



LEVEL 7 ASSIGNMENT SPECIFICATION

Programme:	MBA	Module Level:	7
Module:	Strategic Management	Module code:	SBMA 7103
Contribution to Overall Module Assessment (%):	100%	Assignment No(s):	Assignment 100%
Assignment Title(s):	Term-End Assignment		
Lecturer:	Dr Terence Li	Internal Verifier:	
Hand Out Date:	25 August 2019	Submission deadline:	14 October 2019
		Feedback deadline:	

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University of Wales
Trinity Saint David
and
The Hong Kong Management Association

Strategic Management
(SBMA7103)

A Business Report :
Esprit Limited

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Assignment 1

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14th October, 2019

Executive Summary

Esprit seeks to grow its business by expanding its market reach and product portfolio. The company's newly appointed CEO is working to ensure that investments are made to help develop the right projects needed by today's customer. This report assessed the Hong Kong casual wear industry. The industry evaluation was meant to help the researchers recommend the best strategies to increase strategic performance. Findings indicated that the casual wear industry is highly competitive, mainly because there are no substantial barriers to entry. The government is also offering financial and technical support to startups and thus allowing numerous firms to enter the market.

The company is, however, experiencing a reduction in market share and profitability. The CEO understands these challenges and has proposed a growth strategy to help remedy the situation. The growth strategy will allow the company to expand its operations by investing in customer acquisition, developing the right products for the customers, and selling products across multiple online platforms. The company is also working on a cost reduction strategy to ensure long term profitability. The strategy will be achieved by increasing efficiencies across all departments and cost lines. The two strategies will be effective in ensuring that leaders and employees are focused and aligned with a company's mission, which is increasing shareholder wealth.

Based on the findings, the report suggests that the company implement what is known as the "business process improvement" to help increase the performance of the proposed strategies. Business process improvement would allow the company to improve business agility; help in reducing costs; increase revenues, and increase efficiency. Besides, the company needs to embed innovation in its corporate culture. Such a measure would help the company develop a competitive edge which can boost

productivity, growth, and profitability. The two strategies need to be appropriately implemented to ensure increased performance. Every department and person should be involved in the strategy implementation process.

Table of Contents

1. Introduction	1
2. Environment Assessment of the Hong Kong casual wear industry	1
2.1 Macro Environment Analysis	2
2.2 Micro Environment Analysis	10
3. Proposed Strategies	14
3.1 Proposed Corporate Strategy	14
3.2 Proposed Business Strategy	17
4. Recommended Strategy	19
5. Strategy Implementation Plan	21
6. Bibliography	24

List of Figures

Figure 1: Underlying consumer price inflation in Hong Kong from 2011 to 2018	6
Figure 2: Hong Kong cultural factors-	7
Figure 3: The Ansoff matrix	15
Figure 4: Esprit BCG matrix (Source: Statista, 2019)	20
Figure 5: Levels of responsibility in the strategy implementation process	22

List of Tables

Table 1: Esprit's internal strengths and weakness	13
Table 2: Summary of Esprit financial performance 2016-2018	20

1. Introduction

Esprit is a Hong Kong-based firm engaged in the manufacture, marketing, and sale of casual clothes. The company promises to make customers feel and look good. It pays maximum attention to fabric selection, fitting, and fabric quality to help produce high-quality clothes. Its emphasis on customer satisfaction is envisioned in the company's motto, *esprit de corps*, which reflects a positive and caring attitude towards customers (Esprit, 2019). The company celebrates real customers and togetherness according to its brand promise. The Esprit motto is to celebrate people who radiate happiness and spread good vibes. The company's products are of high quality and are designed to fit customer needs. The company seeks to grow its business by expanding its market reach and product portfolio. The firm's newly appointed CEO is working to ensure that investments are made to help develop the right projects needed by today's customer. This report looks at the Hong Kong casual wear industry and the recommended strategies to help evaluate their effectiveness. Besides, the report makes some suggestions which assist the company can improve its strategic performance going forwards. The suggested strategies need to be implemented correctly for the company to achieve its mission of expanding market share.

2. Environmental Assessment of the Hong Kong casual wear industry

Environmental analysis is a strategic process which is aimed at examining all the internal and external forces that influence the performance of an institution. Internal factors help firms understand their weaknesses and strengths, whereas external forces help determine threats and opportunities that are outside an organization's control (Rothaermel, 2015). Early threat determination tends to help firms develop strategies for survival. The analysis is usually aimed at helping the concerned organization have an early warning system for identifying probable opportunities and threats. In most

cases, environmental analysis helps a company stay on top of events and trends in the industry that may have a significant impact on operations. It is also supposed to help firms find the best cause of action. Organizations are also able to determine whether their goals are achievable using current strategies. There are two levels of environmental analysis, as discussed below.

2.1. Macro-Environment Analysis

Macro-environment is the broader context within which an organization conducts its business operations (Rothaermel, 2015). The environment is dynamic, and thus conditions keep on fluctuating. It comprises factors that a firm cannot effectively control. It consists of the technological forces, economic forces, and political forces, among others. Macro-analysis of the casual wear industry in Hong Kong is analyzed below using the PESTEL strategic model.

