

LEVEL 7 ASSESSMENT SPECIFICATION

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Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

Executive Summary

The COVID-19 outbreak that broke out in early 2020 is undoubtedly a heavy blow to all consumer industry players in the world. Affected by the outbreak, coupled with the turmoil caused by geopolitical issues such as the Sino-US trade war, consumers' confidence has been significantly affected and they have become more conservative and sensitive. This report reviews one of the Hong Kong company under the Luxury Watch & Clock industry, City Chain Group is facing their challenges; taking positive actions to respond it during COVID-19 epidemic; trying to build consumer confidence and ensure that companies can endure to operate normally despite these challenges. We evaluate the status quo of the market, competitor and new product trends, and create an independent forecast regarding market developments of the Luxury Watch Goods industry.

Table of Contents

	<u>Page</u>
1. Introduction	1
2. Defining the Problem/Issues	2-3
3. Method of Approach	4
4. Analysis of the Issues	9-13
4.1 Market Trend Analysis	
4.2 Competitor Analysis	
4.3 Product Trend	
4.3.1 Sports watches	
4.3.2 Smart watches	
4.3.3 Fashion watches	
4.3.4 Chronograph watches	
4.3.5 Sustainable watches	
4.3.6 Bezel materials	
5. Recommendation and Conclusion	9-13
6. References	14-17

1 Introduction

The purpose of this document is to define how it will proceed, determine the type of product, and broadly list the future tasks needed to support the further improvement of City Chain; it will form the basis of project management. The first product of the group's strategic needs assessment will be completed by the end of August 2021.

Stelux House was founded in 1963 as a manufacturer and exporter of stainless-steel watch parts abroad. Stelux Holdings International Limited was listed on the Hong Kong Stock Exchange in 1972 (stock code: 0084). (Stelux, 2019)

In 1985, Stelux House opened a City Chain in Hong Kong to create a entirely innovative watch retail culture. "City Chain" introduces the concept of multi-brand and fashionable life and retails watches at clear-cut prices in a single watch retail store, which fundamentally changes the sales model of traditional department store at retail counter.

City Chain Group 時間廊集團 operates approximately 185 stores in Hong Kong, Macau, Mainland China ("Greater China"), Singapore, Thailand and Malaysia, and operates "City Chain" and "Titus" e-commerce platforms. "City Chain" Group's turnover dropped by 33.7% to HK\$773.3 million (2018/19 financial year: HK\$11,665 million) and make a loss before interest and tax was HK\$206.1 million (2018/19 financial year: HK\$98.0 million), including the impairment loss of the Group's retail store use right assets of HK\$7.69 million due to the adoption of the new Hong Kong Financial Reporting Standard. As part of the "City Chain" group's main strategy to transform to a global marketing model, the group continues to invest in e-commerce business. Due to the COVID-19 epidemic, the Group has accelerated the pace of this investment, established various infrastructure configurations and grasped online market data, and increased investment in online operations (such as social networking platforms) to maintain active interaction with consumers, thereby promoting online sales and strengthening "Online penetration of the "City Chain" brand. (STELUX, 2019)

This report will analyze the collected information according to the required document, find the root cause of the trend, dig out the data gap and define the follow-up requirements. (McCarton, 1998)

2. Defining the Problem/ Issues

The COVID-19 epidemic disrupted many business activities and brought unprecedented challenges to the delivery of goods and services. Under social distancing measures, many face-to-face activities must be suspended.

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City Chain will seek to identify and understand the current and future needs of consumers for products in the short-term and long-term. It provides an information agreement to the company strategy of the STELUX and City Chain Group's stakeholders (John, G and Scholes, K, 1999).

To conduct needs analysis and evaluation to guide the revision of group strategy and simultaneously, a new "home economy" is emerging. In view of this, the City Chain Group can instantly digitize their mechanical watch workshop and launch the sub-brand DIY Watch Club for young customers.

The project objectives are evaluating whether the STELUX and City Chain Group has sufficient information about the consumers and its short-term and long-term needs to ensure that they can provide the most suitable products. To determine how to best store all collected data so that it can be accessed and updated easily at any time. To ensure that customers understand the products sold to the group in their region to improve the sales revenue by 15%, by 31 Aug 2021. To develop steps on how to carry out the future of the group and formulate procedures and policies when necessary.

3 Method of Approach

The STULEX and City Chain Group process will be based on the following:

- Partnership working: Corroboration with the business partner and Trade Development Council standard represents a brand-new retail experience.
- Community Participation: Actively interact with service users to fully understand the needs, paying special attention to the views of the youth group.
- Evidence of effectiveness: identifying the best relevant methods of practice, innovation and research to inform how best to meet demand.

