



LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	SIN Yik Ngan	Student ID number:	1812212
Programme:	MBA		
Module:	Marketing Management		
Module code:	SBMA7138	Contribution to Overall Module Assessment (%):	75%
Lecturer:	Dr Arion WONG	Internal Verifier:	
Assignment Title:	Assignment 1	Word count (or equivalent):	3500 words
Submission deadline:	28 Jun 2019	Return date of provisional marks & written feedback:	Within 20 days after submission
Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty mark. Penalties for late submission: Up to one week late, maximum mark of 50%. Over one week late, 0%. Only the Extenuating Circumstances Panel may approve a change to submission dates.		
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.		

I. Executive Summary

Vitasoy International Holdings Limited ("Vitasoy") is a very successful beverage manufacturing company found in Hong Kong since 1940s. Its products were centered on the high-protein soymilk drink that the company first produced. It holds a fairly large market share in Hong Kong and the Southern China markets by exporting to and manufacturing in these markets. It has plenty of loyalty consumers because of its good corporate image and reputation. Its products are not only available in Hong Kong and Mainland China but also in Australia, New Zealand and Singapore. The sales in Hong Kong and Mainland China are becoming steady and the markets are relatively mature. In this case study, I shall focus on one of Vitasoy's best-selling product, VITA Lemon Tea by work through a various analysis including the current situation of Vitasoy's segmentation, targeting and positioning strategies to evaluate its effectiveness of the marketing mix that it used to target the market and consumers, then to forecast the sustainable sales growth of Vitasoy in the coming years with recommendations and conclusion.

II. Table of contents

	Content	Page
1	Introduction	
1.1	Industrial Environment	4
1.2	Company background	4-6
1.3	Case study objectives	6
2	Situation analysis	7-13
3	Marketing strategy	
3.1	Current Marketing Mix	13-15
3.2	STP Analysis	15-17
3.3	Effectiveness of current marketing plan	18
4	Recommendations & Conclusion	19
5	References	20-21

1. Introduction

1.1 Industrial Environment

In a perfectly competitive market, competition is always intense and consumers are usually faddists. A product can be easily eliminated by the market anytime. The beverage market in Hong Kong is highly competitive because there are a lot of different types of beverage products but also many new brands and new products have entered into the market to carve up the market share from day to day.

In terms of the overall market situation of beverage products, the biggest competitor of Vitasoy is Swire Beverages who produce HI-C (Yeung Gwong) Lemon Tea. Vita Lemon Tea was first introduced in 1976 and this is one of the best-selling products of Vitasoy in both Hong Kong and China. The income from Swire Beverages is twice of Vitasoy but the profit margin is much lower than Vitasoy. It is only 3.6% (Swire Pacific Annual Financial Report, 2018) of the income while Vitasoy is 11.6%. This may be because of the franchise relationship with Coca-Cola. Swire needs to pay a certain percentage of their income to Coca-Cola as franchise fee.