PESTEL Analysis

Pestel analysis is a strategic framework that marketers use to assess and monitor the macro-environmental factors that influence their organization. The results of Pestel analysis are used in identifying the weaknesses and threats to which an organization is exposed. Pestel analysis should be undertaken on a regular basis in order to enable firms to identify any trends and clarify why change is needed and the potential options. The model assists firms reduce the impact of potential threats within their organization. It also provides mechanisms that allow firms to identify and exploit new opportunities within the market. Pestel is an acronym that stands for the six elements that the model examines. The six items are examined to help identify the weaknesses and threats to which Esprit is exposed.

Political Factors

Political factors are all about how and to what degree the government intervenes in an economy. This can include trade restrictions, labor law, tax policy, foreign trade policy, political stability, and government policy. Political factor plays a critical role in the success of esprit business. Some political factors are examined as under:

Preferential Treatment

The Hong Kong government has negotiated a partnership agreement with mainland China. This implies that firms operating in Hong Kong can export their goods to mainland china without paying tariffs. All goods manufactured in Hong Kong qualify to be exported freely to mainland china. This factor allows firms in the casual wear industry to gain access to customers and markets in mainland China. Esprit can, for instance, expand its operations to mainland China by exporting its clothing products to china free of charge.

Business Support & Assistance

The government in Hong Kong has set up a number of programs to help businesses operating in the city. There are also financial incentives for setting up shop in Hong Kong. The Hong Kong trade development council has, for instance, been helping Hong Kong businesses find markets in Asia. The Hong Kong productivity council, on its part, has been working with Hong Kong firms to help them increase productivity by becoming more efficient. The council advocates for the use of a more efficient method and technologies. The government has also developed government funding schemes to help finance businesses operating in the country.

Political Instability

Hong Hong's political climate has increasingly become more unstable (Guy, 2016). This is particularly due to growing protests and public dissatisfaction. Political instability is bad for business since it plunges the business environment into

uncertainty. Companies, who have long considered Hong Kong as the gateway to China, are now considering whether they should invest in the city (Guy, 2016). Political uncertainty is unfavorable to businesses since it erodes investor and consumer confidence. It particularly discourages investors from investing in a country. Political instability adds a risk factor and lead to major loses of income as consumer expenditure diminishes. Losses may also be incurred due to theft and burglary as some protests turn violent.

US-China Trade Wars

The U. S. administration has already imposed punitive tariffs on Chinese imports. In retaliation, China is also imposing tariffs on goods imported from U.S. China's tariffs are targeted at imports on agricultural products which include cotton, which is used in the manufacture of clothing items. Import tariffs and the uncertainty surrounding the tensions between the two countries are going to hurt Hong Kong casual wear businesses. Import tariffs will mainly force companies to increase the price of their products. This measure will reduce sales volume as customers will have to consider substitute products.

Economic Factors

Economic factors describe any factor that influences the economy and includes such things as tax rates, government activities, wages, policies, and interest rates. The outstanding economic factors in the casual wear industry are enumerated below.

Attractive Tax Regime

Taxation is a significant concern for every business. In this regard, Hong Kong is known to boast of being the lowest tax jurisdiction in the world (GuideMeHongKong, 2019). Corporate tax is set at 16.4% for assessable profits. Unincorporated firms pay 15% in taxes. There are no withholding taxes on interest or dividends or collection of social security benefits. Capital gains tax and sales tax (VAT) are also not applicable

in Hong Kong. This implies that businesses pay lesser taxes for incomes derived from profits made out of Hong Kong operations. Thus, Tax is not a significant concern for firms operating in the casual wear market in Hong Kong. The attractive tax regime acts as an incentive for motivating firms to do business in the city without worrying about the need to pay considerable sums in taxes.

World's Freest Economy

Hong Kong is known to count among the world freest economies. The economy is driven by principles of free markets, free trade, and free enterprise. The economy has been growing at an average rate of 5% in real terms over the last two decades. This implies that consumers are increasingly becoming better off and that they are able to enjoy most goods and services from the casual wear industry. The economy is not restrictive. There are no controls pertaining to foreign ownership, foreign exchange controls, and inward & outward investments. Any entrepreneur can thus open a business in the casual wear industry as he or she is not constrained by the market.

Ease of Doing Business

It is straightforward for firms to set up shop in Hong Kong. The city was, for instance, ranked the third-best country for doing business in 2019 and the world's second-fastest place to start a business. An entrepreneur can, for example, register a company within a period of two weeks. The city has excellent infrastructure and business premises. The country tends to protect intellectual property rights with stringent regulations. There are also various dispute resolution centers that ensure that businesses handle their operations smoothly.

Modest Economic Growth

Hong Kong's economy grew modestly by 0.5% year on year in real terms in the second quarter of 2019. The economy has been unfavorably affected by US-China trade tensions. Annual growth has been revised down to 2.7% for 2019. The growth is

anticipated to expand by 2.99% in 2024, according to Ceic (2019). Modest economic growth implies that the economy will not be able to create enough jobs and that most people will not have the cash to purchase goods from the casual wear market. Income levels will mainly come down due to reduced economic expansion and consequently affect the casual wear market in a negative way.