4 Analysis of the issues

The essential to the success of this project is good use of data analysis. To collect secondary data from government and research institutions' website, it can be more economical, vertical and professional (Novak, 1996)

4.1 Market Trend Analysis

Hong Kong watch companies are actively moving towards the development of the high-end market, and are determined to conduct research and development, locally producing self-designed mechanical movements, and even mass production of precision timepieces. Before assembling watches and clocks, many companies will send products manufactured by themselves or purchased from dealers to independent testing laboratories for testing to ensure product quality. (HKTDC, 2021)

In addition, many manufacturers pay close attention to design patent matters to protect their intellectual property rights. In terms of technology, Hong Kong companies operate computer-aided design (CAD) to advance the design quality of complete clocks, clock looks, watch gears and related apparatuses to plummeting time and costs. (Kline, 1977) In addition, the application of 3D computer-aided industrial design (CAID) and rapid prototyping technology will help Hong Kong companies improve their design capabilities. Some Hong Kong companies invest in research and development of movement to reduce dependence on imports and overcome the problem of standard movement restricting product design. (Sun, S., Huang, Q., and Chai, C., 2005)

Hong Kong's watch manufacturers also amplified their speculation in modern production technology, it can increase productivity and improve quality of product. They continue to improve die casting, mold making, metal stamping, plastic production, clock surface treatment and electroplating technology. For example, metal injection molding technology (MIM) is particularly suitable to produce complex-shaped stainless-steel shells, belts and buckles, allowing manufacturers to manufacture more elaborately designed watches. (Abolhasani H, 2010)

Nevertheless, the COVID-19 ravages the world, the internet has become an indispensable product promotion and sales channel for the watch industry. More and more brand owners, retailers and distributors have set up e-commerce websites and opened online stores on large online shopping platforms such as Alibaba, Tmall, and JD.com. For luxury brands selling products online, high-quality distribution services and offline after-sales service have quickly become the norm in the industry. (Cooper, M., 2002)

City Chain Group could actively interact with service users to fully understand their desires and consider the views of the target customers.

4.2 Competitor Analysis

Hong Kong watches produced in the form of Original Equipment Manufacturer (OEM) are mainly marketed to importers and distributors in the United States, the European Union and Japan. Some manufacturers directly enter OEM arrangements with chain stores and fashion brands to produce unique products to match their brand image. (Wlalak, Safsten & Hilletoft, 2019)

The competitive Original Design Manufacturer (ODM) products designed by Hong Kong companies, their sales channels are roughly the same, but they are generally more popular with small distributors because the latter are limited by their financial resources and cannot make large investments in design and production equipment. Certain low-priced products are sold directly to large companies as promotional gifts. In terms of the market, products exported to mainland China, Southeast Asian countries and other emerging economies are usually produced in an ODM model.

There are also some Hong Kong companies trading their own brand watches, such as EONIQ, INFANTRY, Maven and NSQUARE. Some Hong Kong companies have even acquired Swiss brands or Swiss watch companies to expand their marketing networks or acquire better technologies and designs. In addition, some Hong Kong companies have entered cooperation arrangements with mainland department stores and shopping malls to develop business in major mainland cities and promote their own-brand products.

Although most international trade shows are cancelled or postponed under the COVID-19 pandemic, City Chain Group act as a brand owner and trader can liaise with overseas buyers through popular online exhibitions and platforms to represent a brand-new retail experience.

4.3 Product Trend Analysis

City Chain Group could identify the best relevant methods of practice, innovation and research to inform how best to meet demand. There are various new product trend in the watch industry.

4.3.1 Sports watches

As fitness and sports activities become more and more popular, some sports hands with the characteristics of ultra-lightweight, ultra-thin, comfortable to wear, 100-500 meters waterproof, scratch-resistant, anti-reflective materials, and high-definition, often perform well. market. In terms of luxury goods, some automatic movement models with a power storage of up to 80 hours can meet the needs of active people. (Seo, Y. and Oliver, M. B., 2015)

4.3.2 Smart watches

Smart devices and digital trending products are popular, and smart watches are becoming increasingly popular, which continues to drive the industry's growth. The watch industry is committed to developing various unique functions for smart watches, such as body movement and vital signs monitoring, global positioning system, temperature measurement and weather forecasting. In addition to the above functions, the design and comfort of watches are becoming more and more important to the growing female market. Therefore, in addition to technology giants, some well-known fashion brands have also launched watch series, hoping to get a share of the market.

4.3.3 Fashion watches

The extra-large surface design is favoured by the younger generation, while the brightly coloured styles, such as pink and white watches, are very popular with female consumers. In addition, jewellery, bracelets, and bracelet-type watches are suitable for wearing when attending grand occasions. For men's watches, designs with timing functions and bezels are very popular.