1.2 Company Background



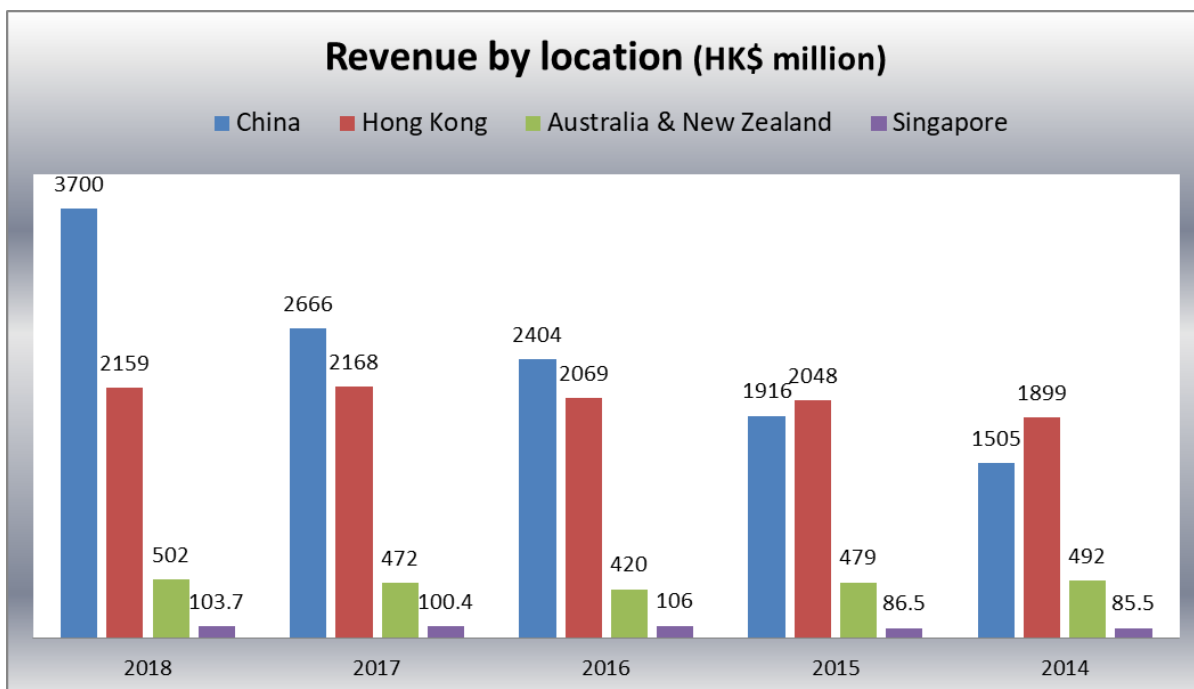
Vitasoy was founded in 1940 by Dr. Kwee Seong Lo, who brought the soymilk from this healthy little bean to a wider market. In 1939, Dr. Lo was volunteering to

join a refugee camp for people fleeing the civil war in China. He discovered that many of the refugees were suffering from malnutrition. Dr. Lo bought a stone grinder, soybeans, sugar and cheesecloth to teach the refugees how to make soy milk. The name of “Vitasoy” is derived from the words vitamin and soya.

VITA was used for their brand name officially since 1976. A range of juice drinks had been launched afterwards followed by chrysanthemum tea and lemon tea in 1978 and 1979 respectively. In 1992, VITA has supplied a range of bottled distilled water and mineral distilled water as well as water machine. In 1994, VITA Group is listed on the Stock Exchange of Hong Kong (Vitasoy International Holdings Ltd. 0345). In the same year, the factory in Shenzhen China was officially put into operation. In 1998, the Shanghai plant started to operate followed by 2011 in Foshan then 2016 in Wuhan. Vitasoy launched a new product other than drinks, San Sui Tofu in Hong Kong in 2007.

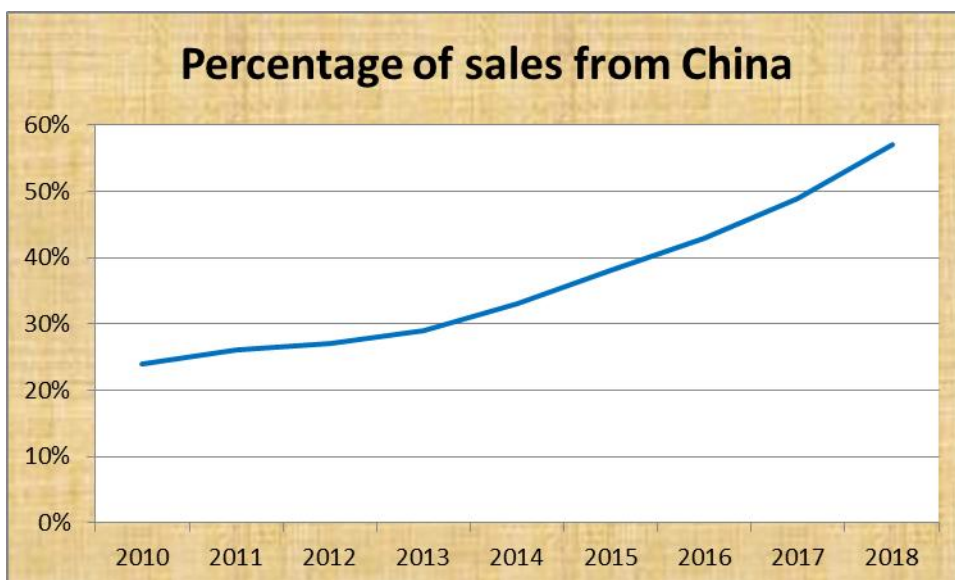
Vitasoy has operations in Hong Kong, China, Australia and Singapore with available products in more than 40 markets over the world. Hong Kong & Macau used to contribute the most in revenue to the Company, but since 2016, mainland China has surpassed Hong Kong & Macau as the major sales contributor after several years of robust growth (Chart 1.2.1 & Chart 1.2.2). Among all its products, soymilk contributed the highest sales followed by tea series. However, Vitasoy's tea products, especially Vita lemon tea, have shown a stronger growth rate than soy milk and maintain popularity in mainland China.