Increasing Inflation Rate

Hong Kong has been experiencing a rise in inflation rate since 2016. Consumer price index, which measures inflation, rose from 2.3% in 2016 to 3.7% in 2018, as seen in figure 3. Rising inflation tends to hurt businesses since it increases the cost of doing business. It mainly increases the cost of raw materials and capital. Creditors, for instance, adjust their expectations regarding interest rates. Firms in cases of growing inflation have to raise prices in order to stay in business.

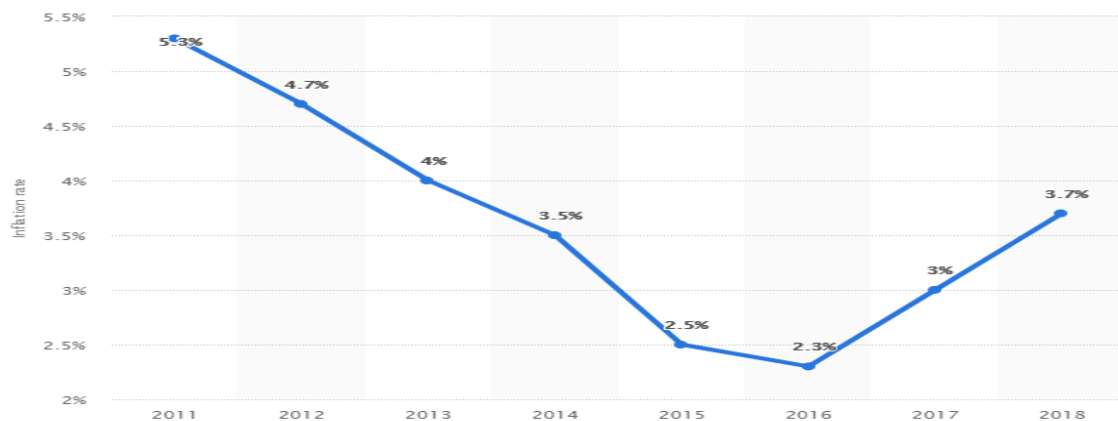


Figure 1: Underlying consumer price inflation in Hong Kong from 2011 to 2018

(Source: Statista, 2019)

Social Factors

Productive Workforce

Hong Kong population is made up of highly trained, educated, and skilled workforce. The labor force comprises of the local talent pool of experienced and entrepreneurial

professionals who are known to be well versed in the business culture in the mainland cities. Employees in Hong Kong are considered to be hardworking and competitive. They tend to look out for more opportunities to learn and improve their skill sets. Majority of the workforce is conversant with mandarin, Cantonese, and English, which due to the link between Hong Kong and China and Britain. Firms looking for highly productive workforce do not thus need to look elsewhere for skilled and talented employees. They have to recruit from within the country.

Corruption Free State

Most firms choose to set up shop in Hong Kong because the city is known as one of the most corruption-free economies in the world. The government has set up an anti-corruption watchdog to deal with both private and public sector corruption. The watchdog was set up with the understanding that corruption tends to deter entrepreneurs since it increases the cost of doing business.

Favorable Cultural Factors

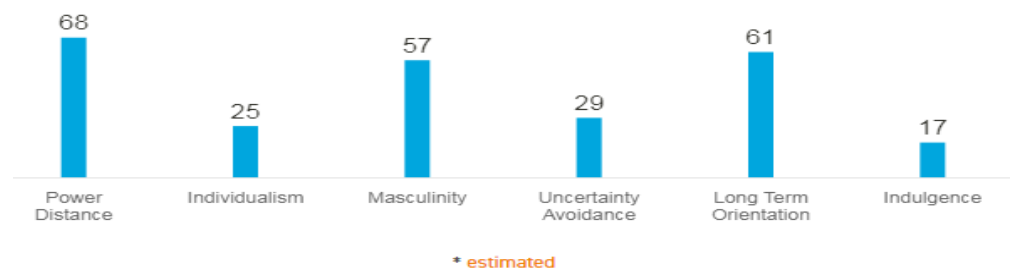


Figure 2: Hong Kong cultural factors - (Source: Hofstede insights, 2019)

The above chart shows the cultural dimensions of Hong Kong. The chart shows that Hong Kong people tend to adhere more to laws as demonstrated by a low score on uncertainty avoidance. The score of 57 on the masculinity dimension indicates that Hong Kong is somewhat masculine and that most people are driven by success and thus tend to spend more time at work. The people there tend to work in groups as

shown by a low score on individualism. Power distance is also high at 68, implying that formal authorities and sanctions influence individuals.

Population Growth Rate

Hong Kong population stands at 7.45 million in 2019 (World population review, 2019). This makes the country the 104th in the world. The population growth rate has been averaging below 1% in the last five years due to low fertility rates in the country. Slow population growth is not suitable for business since it shows that there are not enough customers to purchase products. Majority of people in the country are elderly (World population review, 2019). This means that firms in Hong Kong may find it hard to acquire enough labor force. The country is, however, said to have an open immigration policy implying that firms can import labor from nearby countries.

