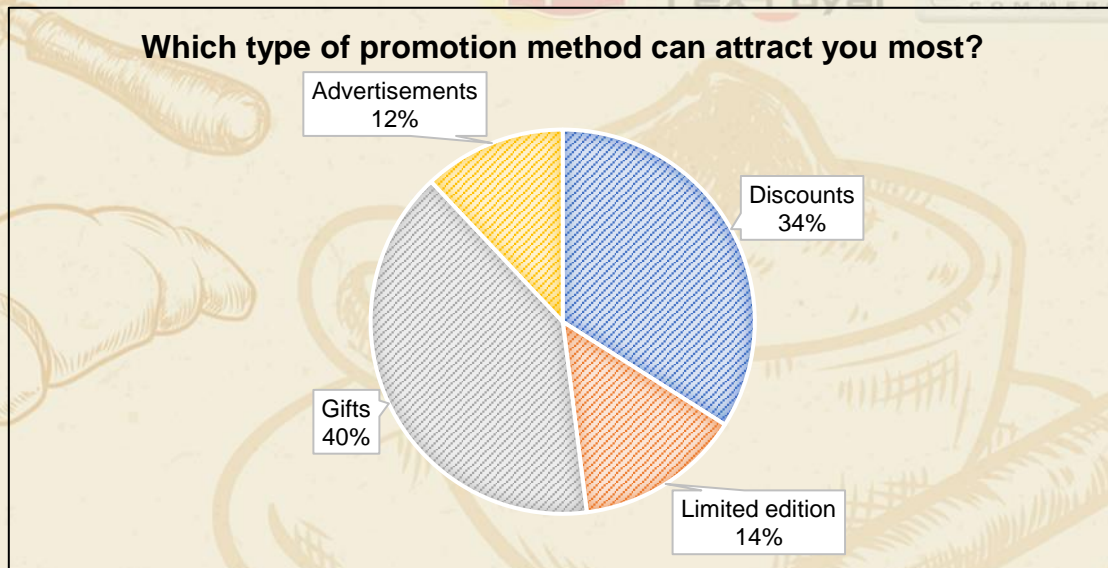
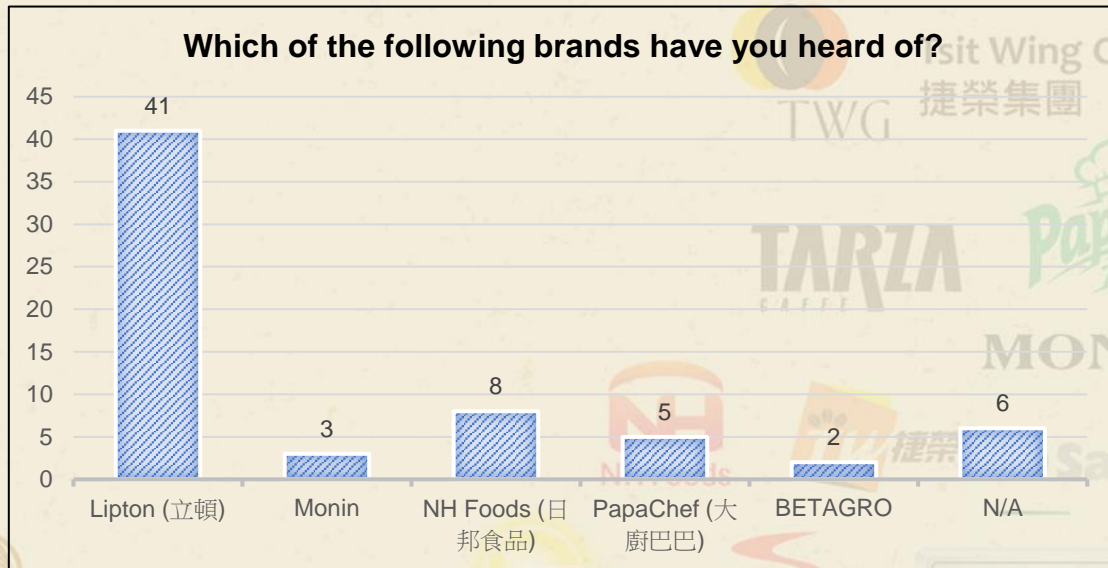
31. Identity

- Local residents
- Tourists

Thank you for completing our survey form!

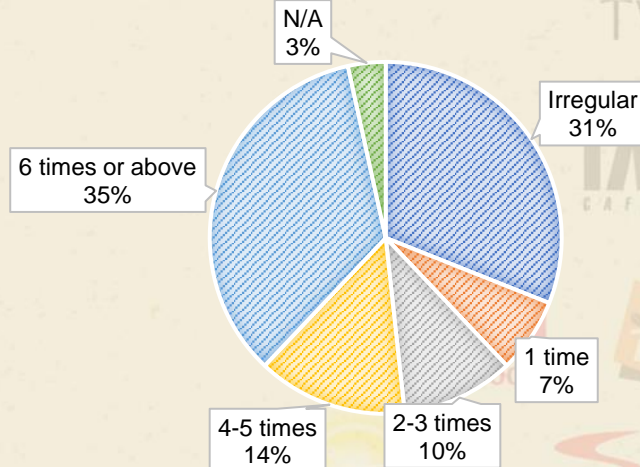
2.2. Survey Result (50 Responses)