Chart 1.2.1 Revenue by location of Vitasoy in 2014-2018



Source: Financial report 2010-2018 of Vitasoy International Holdings Limited

Chart 1.2.2 Percentage of China sales in Vitasoy in 2010-2018



Source: Financial report 2010-2018 of Vitasoy International Holdings Limited

1.3 Case Study Objectives

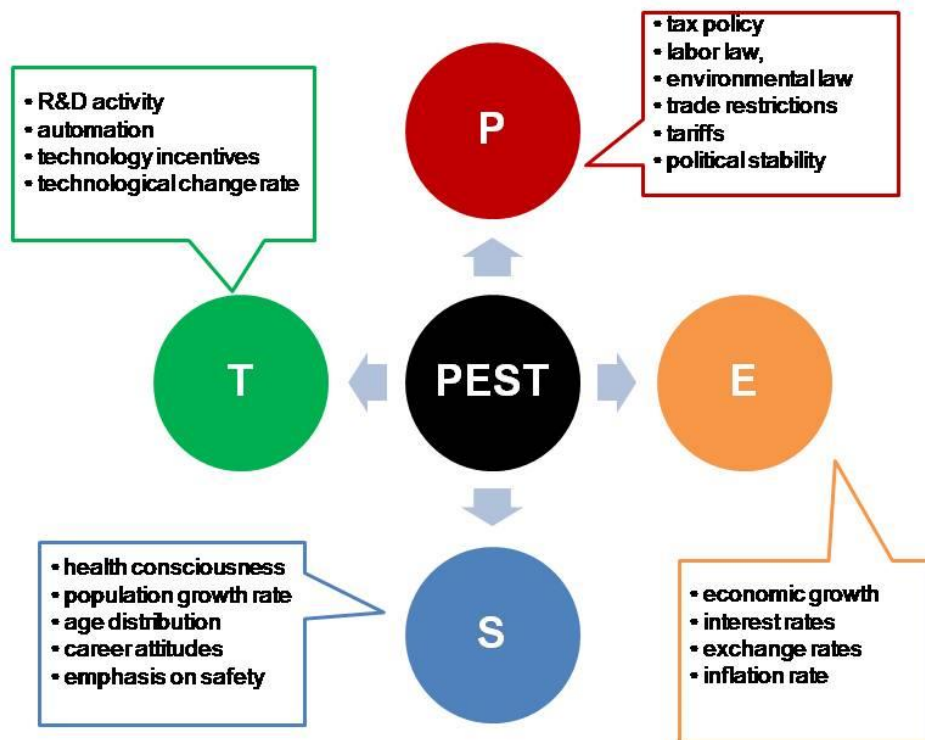
To explore consumer in-depth attitudes toward tea and other healthy, plant-based products, ultimately to develop an optimal positioning strategy for the brand's launch; in addition, to identify and profile high value consumer targets to help Vitasoy develop targeting strategies for communications. To forecast the sustainable sales growth of Vitasoy in the coming years by analysing its existing marketing mix then provide recommendations for its marketing strategies.

2. Situation Analysis

The success of a company can be influenced by several factors in its internal and external environment. A successful company will not only understand existing factors but also forecast change, so that I can take advantage of change within the environments in which it operates. In order to analyse the existing environment situation of Vitasoy, I am going to access it through Macro environmental analysis and Micro environmental analysis then to forecast the likely impact in the coming years.