Technology Factors

Innovation and Automation

Technology and innovation are the two main factors that drive the casual wear industry in Hong Kong. The two factors have resulted in the development of new means of production, marketing, and selling goods and services from the industry. Homegrown firms such as Esprit are, for instance, able to market their products using low-cost channels such as social media as opposed to using TV and radio, which are deemed expensive. Technology is also helping firms automate their processes to make them more efficient for increased profitability. Besides, firms in the industry can set up e-commerce stores and sell online. This aspect is enabled by advances in technology and is transforming the industry by making it more efficient.

Research and Development (R&D)

The casual wear industry is investing heavily in research and development. Industry players understand that R&D is crucial when it comes to meeting customer needs. They are also able to come up with innovative products that help them stay ahead of

their competitors. Business innovation is assisting firms in launching multiple channels of distribution. Firms are, for instance, opening online stores to make it possible for customers to shop conveniently.

Legal Factors

Sound Legal Environment

Hong Kong's success is attributed to the country's transparency, law, and order. The government considers all people to be equal before the law. The law is committed to ensuring that intellectual property rights are adhered to and that patents, trademarks, copyrights are respected. The government has, for instance, established an IP department to help monitor and handle IP-related matters. There are also distinct and clear rules and regulations concerning taxation, trade, employment, and commerce. These laws make the business environment more attractive to investors within and outside the country.

Environmental Factors

Hong Kong applies international conventions that aim to protect the environment (GovHK, 2019). The country has also enacted a series of laws and regulations as part of the government commitment to environmental protection. Firms operating in Hong Kong must thus abide by environmental laws and regulations. In particular, they should comply with air pollution, water pollution, and the waste disposal ordinances which are meant to reduce pollution in the country. The country is also demanding that firms invest in sustainable activities. The product eco-responsibility law, for instance, requires that firms embrace responsible and sustainable manufacturing techniques (GovHK, 2019).

The above elements show that the Hong Kong casual wear market has no barriers to entry. It is very open to new businesses particularly because of government support and the ease of doing business. Political climate is uncondusive for businesses.

Protests witnessed in recent months are for instance likely to negatively affect the day to day operations for most fashion brands. The population and economic growth rate has been slow over the last five years implying that established firms such as Esprit needs to venture into international markets for growth.

2.2. Micro-Environmental Analysis

Porter's five forces model is an analytical tool that assist firms determine industry forces that influence their level of profitability and competition. The model helps identify and assess five competitive forces that tend to shape every industry. The model comprises five elements, which help firms determine the strengths and weaknesses of the industry from which they operate. The model is also frequently used to help identify an industry's structure which consequently determines a firm's corporate strategy.

Threats of New Entrants

The risk of new entrants into the Hong Kong casual wear is very high. The industry has fewer barriers to entry and thus tends to attract new players to the market. New entrants in the casual wear market bring in innovation and new ways of doing things. This tends to put more pressure on companies such as Esprit through lower prices, reduced product costs, and unique value propositions to customers. Esprit thus needs to effectively manage all these challenges and establish substantial barriers to safeguard its competitive advantage in the market. The company should, for instance, tap into the power of innovation to come up with unique and appealing products. New, innovative products would help the company bring in new customers and give existing ones a reason to continue purchasing the company's products. For increased innovation, the company should invest in research and development. The investment

would assist the firm to understand customer needs and how best such requirements can be met using new products.

The Threat of Substitutes:

Substitutability of products in the casual wear market is very high. It, however, comes from within the market. Competition is very stiff and as such no single firm can take the assurance that it will continue to sell and remain in the minds of consumers for long. Firms have to continually focus on meeting customer needs and preferences since they can switch between brands. Customers can, for instance, switch from buying casual from one firm to purchasing the same product from a different firm. This is mainly because most fashion brands have diversified their product portfolios to include all types of clothing. The threat posed by the presence of substitutes can be reduced by understanding what customers need and working to meet such needs in a satisfactory way. Firms should undertake customer surveys if they are to understand exactly what is required of them. They should also become service oriented rather than being just product oriented.

Competitive Rivalry in the industry:

Hong Kong's casual wear industry is highly competitive. There are lots of firms producing the same kind of product to the same customers. International brands such as Zara and Gucci are also entering the market since it is the gateway to china's casual wear market. Most of the firms in the market compete based on quality and price. Brands that have a high brand image tend to sell at high prices or to offer discounts to ensure customers remain loyal. Still, the race to wining and maintaining customers is challenging. It tends to have an unfavorable impact on a company's long-term profitability. To counter this force, firms have to use innovative ways to capture a sizable market share. They can also look at product differentiation which is critical to archiving sustainable competitiveness in the market.

Bargaining Power of Buyers

Hong Kong customers in the casual wear market tend to demand a lot. They will want to purchase the best products at the lowest price possible. They thus have higher bargaining power over firms in the Hong Kong casual wear market. Their power puts pressure on the profitability of firms in the market. Customer groups who include wholesalers and larger retailers, for instance, have higher bargaining power and can thus unfavorably affect Esprit margins by asking for offers and discounts on bulk purchases.