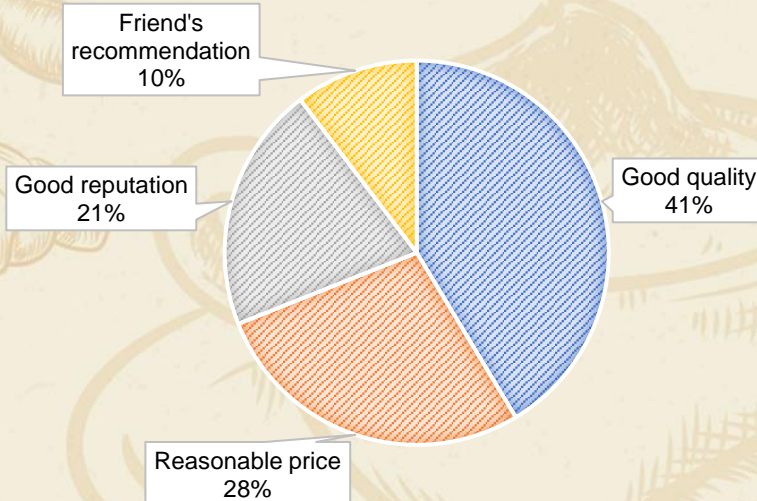




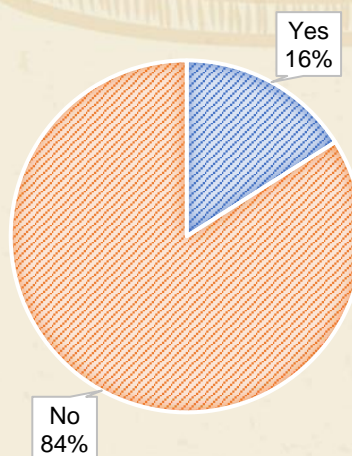
### How frequent do you consume Tsit Wing's products in one month?

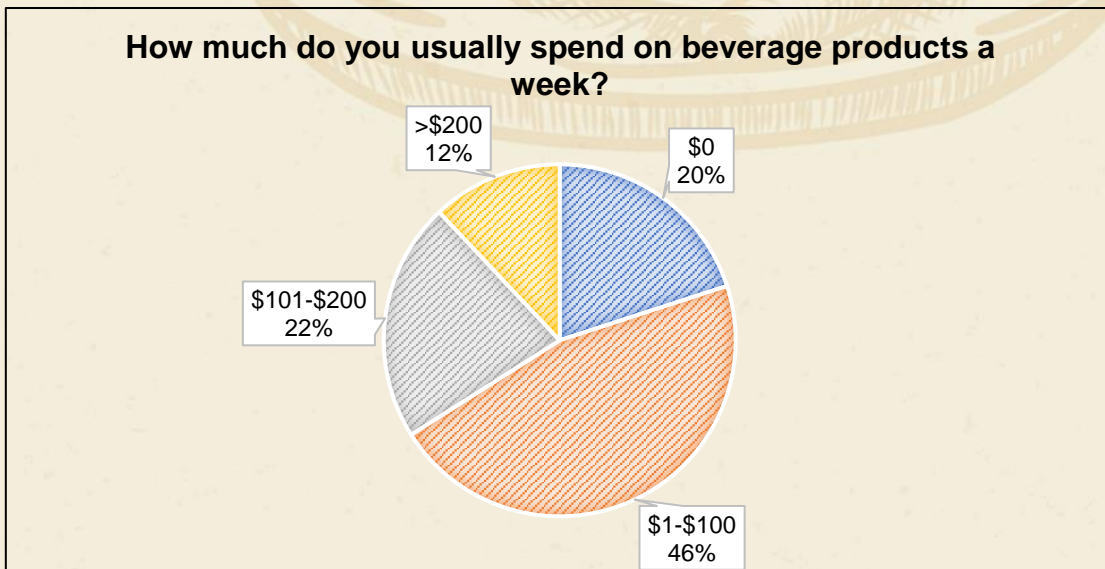
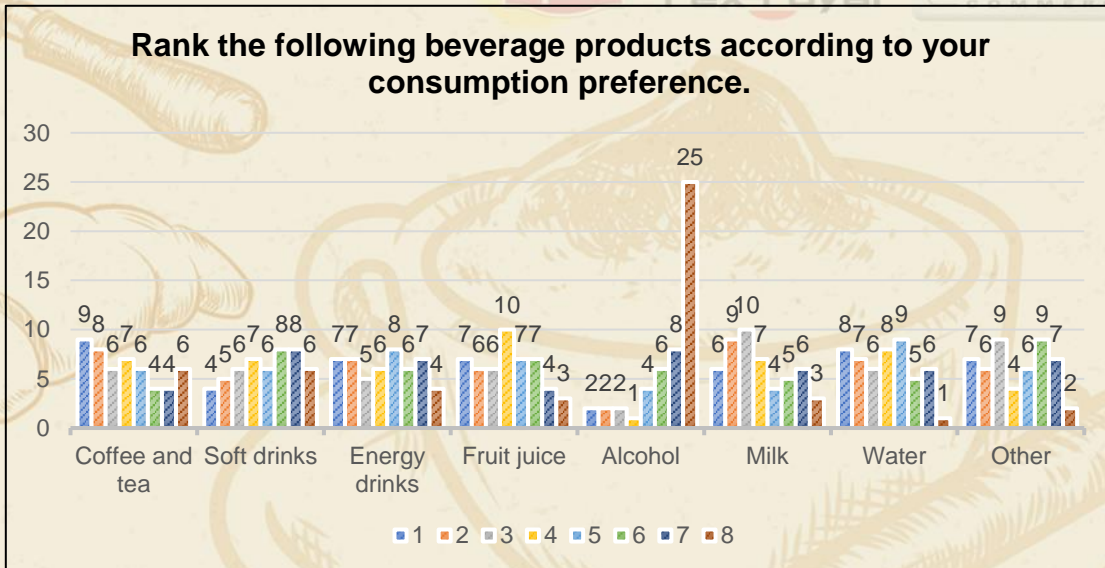