Macro Environmental Analysis

This contains external factors that company cannot control by themselves; instead company needs to manage their macro environment in a way that benefits them. PEST analysis can be used for identifying the external factors affecting a company's macro environment. The PEST analysis is the most common approach for considering the external business environment. PEST analysis stands for Political, Economic, Social, and Technological analysis.



P - Political Factors

- Political stability in the existing markets - Vitasoy International operates in numerous countries so it has to make policies each country based on the Food Processing industry specific requirements. Given the recent rise in populism across the world I believe that Hong Kong can see similar trends and may lead to greater instability in the Hong Kong market.
- Taxation policies - Over the last two decades Vitasoy International has benefitted from lower taxation policies throughout the western hemisphere. It has resulted in high profits and increasing spending in the research and development. The increasing inequality in Hong Kong can lead to changes in the taxation policies. Secondly local governments are also looking into Food Processing specific taxation policies to contain the carbon footprint of the Consumer/Non-Cyclical sector.

- Armed Conflict - There are no imminent threats to Hong Kong from the disruption in the business environment because of military policies, terrorist threats and other political instability. Vitasoy International has experience of handling operations in difficult circumstances.

E – Economic Factors

- Economic Cycles – The performance of Vitasoy International in Hong Kong is closely correlated to the economic performance of the Hong Kong's economy. The growth in last two decades is built upon increasing globalization and utilizing local resources to cater to global markets.
- Efficiency of financial markets in Hong Kong - Vitasoy International can access vibrant financial markets and easy availability of liquidity in the equity market of Hong Kong to expand further globally.
- Exchange rate - The volatile exchange rate of Hong Kong can impact Vitasoy International investment plans not only in the short term but also in the long run.
- Downward pressure on consumer spending – Even though the consumer disposable income has remain stable, the growing inequality in the society will negatively impact consumer sentiment and thus impact consumer spending behavior.

S - Social Factors

- Leisure interests – the customers in the Hong Kong are giving higher preferences to experiential products rather than traditional value proposition in Consumer/Non-Cyclical sector. Vitasoy International can leverage this trend to build products that provide enhanced customer experience.

- Attitude towards health and safety – With increasing liberalization the attitude towards health and safety are getting lax. Vitasoy International needs to stay away from these attitudes as the cost of failure is too high in Hong Kong.

T - Technological Factors

- Technological innovation is fast disrupting the supply chain as it is providing greater access to information to not only supply chain partners but also to wider players in the Consumer/Non-Cyclical industry.
- 5G and its potential – Vitasoy International has to keep a close eye on the development and enhancement of user experience with increasing speed and access. This can completely transform the customer user experience in the Food Processing industry.
- Latest technology based innovations implemented by competitors of Vitasoy International – This can provide a good insight into what the competitors are thinking and where Food Processing business model future is.

Micro Environmental Factors

This is made up of internal factors such as business strategy, decision making and performance, which mean that the company is able to control their micro environment. Micro factors do not affect all the businesses in the industry in the same manner. The reason is that every business is different in size, capacity, financial resources, human resources and overall strategies.



Customers

It was noticed that keen competition and the change in the taste of customers were attributed to the mild decline on the sales of Vitasoy's main products in the last few years. This might also reflect changes on the current market segmentation and on customer's buying motivation and the existence of unmet needs. Company must adopt a marketing strategy that attracts the potential customers and retains the existing customers by taking into consideration the wants and needs of customers and by providing the after sales services and value-added services.

Market Segment

Vitasoy is still the market leader in Hong Kong and the Southern China markets. This reflected that Vitasoy has targeted on the right market segment. Moreover, the brand images for the main products and the corporate image of Vitasoy are still very high. This means that Vitasoy has a very good reputation and powerful brand equity.

Competitors

Vitasoy needs to identify its competitors, their objectives and strategies, their strengths and weaknesses, their cost structures and to establish their possible reactions. There are two ways in identifying the competitors: from the industry and the market point of view. Vitasoy can apply Michael Porter's five major forces that drive the industry competition to analyse its competitions (Michael Porter, 2008). Recently, Vitasoy's competitors have developed new products and launched aggressive promotional campaigns. They have used outstanding promotional concepts and popular characters to promote their new products so as to capture more market shares. This means that the competitors are going to challenge Vitasoy's market leader status so as to increase their market shares and profits.

