



LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	CHUNG CHUN PONG JAMES	Student ID number:	2123147
Programme:	MBA		
Module:	Marketing Management		
Module code:	HKBM 7012	Contribution to Overall Module Assessment (%):	75%
Lecturer:	Dr Arion WONG	Internal Verifier:	Dr Katherine Mo
Assignment Title:	Assignment 1	Word count (or equivalent):	3000 words
Submission deadline:	11 July 2022	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.		

Marketing Plan Analysis Report of Ajisen Ramen

Hong Kong

Chung Chun Pong James

Student ID: 2123147

Module: Marketing Management (HKBM7012_HKMA)

8 July 2022

Executive Summary

The COVID-19 pandemic brought heavy damage on global economy including Hong Kong. A series of social distant restrictions, dine-in service limitations caused a big hit on the food and beverages sector in Hong Kong. Ajisen Ramen could not avoid as well which reflected on the sharp decline of sales revenue and shut down of stores for last 6 years even before the COVID-19 which just amplify the long-term issues inside the brand. The report conducted a full analysis of the causes of the decline and the evolution of Ajisen and located the issues including lack of product variety and creativity, scandal of pig-bone soup in 2011 and low penetration of social media presence. To maintain the survival or reignite the brand in Hong Kong, different marketing tools were adopted to evaluate Ajisen and derive some marketing strategies to identify the right target customers and positioning, explore new product and markets and boost the exposure on different social media to rebrand and arouse the awareness of the brand to existing and new target customers.

Table of Content

		<u>Page</u>
1	Introduction	1
2	Background of <u>Ajisen Ramen Hong Kong</u>	1
	2.1 Industry environment analysis	2
	2.2 Range of products	3
3	Internal analysis of <u>Ajisen Ramen</u> challenges	4
	3.1 Scandal of signature soup	4
	3.2 Inadequate variety of product	4
	3.3 Low penetration of social media marketing	5
	3.4 The trend of sales growth decline	5
4	Marketing plans for <u>Ajisen Ramen</u>	6
	4.1 Market segmentation and positioning	6
	4.2 The Product/Market Expansion Grid	7
	4.2.1 Market Penetration	8
	4.2.2 Product Development	9
	4.2.3 Market Development	9
	4.2.4 Diversification	9
	4.3 The marketing mix	10-11
5	Implantation Plan	11
	5.1 Schedule plan	12
6.	Conclusion	12
7.	Recommendation	13
	References	14

1. Introduction

Ajisen Ramen was well known as the first restaurant introducing Japanese ramen to Hong Kong back to 1996. However, due to a wide range of reason including COVID pandemic, social incident and intense competition, the sales growth of Ajisen Ramen in Hong Kong dropped significantly for last 6years. The market share and brand value are diminishing as well. Through the report, a business analysis would identify the reasons of those issues of Ajisen Ramen and draw up a marketing plan which aims to drive the turnover and revenue up and arouse the awareness of the brand. That is critical for Ajisen to sustain and grow in the market after those challenges.

2. Background of Ajisen Ramen Hong Kong

Ajisen Ramen is a Japanese ramen chain restaurants founded by Mr. Takaharu Shigemitsu in Japan. Mr Takaharu, with Chinese name Liu Tan Hsiang, is a Chinese who introduced a modification of the traditional pork bone soup in Fukuoka. Since the first overseas store was set up at Taiwan in 1994, Ajisen expanded its network globally with up to 800 stores in different countries including Hong Kong, China, South Korea, United States and Australia.