### Why do you choose Tsit Wing's products?



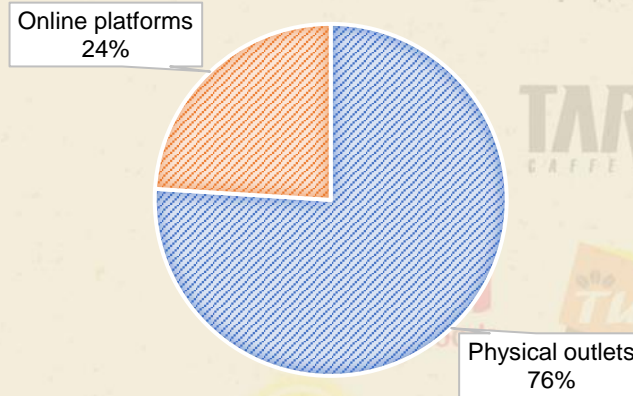
### Do you think the promotion or advertisement of Tsit Wing is enough?



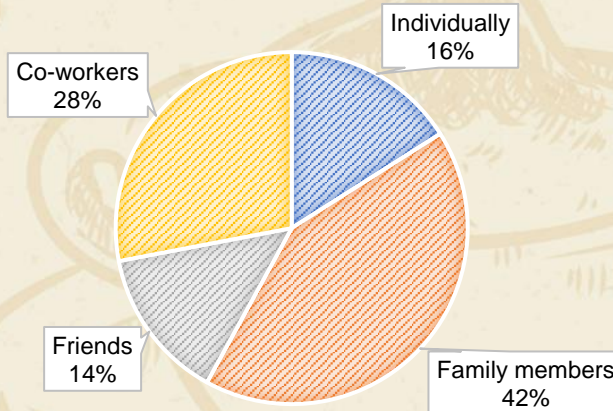




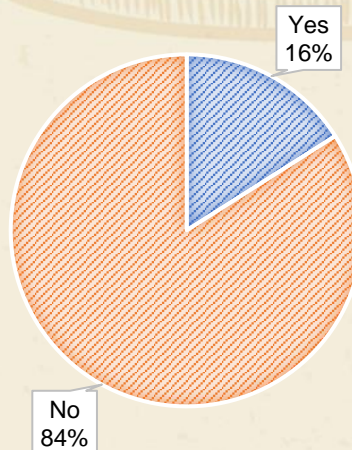
**Would you rather purchase beverage products from physical outlets or through online platforms?**



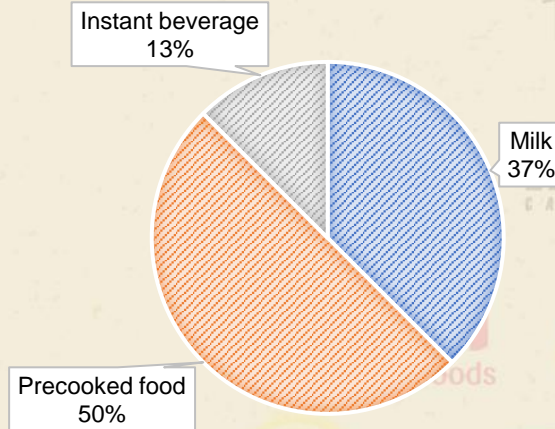
**Considering physical catering premises, who would you usually go with?**



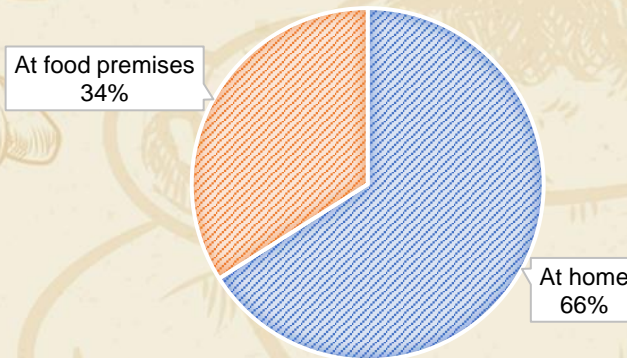
**Have you tried Tsit Wing's products other than tea and coffee?**



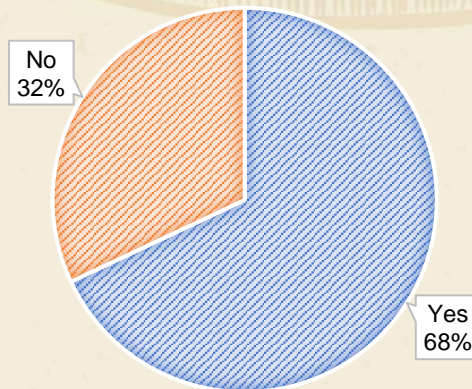
### Other than tea and coffee, what Tsit Wing product have you consumed?