Environment

Currently people all over the world become more concern about their health. This is valid both in Hong Kong and China. Many of them are pursuing for healthy and vegetarian foods and beverages. As a result, many healthy products like high-protein soymilk drink and vegetarian foods have been turned into money trees. Some countries are imposing stricter regulations governing the alcoholic beverages and beers. Vitasoy should consider all these aspects when developing new products. In addition, more and more people are concerned with environmental protection. As such, the packaging of the products should also be environmental-friendly.

Impact in the coming years

According to news posted by SCMP regarding to recycling issue, Green Power, a group of dedicated volunteers who are concerned about local environmental problems in Hong Kong, set up 17 recycling stations for waste cartons starting in July 2018 for four weeks and found 73.5% were from Vitasoy. As people pay more and

more attention to environmental protection, and Green Power is one of the most influential environmental protection organizations in Hong Kong, it's time for Vitasoy to do "something"!

Riding on China's increasing household incomes and a shift towards healthier drinks, Vitasoy has expanded from Hong Kong and the adjacent Guangdong province to the central and eastern regions over the past few years. Considering the large base in the same period last year, the growth of overall revenue and China business in the second half can be expected to be more moderate than the first half. The Chinese economy has been affected by the Sino-US trade war and the downside risks have increased, it has not seen a big impact on sales, and the company has no plans to increase the discount promotion. However, the current level of education is higher than before, and their standard of living is also high. People's interest in premium, high-quality, functional, healthy, nutritional products has increased. On another side, purchasing power has increased too.

3. Marketing Strategy

3.1 Current marketing mix

Marketing mix is originating from the single P (price) of microeconomic theory (Chong, 2003). McCarthy (1964) offered the "marketing mix", often referred to as the "4Ps", as a means of translating marketing planning into practice (Bennett, 1997).



Product

Vitasoy soya bean milk is the preferable trade name among local consumers. But it is fast losing its attraction. Consumers are going more sophisticated and wellness witting where many are exchanging out to “Fresh/ Organic” soya milk which are ferociously competed by many challengers. The launched of Low Sugar discrepancy may hold helped to decelerate down its eroding portion. But the merchandise has passed the adulthood phase. The company continues to stretch the merchandise line with different battalion). This enterprise may potentially take to cannibalization and doing diseconomies of graduated tables in production.

Price

The primary target customers of Vita lemon tea are aged 15-30 who are mainly from secondary school students to young working adults. Secondary target consumers also are those younger primary school students who aged between 11-14 and working adults from 31-45. These target consumers may not buy the Vita lemon tea drinks by themselves regularly, but may be have change to enjoy it when their family members did. Income Vita lemon tea products suit for different income groups of people from lower to upper class because of reasonable price.

Promotion

Actively prosecute in advancing its merchandise through several advertisement platforms (eg. Television commercial. societal media. magazine/ newspapers. hoardings & A ; event sponsorships) and conducted many consumer communicating runs. Noteworthy is their in-store executing peculiarly in concatenation supermarket which dominates bulk of the shelf-space with outstanding merchandise shows and conducted tactical package gross revenues Vitasoy always awarded by the organizations. These awards recognized Vitasoy's efforts in the past years in providing quality drinks for every Hongkongers. It becomes top of mind in the consumer's heart with great brand recognition and recall, reputation increased.