High buyer power can be countered by building a large customer base and continuously introducing new products in the market. A large customer base would help reduce buyer power as the company would not be dependent on a single customer group. New product introduction would, on its part, minimize the probability of defection of customers to rival firms.

Bargaining Power of Suppliers

Majority of firms in Hong Kong casual wear get supplies from numerous suppliers. This implies that such suppliers have less bargaining power and that they cannot exert much pressure on the firm's profitability. Some suppliers have, however, formed groups to help lobby for better pay for their supplies. In such cases, suppliers have a dominant position and a higher bargaining power over firms in the casual wear market. Such a higher bargaining power is unfavorable to companies such as Esprit since it puts pressure on the company's profit margins.

Esprit should build an effective supply chain using multiple suppliers. It should also create mutually beneficial relationships with its dedicated suppliers. This would help reduce supplier power by ensuring that their business depends on Esprit. This strategy has been used and found useful by Nike and Wal-Mart. The two companies have developed third party manufacturers whose business depends solely on them. This has

helped create a scenario where suppliers have lesser bargaining power and cannot thus exert pressure on firms' margins.

The five forces framework is used here to help esprit understand or measure the profitability, attractiveness, and competitive intensity in Hong Kong's casual wear industry. The model shows that the casual wear industry is less attractive and profitable since it is very competitive. The industry has many substitute products and competitors. Besides, the analysis shows that the industry has fewer barriers to entry, fewer suppliers, and fewer buyers, and as a result, can be considered less attractive (Kumar, 2019).

Internal factor evaluation matrix

IFE is a strategy tool that allows firms to evaluate their internal environment to reveal weaknesses and strengths. The tool majorly summarizes the information gained from a firm's internal environmental analysis. Esprit's strengths and weaknesses are summarized in table 1 below.

Table 1: Esprit's internal strengths and weaknesses

Key internal factors	Weight	Rating	Weighted Score
Strenghts			
1. Strong brand portfolio	0.10	4	0.40
2. Strong distribution network	0.09	3	0.27
3. High customer satisfaction	0.11	4	0.44
4. Highly skilled workforce	0.05	3	0.15
5. Successful track record of developing new products	0.10	3	0.30
6. Strong dealer network	0.07	4	0.28
7. Strong emphasis on sustainability which is key to attracting customers	0.06	3	0.18
Weaknesses			
1. Low investment in research and development	0.09	2	0.18
2. High days in inventory	0.04	2	0.08
3. Limited presence in Eastern Europe	0.06	1	0.06
4. Reducing sales revenue	0.03	1	0.03
5. Ineffective marketing strategies	0.09	2	0.18
6. Reducing profitability	0.06	2	0.12
7. Overdependence on European market for sales generation	0.05	1	0.05
Total	1.00		2.72

The table shows that Esprit is a strong brand that has a global presence, strong dealer network, and strong focus on customer satisfaction. The company has for instance

invested much in customer service and sustainability to help improve sales and profitability. The brand is however seen to have some key weaknesses which include reducing sales and profits, high inventory days, and overdependence on the European market. The company needs to diversify its markets to grow sales and profitability.

3. Proposed Strategies

A strategy is a plan of action designed specifically to help achieve a particular goal (Wheelen et al., 2017). It is all about gaining or at least attempting to gain a position of advantage over competitors in the market. There are different levels of management in an organization, i.e., corporate, business, and functional level. Each of the three levels tends to formulate strategies to help achieve their objectives. As such, there are different levels of strategy. People are, however, interested in the two main approaches, namely, corporate strategy and business strategy. Corporate strategy is concerned with the scope and overall objective of satisfying stakeholder expectations. Business strategy is concerned with the way firms price their products, gain competitiveness and meet customer needs. This report looks at the two approaches as proposed by Esprit CEO.

3.1. Proposed Corporate Strategy

Corporate strategy is created by senior or top-level managers. It focuses on how firms can obtain a combination of business units that allow the firm to succeed in its entirety (Rothaermel, 2015). The CEO of Esprit is proposing a growth or expansion corporate strategy. This strategy involves senior managers making plans to advance further and attain growth of the entire enterprise, in the fields of product development, marketing, and financial resources. The CEO of the company is mainly of the view that Esprit is well-positioned to exploit the vast potential of the growing Asian region.

He acknowledges that customer satisfaction will form the basis of the expansion strategy.

Growth strategy allows firms to expand their operations. It includes, among other things adding new locations; product line expansions; investing in customer acquisitions; selling products online across multiple platforms, and franchising opportunities. Firms may take one or more of these actions to realize the growth strategy. Esprit is, however, bent on investing in customer acquisition, developing the right products for the customers, and selling products across multiple online platforms.

The Ansoff matrix has, over the years, been used to help firms' device strategies for future growth. The strategic framework argues that senior managers have four alternatives for growing their organization in new or existing markets, with new or existing markets. Each of the other options poses a different level of risk to the organization implanting it, as shown below.