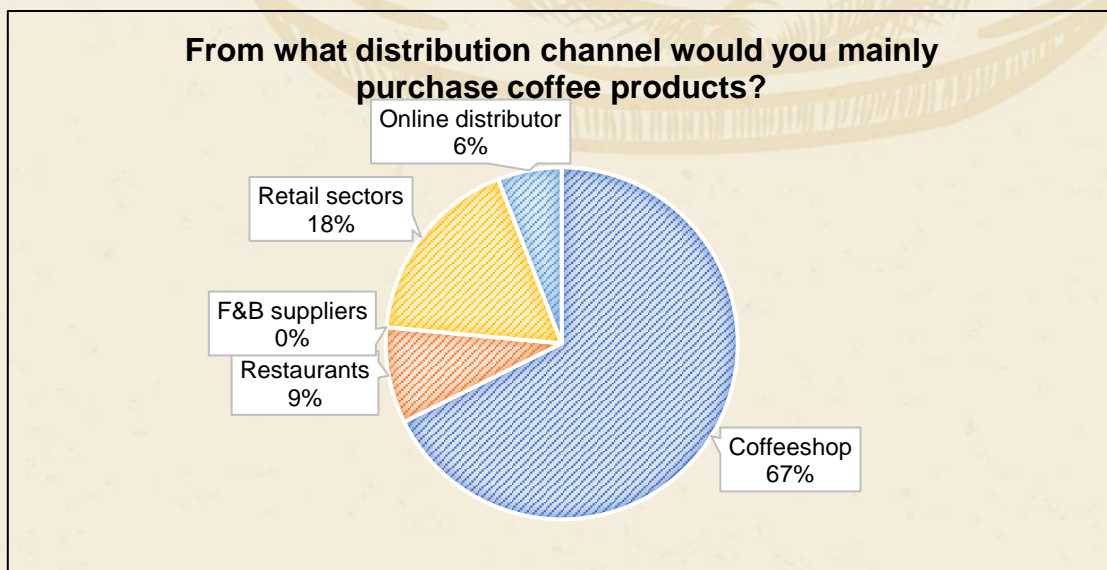
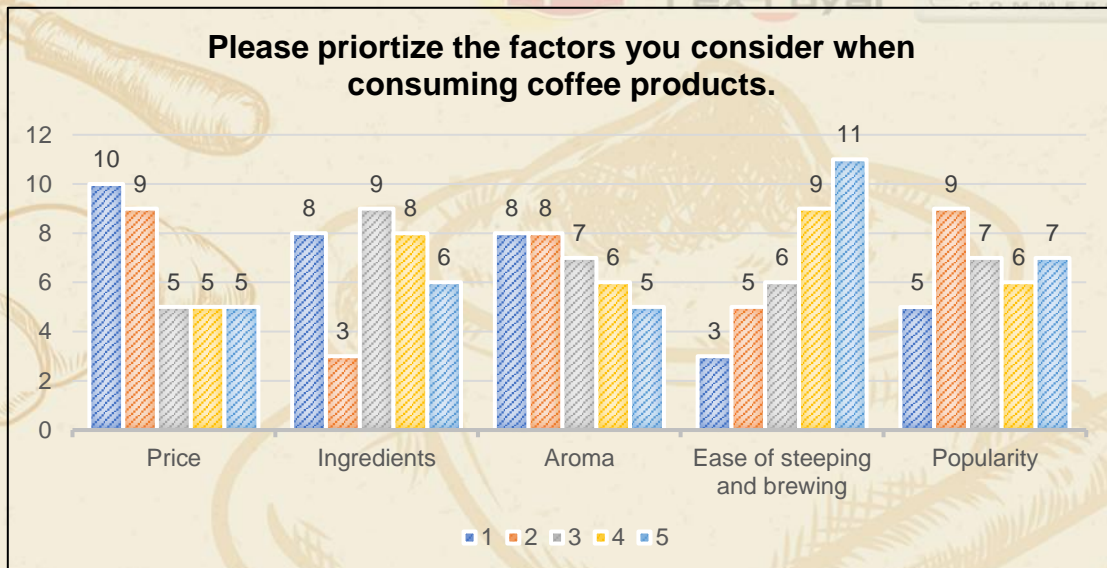
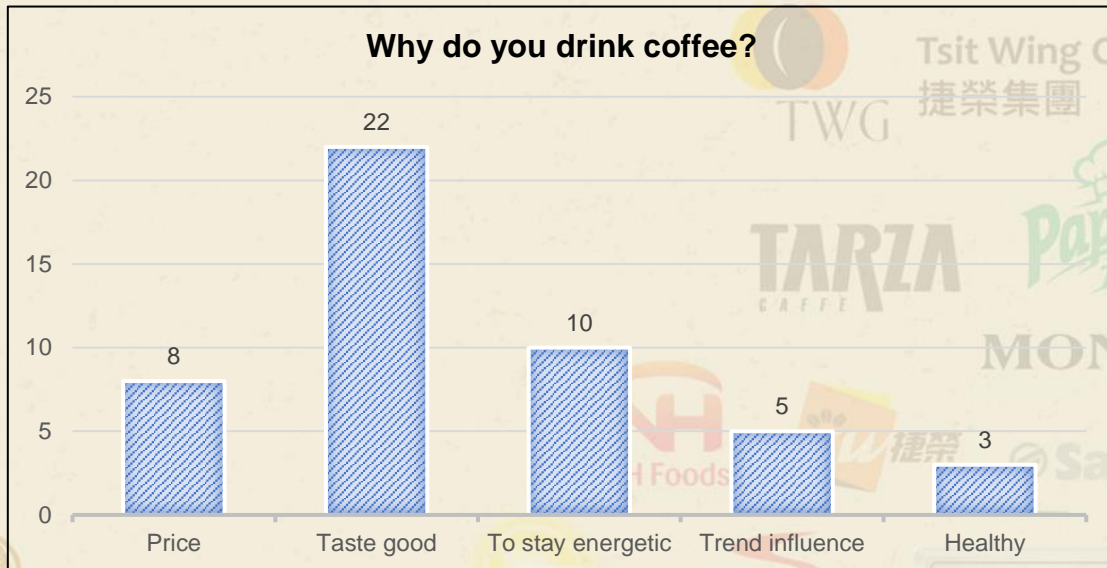
### Would you rather consume food products at home or at food premises?