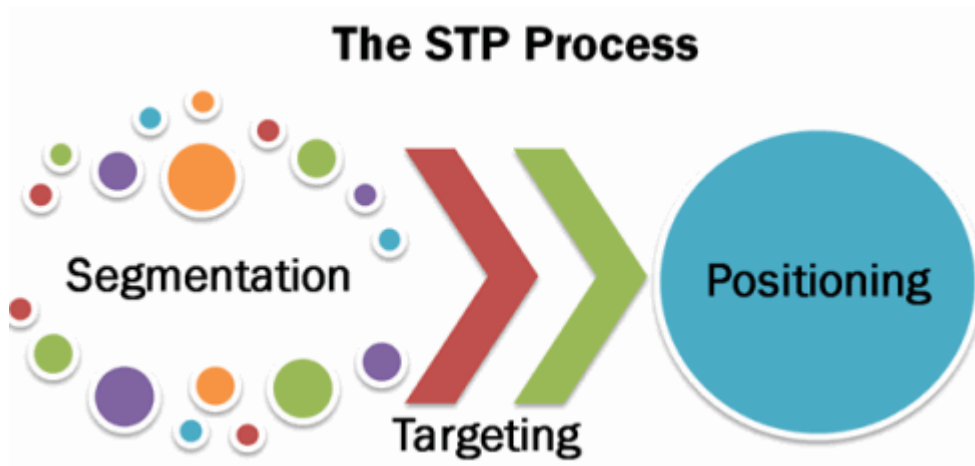
Place

The merchandise is widely available through their extended geographical coverage built over the old ages (e.g. concatenation supermarkets & convenience shops, eating houses, bakeshops, offices and independent food market shops) serviced by 300 gross revenues force and 100 bringing trucks. Besides leveraging on the company subordinate – Vitaland. specialising in operation and direction of school tuck stores and canteen concern. It made the merchandise more accessible peculiarly among younger consumers. These are the cardinal factors that have helped to beef up the company leading in Hong Kong.

3.2 STP Analysis

Today, Segmentation, Targeting and Positioning (STP) are a familiar strategic approach in Modern Marketing. It is one of the most commonly applied marketing

models in practice. The STP model is useful when creating marketing communications plans since it helps marketers to prioritise propositions and then develop and deliver personalised and relevant messages to engage with different audiences.



Segmentation

Vitasoy is still the market leader in Hong Kong and the Southern China markets. This reflected that Vitasoy has targeted on the right market segment. Moreover, the brand images for the main products and the corporate image of Vitasoy are still very high. Basically the market segment can be divided into the following categories:

- **Demographic**

It is target to young children and teenagers in both male and female, from lower to upper class as the price of it is affordable to most consumers since it cost only few coins for one.

- **Geographic**

Mainland China business is still the major revenue but intends to further expands in overseas market. For local market, wide spread sales network as it is available in various packaging formats at different places such as supermarket and vending machines

➤ Behavioural

Product consumption rate is mostly daily, depending on each individual drinking habit and the occasions. The drinks are cheap and it comes in different flavors. This enables a wide variety of choices for consumers to select from.

Targeting

The target market can be for a wider range of consumers but more focusing on the younger generation of children to teenagers of both female and male. Vitasoy invested a lot on marketing promotion and branding for this group of consumers including the launch of 125ml packaged drinks and packaging design competition.



Positioning

It is trendy, wholesome beverage that can be consumed at any time at any place. The taste of Vita lemon tea is good, special and unique. What Vita wants to create is the special, unique brand image in consumers mind. People also feel that they are special from others who do not choose Vita lemon Tea. Irreplaceable taste also arouses a feeling of the unique and irreplaceable position of Vita lemon tea in the market and consumers mind. It implies competitors may not be able to replace its special and unique tea taste.

3.3 Effectiveness of current marketing plan

If we compare with other drinks, Vitasoy is selling at a reasonable price with good quality and reputation. The high brand image giving Vitasoy the competitive advantage on the sales and advertising of its products because its customers will have higher brand loyalty and awareness. Also, the high company image is the result of high standard of quality of products and services that Vitasoy have been delivering to its customers. As such, the customers have a very good perception on the company.

Vitasoy invest a lot of money in the promotion in order to keep creating a new image to attract teenage and remain Vitasoy is not outdated. Effective promotion or advertising is a method on how companies can effectively market their products in a marketing environment. Effective marketing strategy means that the products of Vitasoy being provided are always excellent. You can see the Vitasoy's advertisement in mass media such as TV, newspapers and internet etc. Some successful and effective promotional strategies Vitasoy have used are:

- TV advertising: Vitasoy has released short, but effective advertisements in China and Australia, showing the benefits and healthiness of their soy milk ranges.
- Social media: Vitasoy has its own Facebook pages, where consumers can research and interact with Vitasoy online.
- Posters: Vitasoy has had posters and pictures put around cities and towns for to advertise to a wider range of consumers.
- Point-of-sale displays: Vitasoy has constantly been sold with sales and deals, encouraging impulse purchases

In terms of the above key success factors, Vitasoy maintain its market shares and profit both in Hong and Southern China markets with sustainable growth.