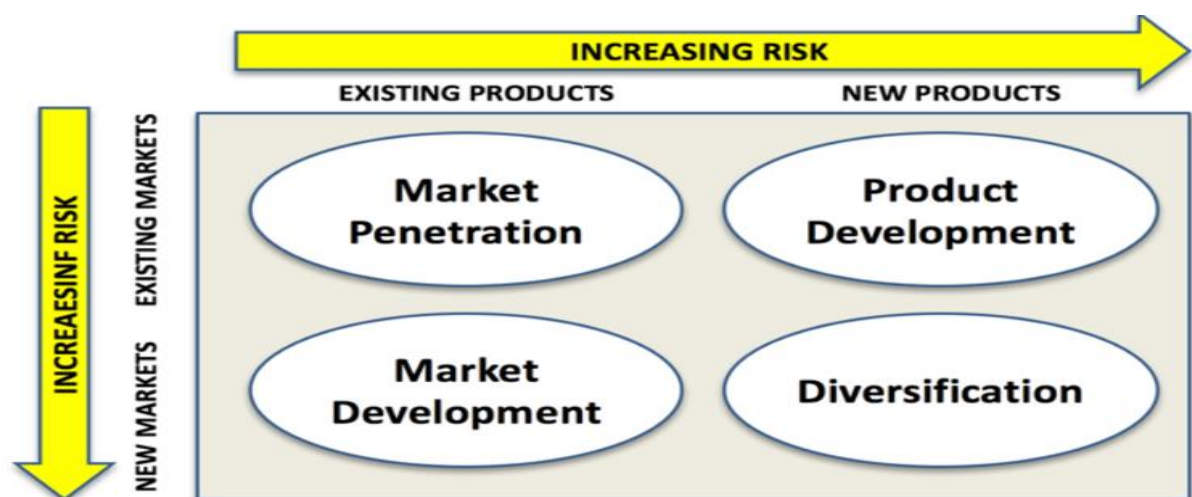


Figure 3: The Ansoff matrix

(Source: Riley, 2019)

The above chart shows that there are four strategies under the proposed growth strategy. These include market penetration, market development, product development, and diversification. The four growth strategies are evaluated as under:

Market Penetration

The company is looking at ways of realizing its full potential in the casual wear market. The company has been undertaking surveys to help understand their customers and how to satisfy their needs. This measure will help the company attract new customers and establish itself as a customer-centric firm. The company is also looking to attract new customers from rivals through price decreases.

Market Development

Esprit is working on increasing sales in unexplored markets. The company is targeting exploring and entering new markets, especially in the fast-growing Asia region. The main target is china, whose economy has been growing at a fast rate. The company's CEO understands that the Chinese Market would allow the firms to reach their full potential. The company is exploring how the company's existing and new product offers can be sold in the target market.

Product Development

The CEO of Esprit is keen on understanding customers' needs and preferences. He has had surveys and analysis done to help understand current and potential customers. He needs the company's actions to be centered on customers whom he believes are critical to the success of the company. The analysis is meant to help the organization to develop new products that align with customer needs. New products will help the company improve its turnover and market share. Continuous investment in research and development will, however, be critical as customer needs are dynamic and tend to change more often. The company needs to understand that aspect in order to develop a sustainable competitive advantage.

Diversification

Esprit is also considering diversifying its operations. The objective will be achieved by employing the diversification strategy in which new products are developed for new Asia markets. The company will have to research and analyze the new market. The research will have to be thorough to help minimize the risks inherent in the diversification strategy. The strategy's success relies heavily on how products are developed, marketed, and delivered to customers. The company will, for instance, have to tailor its products to fit the needs of local customers.

The growth strategies enumerated above are effective in keeping senior leaders focused on what is happening in the market. They ensure that leaders and employees are focused and aligned with a company's mission, which is increasing shareholder wealth.

3.2. Proposed Business Strategy

Business strategy is created by middle-level managers and concentrates on how a firm can gain customers and satisfy their needs, improve operating income, and offer satisfactory products (Rothaermel, 2015). In doing this, a company positions itself against competitors and staying up to date on technology changes and market trends. The CEO of esprit is proposing a cost reduction business strategy to help increase profitability. The company is working to reduce operating expenses across all its cost lines. It is also restructuring its business to help streamline operations since the CEO believes that the company's cost level is too high when compared to the size of the business.

Esprit's marketing strategy-the 4Ps

Esprit is set to pursue the lean philosophy to help cut down on operational costs. The company can thus incorporate technology and innovation to help achieve this

ambition. The company's marketing strategy is evaluated through the 4Ps model. 4Ps is a valuable tool that helps businesses understand what their product or service offers. The 4Ps denotes the four elements of marketing' – Place, Product, Price, Promotion (Fine, 2017).

Place – Esprit is looking to exploit and strengthen its online business. It has invested in its digital platforms to ensure that customers can order clothes at the comfort of their homes and get them delivered to their doorsteps. This measure has helped the company create a sustainable competitive advantage in the market. Besides, investment in e-commerce and digital platforms is allowing Esprit to understand its customers better and provide what is needed in an efficient manner.

Product – Esprit is global fashion brand which has a diverse product portfolio. The company manufactures, markets, and sells products like clothing, footwear, watches, and sunglasses among other products. The brand likes to be considered as brand that combines creativity, lifestyle, and a sense of environmental responsibility. The company's product portfolio is divided into subgroups including the casual wear, collection, urban casual, sports, kids, accessories, shoes, and body wear. In addition, the company offers perfumes and watches as part of its marketing mix (Esprit, 2019). The company does not merely develop these products in response to competition. It first examines the market to understand customers and their clothing needs. These inform the development of the right products for the target market. The product development process must consider quality, price, fashion label, and style & design.