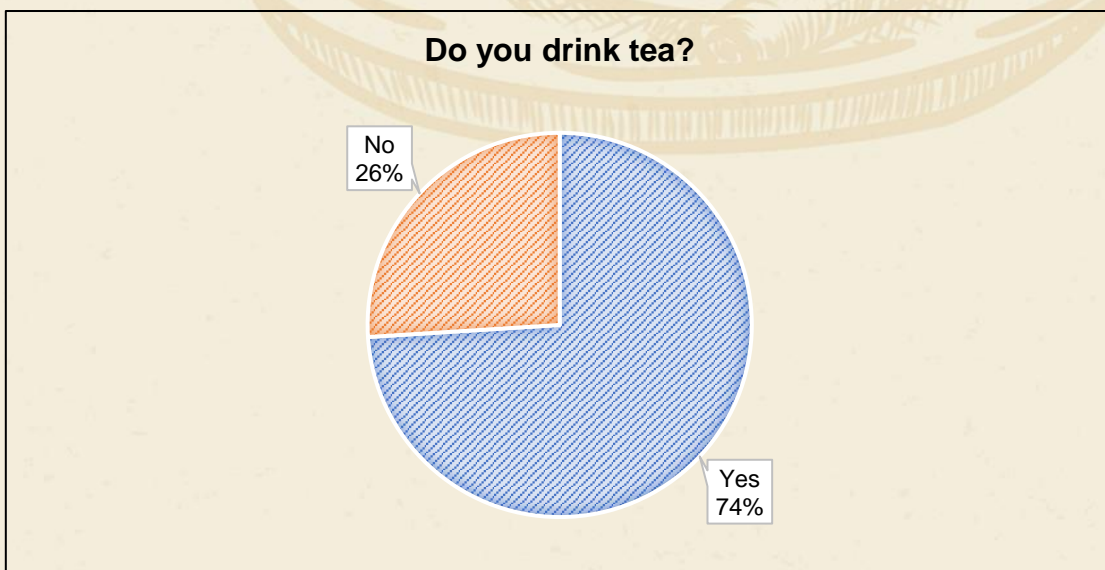
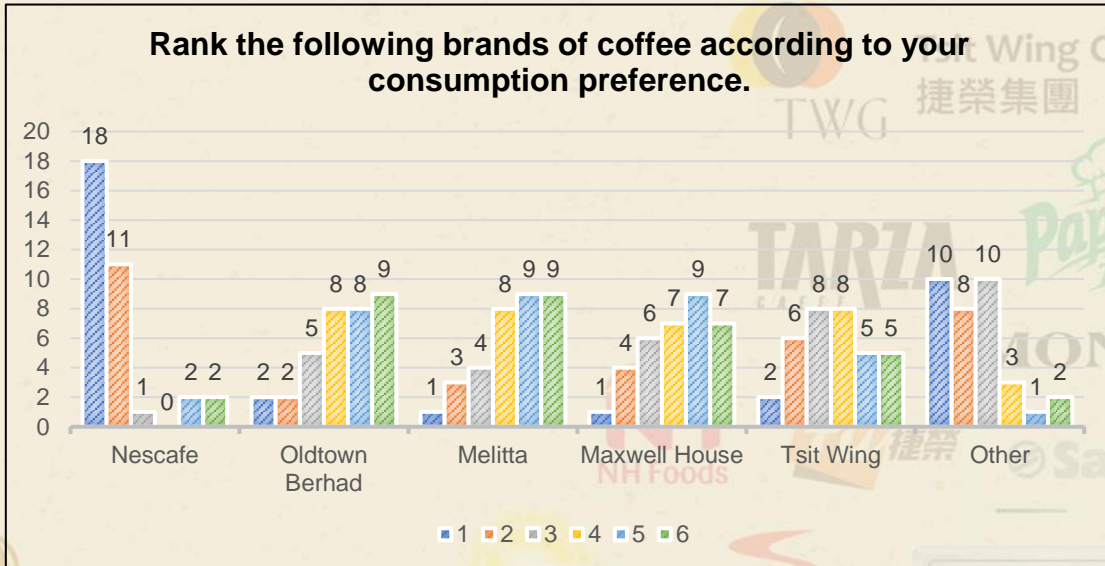