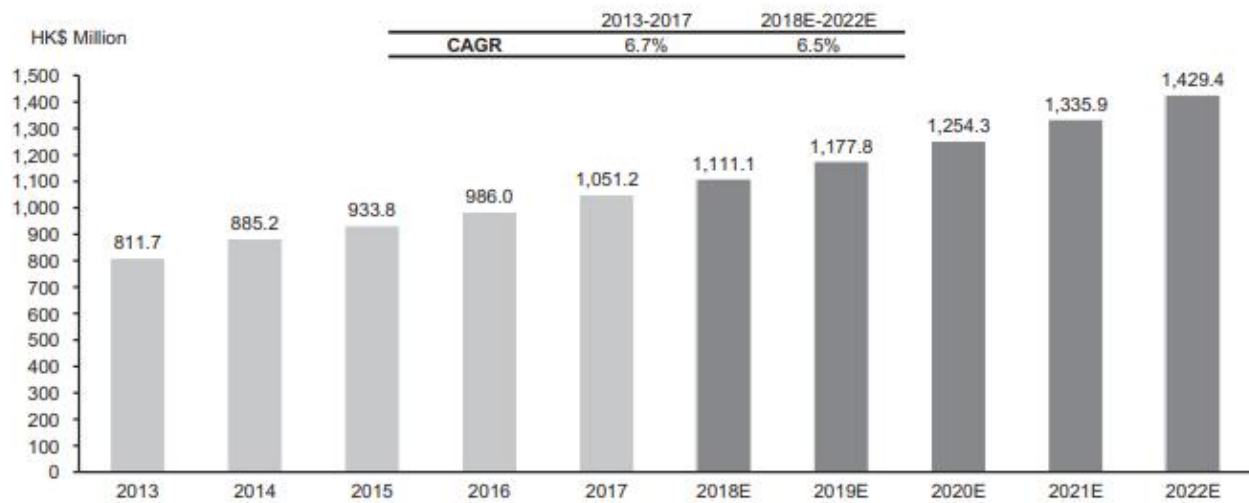
In 1996, Ajisen Ramen opened its first store in Hong Kong by Ms. Wai Poon with the license from Japan. As of 2020, there are 734 stores in China up to 169 cities. Ajisen China Holdings Ltd (0538 HK), the holding company of Ajisen Ramen Hong Kong, listed on The Stock Exchange of Hong Kong in 2007. This report would focus on the business sector in Hong Kong under Ajisen China.

2.1 Industry environment analysis

From just a choice in the food menu of Japanese restaurants to up to 525 restaurants (openrice.com, 2022) which are specialized in serving Japanese ramen, the growth of ramen restaurants market was significant for last decades in Hong Kong. Among these restaurant, the group with most stores is Ippudo (7 stores in 2022) but still share 1.3% of the market only. Ajisen Ramen, who was the market leader with few dozens of stores, keeps only 4 stores in Hong Kong currently. Ramen restaurant is a relatively fragmented industry meaning refers to a market that lacks major players that dominate the industry. (Quain, 2018). Though Ajisen lost its market share sharply by shutting down many stores, there is still opportunity to recover.

From the market research done by Frost & Sullivan (2019), the market size of the Japanese ramen restaurant has steadily growth since 2013. In 2017, Japanese ramen restaurant represented around 1% market size of the whole Hong Kong catering service market. With a increasing variety of products and stronger brands building, a steady growth of ramen restaurant in coming years could be expected.

Figure 1. Market Size of Japanese Ramen Restaurant (Hong Kong), By Revenue, 2013-2022E



Source: Frost & Sullivan (2019)

2.2 Range of products

As a Japanese style fast food chain stores, Ajisen Ramen has two main product lines including in-store Japanese cuisine and wholesales instant noodles available at domestic supermarkets. A wide range of Japanese ramen choices including the famous Chashu (pork) ramen with pork bone soup and dipping style ramen. Besides ramens, the menu covers a series of Japanese style snacks and appetizers.

To ensure the consistency of product quality and cost-saving purpose, Ajisen ramen centralized the food processing including all components such as onions, vegetables, garlic and noodles at a central kitchen. By processing from the same point, they could enjoy the efficiency of centralization as the stock and logistics management would be much more efficient. The monitoring of food quality and safety allows Ajisen ramen to keep all product output at an unified standard. As a chain restaurant, sewage and energy charges are major part of production cost, central kitchen production would reduce the total cost by mass production.

3. Internal analysis of Ajisen Ramen challenges

From dominated the market as one of the first restaurant introduced Japanese ramen to Hong Kong decades ago and with dozens of stores at its peak, Ajisen Ramen lost its brand awareness as well as most of the stores sharply which led to its turnover growth declined significantly in last 5 years. Ajisen Ramen lost its market share for a series of reasons including the scandal of its signature pork bone soup in 2011, lack of new product launch and low exposure of traditional or social media advertising campaign. Cost control by reducing number of stores brought chain effect to further damage the market exposure and revenue generation of Ajisen Ramen.