4.3.4 Chronograph watches

Chronograph watches: Skeleton watches can display the structure of chronograph movements and are becoming more and more popular in the US and Japanese markets. Generation Y and Generation Z consumers value personal style and love traditional craftsmanship, so they also love this kind of watches.

4.3.5 Sustainable watches

To meet the increasing demands of environmentally friendly consumers, Hong Kong brands such as Wood Watch Hong Kong make watches with recycled materials, recyclable materials or vegan leather.

4.3.6 Bezel materials

Ceramics, titanium, alloys, carbon fibres, magnesium, palladium and reinforced steel have high scratch resistance and are popular choices for making bezels, followed by bronze.

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5 Recommendation and Conclusion

City Chain Group became famous in Hong Kong and aroused their ambitions to explore other markets in Asia and look for more business opportunities. However, their offline expansion plan has obviously been put on hold due to the COVID-19 outbreak. City Chain's development strategy could plan to raise funds to set up watch workshops and retail stores in ASEAN, Japan, and South Korea. Their online business has established a firm foothold in these regions and orders progressively more.

In ASEAN, City Chain Group are sought after by professionals who familiar with English, such as lawyers, doctors, and asset managers. ASEAN online shoppers like to design their watches on their website because the website provides a variety of watches. bands, watch cases, hands, seconds, and dials, etc. In terms of sales, their customer base in ASEAN is more than 5 times larger than in Hong Kong. To better penetrate the ASEAN market, they have planned to be the largest consumer market in the region. That is, Indonesia has opened an offline DIY watch workshop and expanded its product range to include custom metal pens and bracelets, as well as high-end sub-brands under City Chain Group. However, the COVID-19 epidemic has slowed down all work under City Chain Group Personalized Watch Online Design Platform. (HKTDC, 2021)

As of November 2020, Indonesia and the Philippines are the ASEAN countries with the largest number of confirmed cases of new coronary pneumonia, with more than 500,000 and 400,000 cases, respectively. City Chain Group is not optimistic about the short-term prospects of the expansion plan in the region. The ASEAN market has been severely hit by the epidemic, and the disposable income and demand of the company's target customers are declining, at least in the short term. They will continue to develop ASEAN. The market, but also pay close attention to business opportunities in other markets. (HKTDC, 2021)

In Aug 2021, City Chain Group can shelve its offline expansion plan for the ASEAN market to launch its sub-brand Do-It-Yourself (DIY) Watch Club in the North American market. DIY Watch Club provides customers with DIY watch tool kits (with special tools, parts, and

accessories), replacing face-to-face workshops with online courses, allowing customers to enjoy an immersive watch making experience. (Schwartzlander, A. and Bowers, J. S., 1989). The instructor will guide customers how to install watch parts in the video. The items in the set are preset, and some can be purchased on the DIY Watch Club website. These watch tools can also be used to assemble and disassemble the parts and accessories of most popular brand watches, bringing more possibilities of mixing and matching for users. (Bateson, 1985)

City Chain Group realizes the need to rapidly move watch workshops online to U.S. during the epidemic continues. The U.S. is not only one of the most lucrative e-commerce markets in the world, but also a leader in watch trends. Online shopping is popular in the United States, coupled with high spending power, is a promising market. The products are priced from US\$200 (HK\$1,550), which are usually regarded as light luxury goods in ASEAN but are quite affordable in the US. (HKTDC, 2021)

For Sales Channel, today, the speed, scale and influence of innovation and distraction make technology an important force that impact on business strategies, business decisions, and value-creating models. The challenges posed by the outbreak of COVID-19 pneumonia have prompted enterprises to accelerate their digitalization.

A more active use of technology after the epidemic is a long-term business strategy (Fletcher, G. and Griffiths, M., 2020). According to figure 1, HKTDC interviewed 100 Hong Kong companies from 1 June to 8 July 2020 in three broad areas: consumer goods (e.g. fashion, electronics, gifts), consumer services (e.g. tourism, personal finance, catering) and business services (e.g. financial services, creative industries, information technology). The purpose of the survey is to understand the challenges encountered by Hong Kong companies in the face of the ongoing outbreak and their prospects.