### Do you drink coffee?

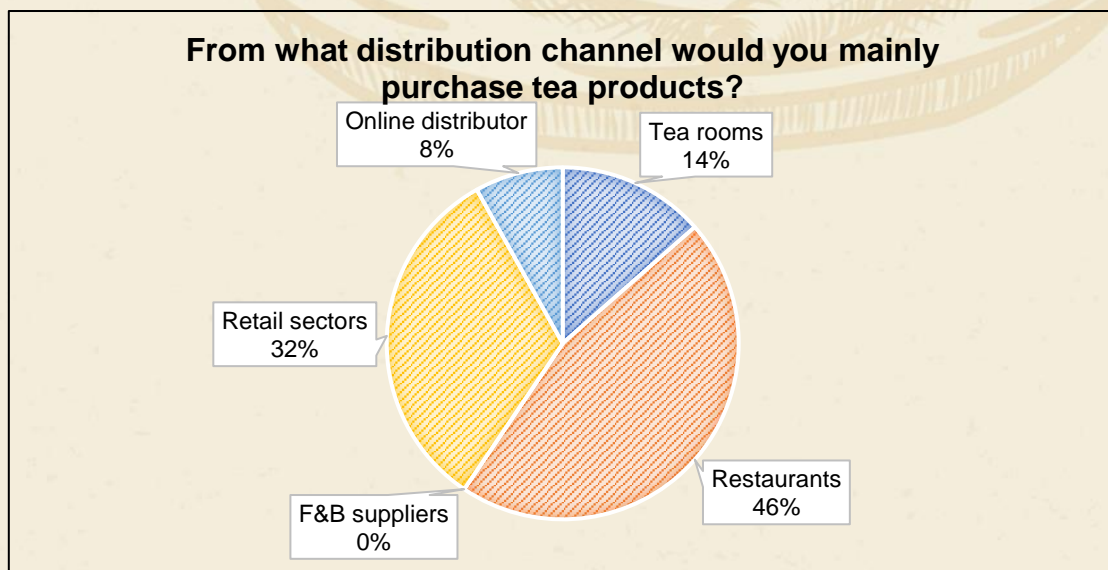
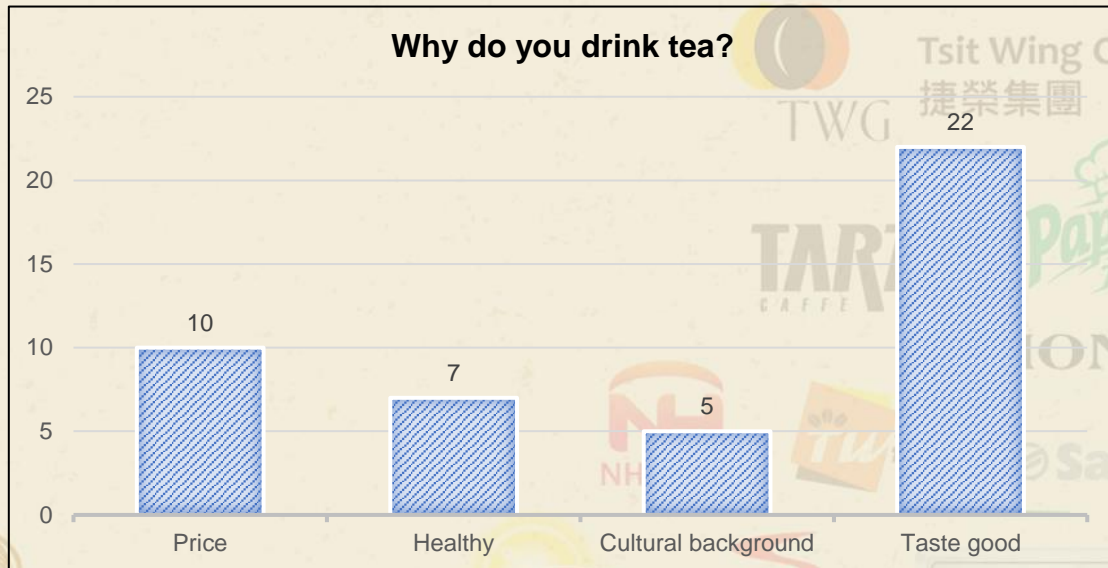