4. Recommendations and Conclusion

In facing the competitors' fierce attacks on the market shares and profits, Vitasoy should expand its brand by developing new products so as to protect and increase its brand equity and expand the total market. Given its competitive advantages and core competence in Hong Kong and Southern China markets, Vitasoy should launch the new product in those regions and to adopt concentrated market coverage strategy. That means, Vitasoy should use one set marketing mix apply on all different markets so as to make use of its great knowledge of the customer needs in those market segments.

In order to promote the new products, Vitasoy should adopt the above-the-line advertising and promotion campaigns so as to quickly penetrate into the market and get the products widely be noticed and accepted by the customers so as to capture more market shares and increase the capability of profit generation. Vitasoy also needs to secure and strengthen the relationship and partnership with dealers and distributors to gain their commitments and supports. Apart from the introduction stage of new products, Vitasoy still have to carry out advertising evaluation regularly so that it can pro-actively and promptly take actions should such market situation prevails.

In addition, Vitasoy also need to closely monitor the sales figures, marketing budget and expenses so as to ensure that, on the one hand, sufficient funding is maintained while on the other hand. The resource will not be wasted hence the jeopardy to company's financial condition and profit margins. Finally, Vitasoy should keep close monitoring to and being highly sensitive on the response and movement of its competitors so that it can take prompt and pro-active actions to launch counteroffensive defence to competitors' possible attacks.

III. References

- ❖ Chong, K. W. (2003). The Role of Pricing in Relationship Marketing - A Study of the Singapore Heavy Equipment Spare Parts Industry, PhD Dissertation, International Graduate School of Management, University of South Australia.
- ❖ McCarthy, E. J. (1964). Basic Marketing, IL: Richard D. Irwin
- ❖ Bennett, A. R. (1997). The Five Vs - A Buyer's Perspective of the Marketing Mix. Marketing Intelligence & Planning, 15(3), 151-156.
- ❖ Porter, M. (2008). Competitive Advantage. Riverside: Free Press.
- ❖ Porter, M. E. (1998). Competitive Advantage: Creating and Sustaining Superior Performance, New York: The Free Press, NY 10020
- ❖ Swirepacific.com. (2018). [online] Available at: <https://www.swirepacific.com/en/media/press/p190314a.pdf> [Accessed 25 Jun. 2019].
- ❖ Vitasoy.com. (2018). [online] Available at: <https://www.vitasoy.com/wp-content/uploads/2015/01/E00345-Annual-Report-1718.pdf> [Accessed 25 Jun. 2019].
- ❖ Frederic P Miller, Agnes F Vandome, John McBrewster (2011) Pest Analysis, : VDM Publishing.
- ❖ Ng, Y. (1986). Mesoeconomics: A Micro-macro Analysis. Wheatsheaf Books, p.267.
- ❖ Gummesson, E. (2002). Total Relationship Marketing. Burlington: Elsevier.
- ❖ Kotler, P., Armstrong, G., Brown, L. and Adam, S. (1998). Marketing fourth edition, Prentice Hall, Sydney.
- ❖ Kotler, P. and Armstrong, G. (2010). Principles of Marketing 13th Edition, Pearson Education Inc.

- ❖ East, R. (1997). "Consumer Behavior: Advances and Applications in Marketing", Prentice-Hall, London.
- ❖ Greenpower.org.hk. (2018). Green Power. [online] Available at: https://www.greenpower.org.hk/html5/eng/fe_135.shtml [Accessed 23 Jun. 2019].
- ❖ Baker, M. and Saren, M. (2016). Marketing theory. Los Angeles [etc.]: SAGE.
- ❖ Carpenter, G. and Lehmann, D. (1985). "A model of marketing mix, brand switching, and competition", Journal of Marketing Research, Vol. 2, August, pp. 244-9.