3.1 Scandal of signature soup

The soup scandal in 2011 is a turning point of Ajisen Ramen. Making its signature soup with real big pig-bone for hours was the relative advantage of Ajisen Ramen when boarding to Hong Kong market. The soup contains high density of calcium which is good for healthy and beauty was the foundation of Ajisen Ramen marketing strategy. However, Ajisen was exposed, instead of producing the soup fresh, it uses concentrates then diluted into soup. And the nutritional value especially the amount of calcium was exaggerated. The group admitted using soup concentrate but claimed the high calcium amount was confirmed by China Agricultural University which was denied by the latter. Eventually, Ajisen apologized for “an inappropriate description” with the soup nutritional content and assured they will comply with law when making any statements in advertising.

3.2 Inadequate variety of product

The highlight of its fresh made pig-bone soup brought huge success to Ajisen from a small franchise to a listed company with hundreds of stores all over Hong Kong and China.

However, especially after the soup concentrate scandal, it brought even bigger damage to Ajisen. The weakness due to lack of new product development and launch was surged as customers have no intention to visit Ajisen anymore. Using soup concentrates on their soup conflict with the trend of food safety and health awareness of customers. The outbreak of COVID-19 brought even bigger impact on Ajisen than other competitors because they did not invest on any research and development on packaging and food process that customers could enjoy Japanese ramen at their home with close to in-store experience. The traditional take-way highly depreciated the quality of ramen.

3.3 Low penetration of social media marketing

The power of social media is inevitable for almost every industry to maintain or boost the brand awareness and engage with existing and potential customers directly. Ajisen Ramen has exposure on Facebook and Instagram with its official account but the penetration rate is relatively low. There are only 890 followers of its Instagram page while its close competitor, Ippuudo has more than triple of it. The content of its Instagram posts is only the print advertisement they are using in stores with some animation. No tailor-made content or any interaction with audiences to arouse any awareness of the brand.

3.4 The trend of sales growth decline

As result of the issues mentioned above, the sale growth in Hong Kong of Ajisen Ramen dropped for 5 years in series since 2016. It was back to positive growth in 2021 because the base in 2020 was extremely low due to COVID pandemic. It does not change the down trend of its sales growth as 16 stores were closed over these 6 years. There are only 4 stores in Hong Kong shows it is the matter of survival for Ajimen Ramen in Hong Kong market.

Figure 2: Annual sales growth in Hong Kong of Ajisen Ramen (2016 - 2021)

	Annual sales growth
2016	-1.3%
2017	-6.8%
2018	-6.9%
2019	-27.9%
2020	-21.6%
2021	13.7%

Source: Ajisen (China) Holdings Limited annual report (2016 -2021)

4. Marketing plans for Ajisen Ramen

When the issues were identified, it is critical for Ajisen to develop a plan of a range of marketing strategies to raise the awareness of the brand, its products, engagement with existing and potential customers.

4.1 Market segmentation and positioning

From the locations of the remaining 4 stores which are in commercial, residential and shopping regions, Ajisen targets a wide range of customer segments including office white collars, family, students and tourists. McDonald (2012) defined market segmentation is the procedure of dividing into different groups or segments of existing and potential customers of a market share similar needs. Ajisen could ride on the different target segments of different stores to diversify the products and services. In commercial area, they could provide different choices of portion for different appetites of male and female white collar customers. Introduce more veggie and low fat menu for higher health-aware executives. The setting of store could

provide more single seated for those aim for a quick, mid-quality dine-in lunch during peak lunch-hours. In residential area, they could provide more budget lunch and tea set menu and special discount to capture student and elder customers. In shopping area, they could apply a concept shop idea to decorate the store specially and provide a wide range of souvenir and figures to create more noise and word of mouth and attract more tourists and local youngsters to “check-in” and post on social media.