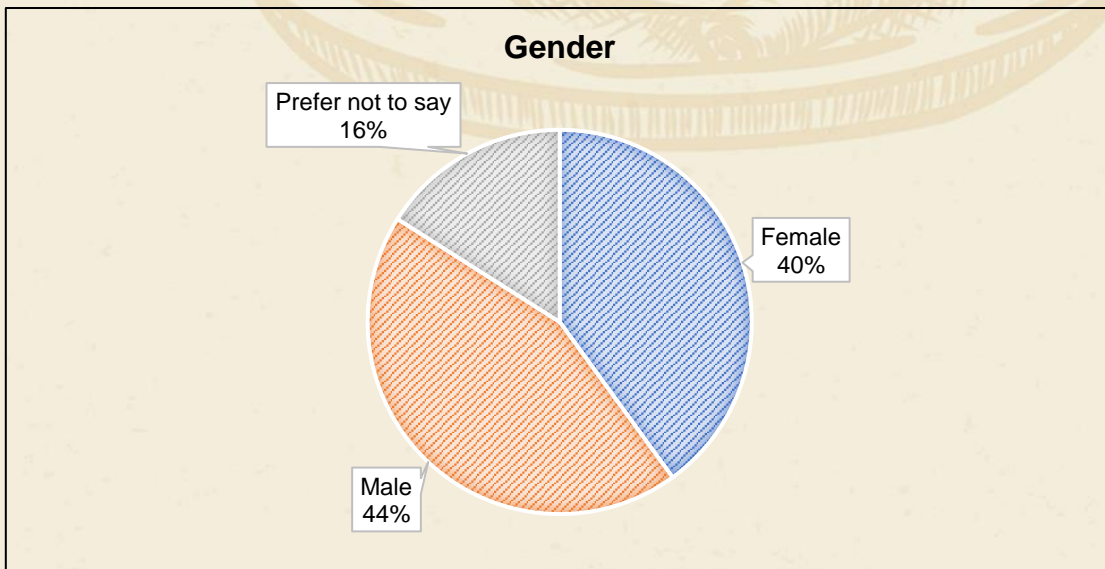
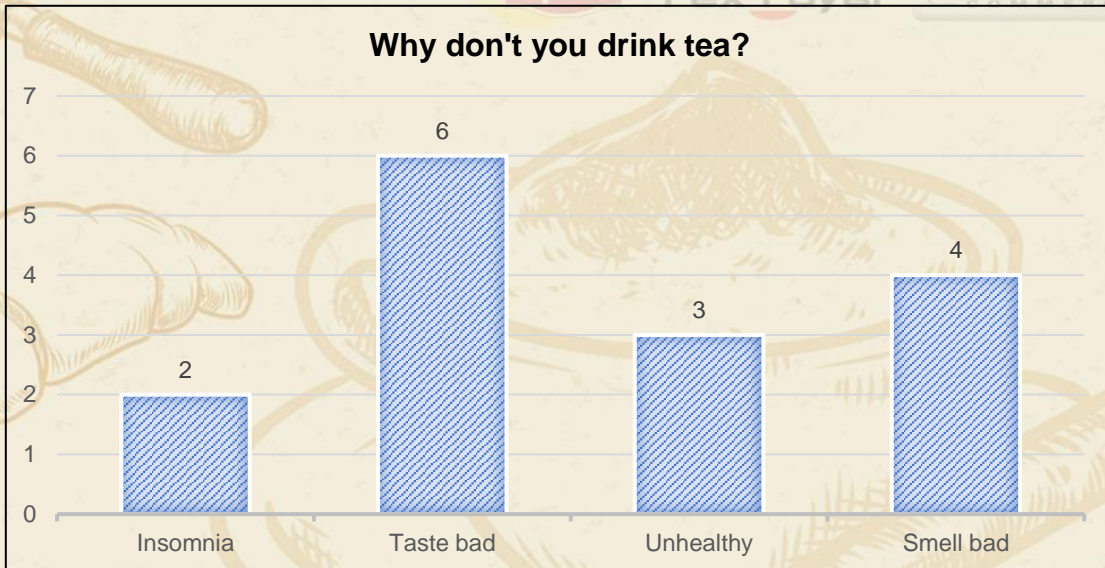
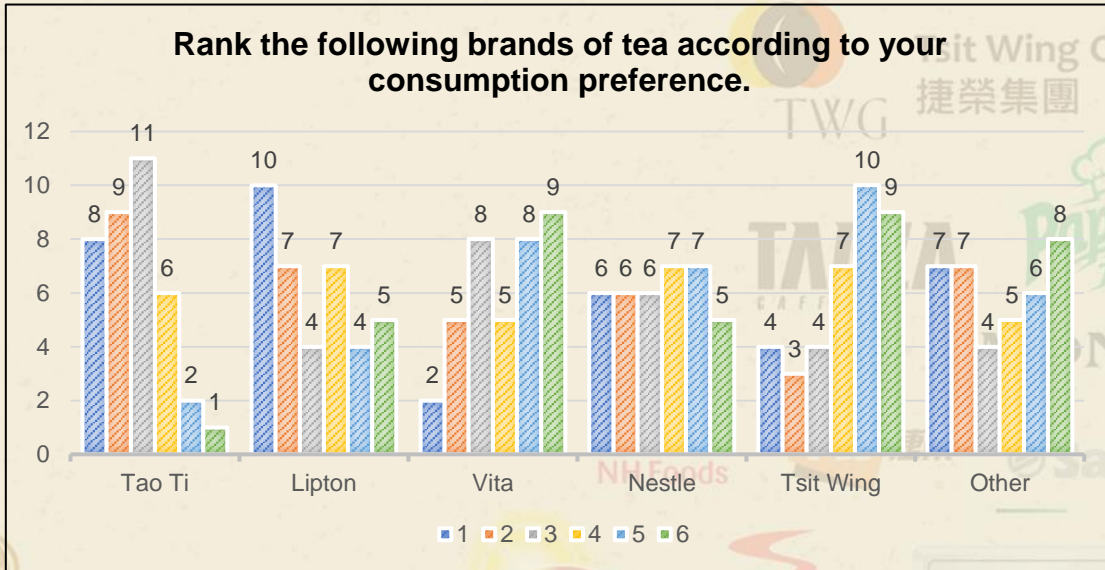