Most respondents believed to adapt their business strategies to the current "new normal". Thirty-eight percent of the companies surveyed said they were downsizing their businesses. Other measures proposed in the current situation include strengthening the development of the digital sector (69 per cent of respondents chose to "develop more online distribution channels",

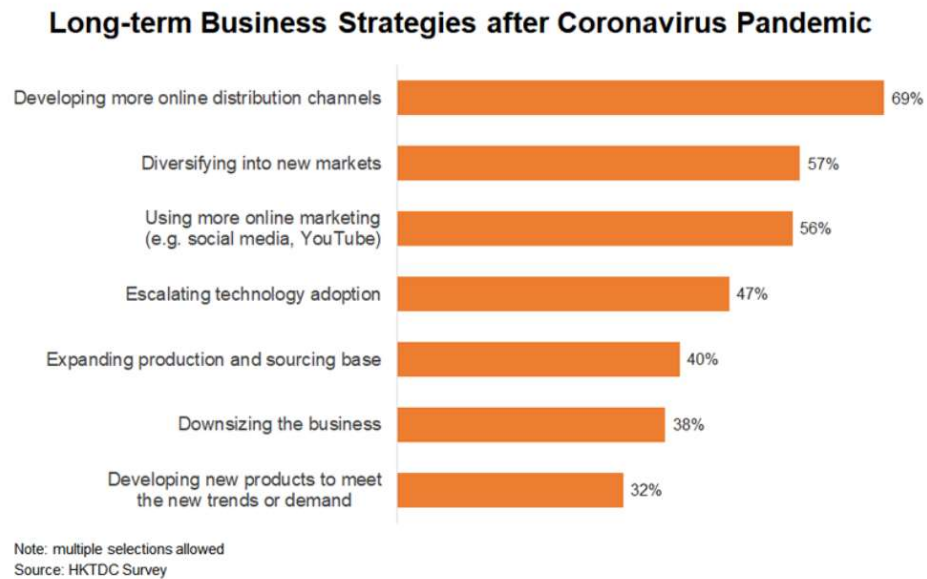
56 per cent chose "wider online marketing") and opening up new markets (57 per cent) and adopting technology more actively (47 per cent).

Technology is a powerful tool for people to continue living and working through online collaboration platforms and video conferencing, shopping with apps and arranging home delivery, and enjoying entertainment through streaming services. Now that fintech is on its feet, far-range medicine, which was rarely talked about before the outbreak, is beginning to receive attention. As businesses adapt to new realities and benefit from the digitalization of work practices and day-to-day operations, they are likely to generate new demands for innovation, data, business analytics, and project management.

Most of the companies surveyed said they understood that technology is a powerful force that can make a huge shift in customer expectations, workforce and the management way of companies. Nevertheless, it is not clear how companies should use technology to create value. (Pawar & Riedel, 2009)

For example, many respondents recognized that the integration of overturned the traditional value create models, twisted value chains and blurred industry boundaries within the real and digital worlds. They have identified initiatives such as digital transformation, addressing cyber threats, creating a smooth customer experience, or adopting new business models, each of which can create value for the business alone. (HKTDC, 2020)

Figure 1



Considering the situation of the US e-commerce market, City Chain Group can elaborate product design and brand promotion activities for the new sub-brand DIY Watch Club. From the brand name, they can perceive their adoption of completely different brand strategies for the offline market in Asia and the online market in the United States. The name DIY Watch Club is for the purpose of search engine optimization (SEO) to increase their exposure in major online search engines and to build a light luxury image in Hong Kong, Japan, South Korea, Taiwan and ASEAN markets. (HKTDC, 2021)

In terms of products, City Chain Group's online store mainly provides hollow models, customers can take a closer look at the internal operation of the watch. The watches displayed on the DIY Watch Club website are mostly classic styles, and the webpage adopts user experience (UX) design and tends to provide pre-determined combination of parts and accessories. (Garrett, J., 2003). The idea behind these differences on the most American consumers are not only want to own another watch, but also desire to differentiate product, and have such expectations for micro-brands. A DIY watch that can be customized by themselves. (Brandley, F., 2005)

DIY Watch Club customers can come from all walks of life, but they are all interested in watch making. The social media and forums have become a good digital platform for watch making enthusiasts to share their insights, experience and ideas on watch making and craftsmanship to embed a unique customized watch as a gift for relatives and friends.

The global watch market is expected to shrink in 2020, but City Chain Group believes that watch manufacturers who know how to be flexible, good at brand planning and have an omni-channel marketing strategy, could survive, and develop in the new normal. (Manser Payne, E., Peltier, J. W. and Barger, V. A., 2017). The impact of the epidemic on the watch industry are watch distributors that rely on traditional offline channels. City Chain brands can sell products directly to customers through e-commerce during the current challenging period.

City Chain Group could expand their cross-border e-commerce business during the epidemic. The programs are indeed useful in some respects. These grants can support some specific annual plans and major brand promotion activities, such as building or upgrading e-commerce websites or applications. If it involves rapidly changing marketing activities, such as advertising on social media, companies should rely on their own resources as much as possible to obtain maximum flexibility. At City Chain Group rely on the Facebook algorithm to identify the channel with the best return and to obtain the highest sales conversion rate or marketing investment daily return rate (ROI)."

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