Price – Esprit pricing strategy is based on the understanding that there is high competition in the fashion industry. The company follows the competitive pricing strategy. Customers are however looking for products that offer more value for money. The company thus needs to design high quality products at low prices. The marketing

department should work hand in hand with the production department to ensure that high quality products are developed and sold at competitive prices.

Promotion –Esprit has a robust online presence. This is allowing the company to market and promote its products cheaply. The company is using social media and its website to not only encourage but to also interact with its customers (Esprit, 2019). Social media advertising is a cost-effective form of marketing which reaches a significant number of people. The company is also using celebrities to market its brand to its vast number of customers.

The overall marketing strategy should be developed by middle level managers. In particular, the head of marketing should develop the company's marketing strategy in consultation with his or her team. The strategy should be aligned with the overall growth strategy suggested by the firm's CEO. The department should work closely in consultation with the production and customer service departments to ensure that quality products are developed for the target market.

4. Recommended Strategies

Esprit is majorly focused on the sale of women casual wear and women EDCs. These products are in the high growth segment and have a high market share, as indicated in the figure below. The company needs to invest much money because the stars tend to become cash cows and generate positive cash flows. Cash cows are the most profitable products and have to be milked to help enhance the company's declining financial position. Cash cows include lifestyle and men's casual wear, as seen in the chart below.

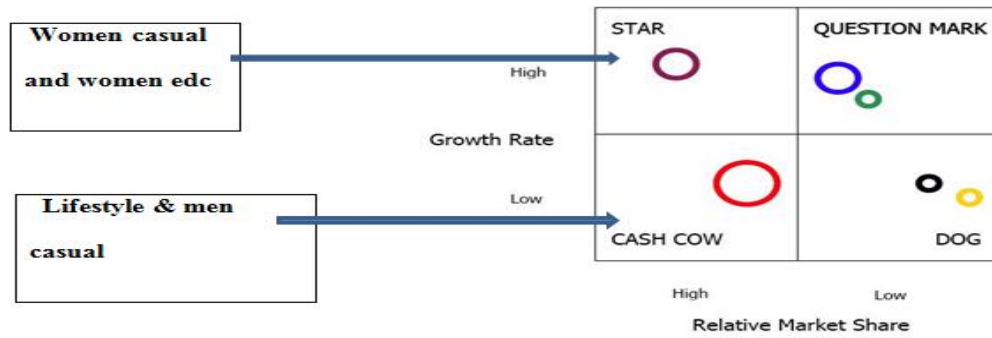


Figure 4: Esprit BCG matrix - (Source: Statista, 2019)

Item in HK dollars (millions)	2016	2017	2018
Revenue	17,788	15,942	15,455
Profit	21	67	-2554
Cash and cash equivalents	3,485	5,070	3,879

Table 2: Summary of Esprit financial performance 2016-2018 - (Source: Esprit, 2018)

The above chart indicates that Esprit has become less profitable in 2018. The company made a loss of -2.5 billion in 2018. Sales have also been declining on a year's basis since 2016. The company is, however, seen to have a strong cash position which needs to be utilized to help revert the company's fortunes. The recommended strategies include:

Business Process Improvement

Business process improvement is a proactive process in which firms identify, analyze, and enhance existing business processes (Power, 2010). The strategy would make esprit more competitive in the casual wear market. Specifically, business process improvement would improve business agility; help reduces costs; increase revenues; and increase efficiency, which is critical to strong financial performance. Implementing process improvement would, for instance, help increase processes

efficiencies which is key to cutting down on operating costs (Power, 2010). The company would also be able to ascertain how to function under optimal conditions, adjust processes to attain optimal performance, and implement controls to help monitor future performance (Power, 2010).

Embedding Innovation in The Corporate Culture

Esprit should ensure that innovation is embedded in its culture (McKinney, 2019). Senior managers should particularly motivate employees to be more creative and innovative when it comes to product development. Such a measure would help the company develop a competitive edge which can boost productivity, growth, and profitability. The company should seek to use innovative ways of understanding customer needs. The company can, for instance, develop customer relationship management software to help gather and assess customer data (McKinney, 2019). The collected data should be used to examine customer needs and the best way to meet them. Innovation could also help the company anticipate market changes and in quickly responding to the changes.

5. Strategy Implementation Plan

The suggested strategies cannot be of help if they are not adequately implemented (Wright, 2018). The company needs to apply them to ensure increased performance. The business owners, shareholders, should be at the forefront in the implementation process. They should be the champions of the new strategy. Senior managers should be responsible for the implementation of the corporate strategy, while middle level managers should implement the business strategies. Functional leaders should operationalize the actions that are needed to get the company to achieving its overall strategy.