4.2 The Product/Market Expansion Grid

Lack of variety and new product launch is the problem of Ajisen Ramen for years. Especially after the soup scandal, the “signature” has become a burden that Ajisen had lost the attention of customers for many years. To plan a new business strategy, Ajisen could use the Product/Market Expansion Grid (or called Ansoff Matrix which was developed by H. Igor Ansoff in 1957) to evaluate the how attractive of the new products and markets versus existing ones and the associated risk of it. The figure 3 below demonstrates the Product/Market Expansion Grid of Ajisen Ramen Hong Kong which will be elaborated in details.

Figure 3: Product/Market Expansion Grid of Ajisen Ramen Hong Kong

Market	Products	
	Existing	New
Existing	Market Penetration Pig-bone soup Chashu (pork) ramen	Product Development - Japanese BBQ (Yakitori) - Japanese savory pancake (Okonomiyaki)
New	Market Development - Deep fired pork chop rice - beef rice - Japanese dumpling	Diversification A. Related Diversification - Vacuum packing for home ramen cooking B. Unrelated Diversification - Use the theme character of Ajisen logo, Chii-chan to develop a series of products

4.2.1 Market Penetration refers to existing product under the existing market. Ajisen was famous because of the pig-bone soup ramen but due to the scandal in 2011, the credibility of Ajisen on declaring the food ingredients and nutritional content is very low. The damage had been made and remediation focusing on this issue must be carried out as soon as possible. Unfortunately, Ajisen had done not much except apology and attempted to divert people with doublespeak. The root cause was on the ingredients of their signature ramen, Increase the transparency by listing out all the nutrition contents and origin of raw materials of the food with endorsement from laboratory or university with high credibility. Invite media to on-site visit of their food processing centre. High transparency and adequate information is the best solution to regain the customers' confidence.

4.2.2 Product development is the strategy of growth by introducing new products or enhancing existing products in the existing market. To build on the established and seasoned Japanese restaurant, Ajisen could widen the product lines to other Japanese cuisine such as Japanese BBQ (Yakitori) and savory pancake (Okonomiyaki). The capital investment on equipment and marginal cost would be low but by enrich the food choices in the menu, Ajisen could increase the revenue from each customer and attract new customers. And, compare with 25 years ago when Ajisen introduced Japanese ramen to Hong Kong, pig-bone soup is no longer that special when many ramen restaurants are serving as well and even with better quality. Develop new soup flavour and different shape and texture of noodles could allow Ajisen increase the repurchase rate of their customers and capture new customers as well.

4.2.3 Market development is introducing existing products to new markets by new sales channels or with new packing. The presentation of Ajisen's food no matter ramen or rice have not changed for years. Redesign the containers and decoration of their existing food would capture new customers especially those concern presentation than taste who would not consider Ajisen before.

4.2.4 Diversification refers exploring new products to new markets. It could be related diversification which is inside the same industry and unrelated diversification which is crossing to another industry. As the issue mentioned above, Ajisen could develop the packing of ramen or frozen good with new food processing technology so, particularly under the uncertain situation due to COVID, they could maintain the sales when dine-in at stores is restricted. And after 16 stores were closed by Ajisen for last 6 years, packaged food products allow Ajisen to boost the sale via its own or other e-commerce platforms instead of 4 points (stores) of sales only. On the other hand, Ajisen could develop a wide range of souvenirs and

side products with its brand log which is a little girl holding a bowl with happy face. Even after the scandal, Ajisen is still a well-established brand for decades in memory of customers in Hong Kong. The launch of branding side products could deepen the brand loyalty and awareness and create a new source of revenue at the same time.

4.3 The marketing mix

The marketing mix or 4 Ps concept was firstly introduced by E. Jerome McCarthy (McCarthy, 1964) which is now widely use to analyse the key elements (4Ps): Product, Price, Place and Promotion in marketing.

Product

Lack of new products and variety are widely regarded as the main problem of Ajisen for years. It lost popularity among different segments of customers as previous customer lost the intention to visit again as lack of new products while new customers or youngsters do not aware this brand at all. Ajisen could capitalize form its long history in Hong Kong by collaboration with other famous local brands in different industries with similar history. There are some local soy sauce makers such as LeeKimKee who established in 1888 but launch many new products regularly in addition to traditional soy and oyster sauce. A collaboration with LeeKimKee by providing different sauces or powders for Ajisen's ramen, dumpling and other food could bring a brand new experience to customers. Ajisen could also benefit from LeeKimKee's evergreen brand image while for LeeKimKee, they could benefit from showing their products would blend in with other cuisine perfectly.