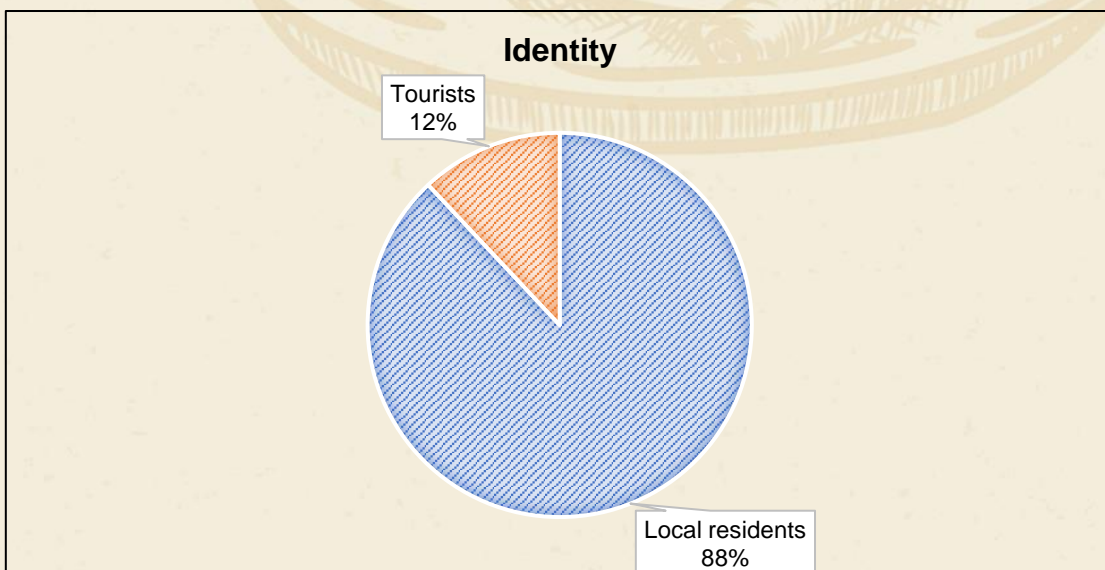
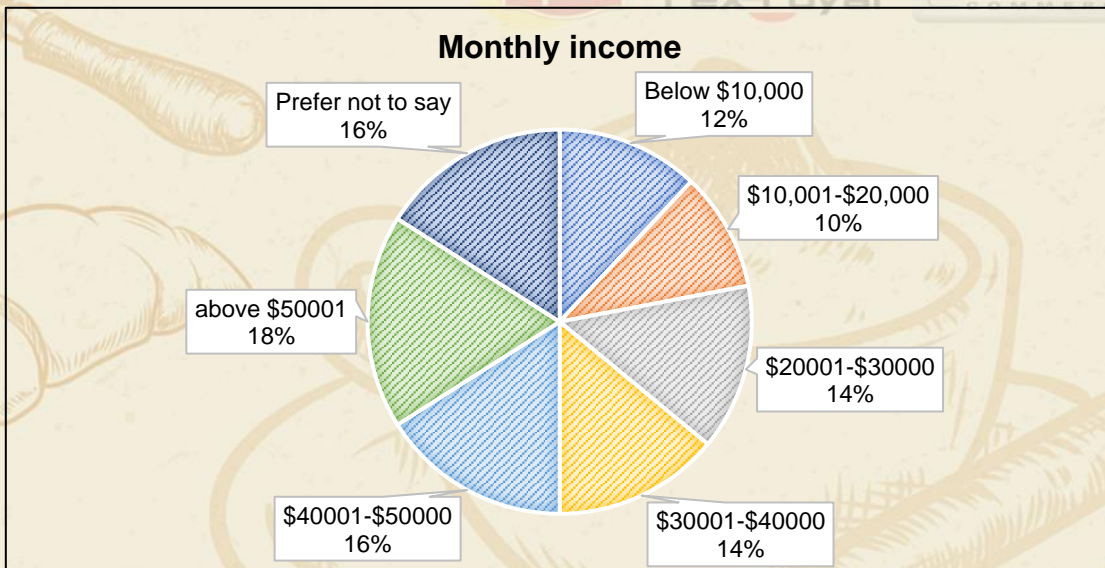
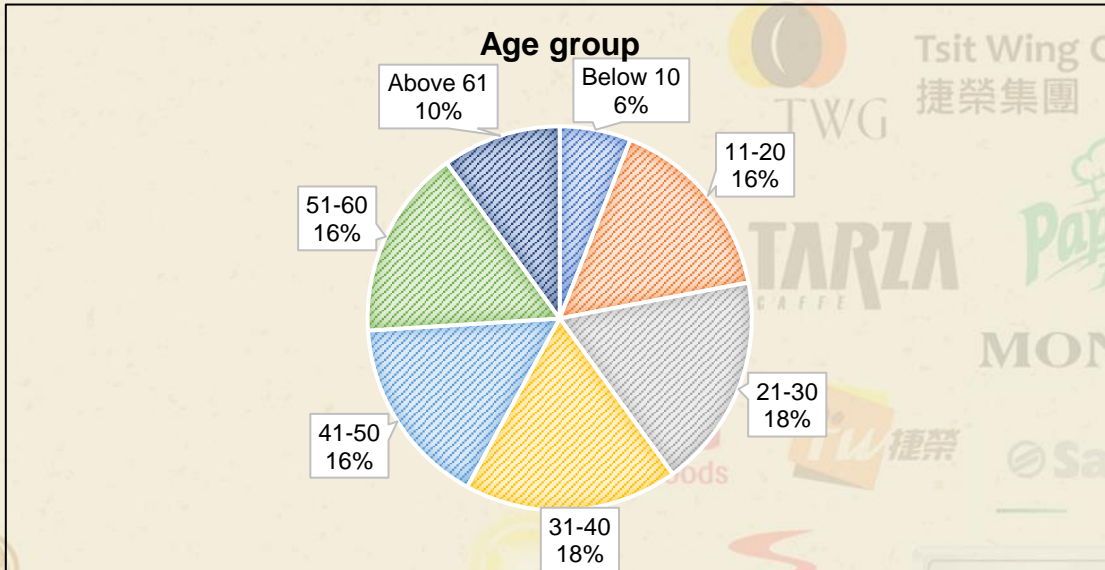












**-End of Proposal-**