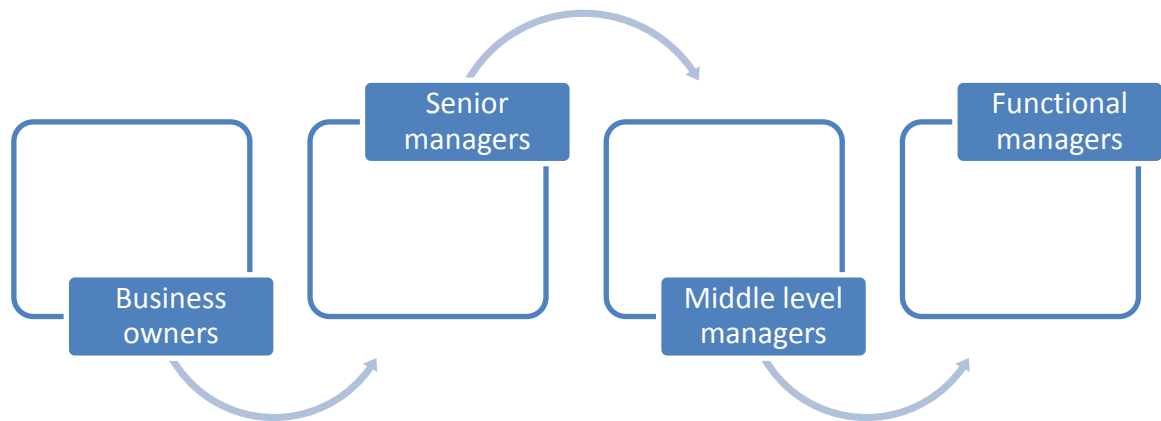


Figure 5: Levels of responsibility in the strategy implementation process

The corporate strategy implementation process should take a maximum of two years. Within such time frame, the company should develop new products for new market as envisioned by the CEO. The firm should start by introducing the strategy lexicon to everyone in the organization. Every department should be informed of the new strategies and the importance of the strategies to the organization. The second step in the strategy implementation plan should entail convincing senior leaders of the need to support the vision of the organization (Wright, 2018). The leaders should, in turn, ensure that middle-level leaders agree on the new view. Thirdly, the company would need to develop and define key performance indicators (KPIs). The indicators should be achievable and straightforward so as to motivate staff (Wright, 2018). They should also be updated every month to ensure that the company does not lose focus on its long-term objective.

Establishing a strategy rhythm is also crucial in the strategy implementation plan (Wright, 2018). This would help keep employees focused, especially when the going gets tough. The company should decide upfront on how often senior leaders meet to

discuss and track progress. Importantly, the meeting should help keep the company in check. Thus, the sessions should be held on a quarterly basis and should help encourage members to continue implementing the proposed strategy. Strategic reports should also be produced regularly to help keep track of the implementation process (Wright, 2018). The reports should be consistent, simple, and insightful. Lastly, the suggested strategies should be embedded in the organization's culture (Wright, 2018). They should be incorporated into the company's mission and vision statements. The company could start this embedment process by creating a formal link between performance and strategy reviews. Managers should also be encouraged to talk about strategies regularly.

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Student Self Evaluation Form			
Student name:	WU Hon Kwong	Student number:	1812210
Programme:	MBA	Year of programme	2018 to 2020
Assignment Title:	A Business Report : Esprit Limited		

This section repeats in brief the common assessment criteria detailed on previous pages. The *extent* to which these are demonstrated by you determines your mark. Using these criteria, tick the box that best indicates the level of achievement you feel you have achieved with regard to each of them.

Common Assessment Criteria Applied	Level of Achievement						
	REFER			PASS		DISTINCTION	
	OUTRIGHT FAIL	FAIL	UNSATISFACTORY	SATISFACTORY	GOOD	EXCELLENT	EXCEPTIONAL
1. Research-informed Literature	0-29%	30-39%	40-49%	50-59%	60-69%	70-79%	80-100%
	☐	☐	☐	☐	☒	☐	☐
2. Knowledge and Understanding of Subject	0-29%	30-39%	40-49%	50-59%	60-69%	70-79%	80-100%
	☐	☐	☐	☐	☒	☐	☐
3. Analysis	0-29%	30-39%	40-49%	50-59%	60-69%	70-79%	80-100%
	☐	☐	☐	☐	☒	☐	☐
4. Practical Application and Deployment	0-29%	30-39%	40-49%	50-59%	60-69%	70-79%	80-100%
	☐	☐	☐	☐	☒	☐	☐
5. Skills for Professional	0-29%	30-39%	40-49%	50-59%	60-69%	70-79%	80-100%

Practice		%					
	☐	☐	☐	☐	☒	☐	☐

PLEASE COMMENT ON AREAS IN WHICH YOU FEEL THAT YOU HAVE PERFORMED WELL		PLEASE COMMENT ON AREAS YOU FEEL THAT YOU NEED TO DEVELOP	
Dr Terence Li has explained very detail and provided a lot of practice opportunities before starting this assignment. Therefore, I believe this assignment is prepared well.		This assignment would be prepared more precise if I could have more time for doing the research areas. Due to the limitation of time, I have tried my utmost effort to complete this assignment.	
Student's Name	WU Hon Kwong	Date	14 October, 2019
Student's Signature	<i>Jacky Wu</i>		