Price

As the analysis of the target segments earlier, Ajisen aims customers under wide range of income groups. The pricing for breakfast, tea set menu and the original price is with 70% deviation. The overall pricing is about 20% lower than other close competitors.

Place

Only 4 stores remains in Hong Kong including, residential, commercial and shopping areas. Ajisen should review the performance of every location and focus on most profitable region to set up any new store.

Promotion

Although the weak performance of Ajisen in last few years, the strong balance sheet of the group according to the latest annual report (2021) allows Ajisen to invest on social media to increase its exposure. The power of social media such as Facebook, Instagram and YouTube allows Ajisen to reach out those customers they never did, deepen the engagement and loyalty with existing customers. As the special decoration store and newly launch side products with brand logo mentioned, Ajisen could create awareness by launch campaign for best post on Instagram. They could also invite famous YouTubers to visit their store and share the experience on YouTube.

5. Implantation Plan

After developed a series of marketing strategies, Ajisen should execute with a well structured planning. They have to identify targeted segments and position then derive a marketing mix to capture the target customers with new products related to the original and other industries. To collect accurate and updated need of customers is critical to identify the shortfall then enhance

to meet the customer needs. Under the current circumstance with the impact from COVID, the GDP growth contracted by 4% in first quarter in 2022 (HKTDC, 2022) and the unemployment rate remain at above 5%, Ajisen should focus on fully utilize its existing resources instead of expanding with more stores.

5.1 Schedule plan

Monitoring of progression and review by stages are the keys for a successful plan implementation. Gantt chart was designed by Henry Gantt at early 1950's to illustrate the schedule of project. It would demonstrate the dependency among different activities and current status of schedule.

	Week 1-2	Week 3-4	Week 5-6	Week 7-8	Week 9-10
Explore new idea of product					
Generate marketing strategy					
Implementation of ideas					
Business analysis					
Development of product					
Evaluation of market					
Advertising and promotion					

6. Conclusion

The long story and being the first restaurant to introduce Japanese ramen to Hong Kong could be a relatively advantage for Ajisen Ramen. However, because of lack of product variety and creativity, the competition from other market players, soup scandal and COVID-19 brought a heavy damage to Ajisen ramen for last 6 years that 16 stores were closed and a continuous downtrend of sales growth. The survival of Ajisen in Hong Kong is highly uncertain that a

thorough market plan to reignite the brand is unavoidable. Different tools had been adopted to analyze the issues and marketing strategies of Ajisen ramen. There are still many initiatives could be done to stimulate the growth. Expand the product variety, increase the transparency of food processing, raise the penetration of social media channels and develop new product line are just among few of strategies Ajisen ramen could carry out immediately. A massive advertising and branding activities is essential for Ajisen to move on from the scandal and dull image. Developing a new youngsters market could solve the scandal impact as this segment holds no perception (or impression) of Ajisen ramen at all.

7. Recommendation

Japanese ramen is a fragmented market in Hong Kong that no market player is dominating the market. Ajisen Ramen can still re-position itself in the market with a series of marketing plans to capture more market share and the rebound of economy in Hong Kong after the COVID impact.

Reference

- Ajisen (China) Holdings Limited. (2016) Annual Report 2016. Hong Kong: HeterMedia Services Limited
- Ajisen (China) Holdings Limited. (2017) Annual Report 2017. Hong Kong: HeterMedia Services Limited
- Ajisen (China) Holdings Limited. (2018) Annual Report 2018. Hong Kong: HeterMedia Services Limited
- Ajisen (China) Holdings Limited. (2019) Annual Report 2019. Hong Kong: HeterMedia Services Limited
- Ajisen (China) Holdings Limited. (2020) Annual Report 2020. Hong Kong: HeterMedia Services Limited
- Ajisen (China) Holdings Limited. (2021) Annual Report 2021. Hong Kong: HeterMedia Services Limited
- Bradley, P. (2010). 'Be where the conversions are :The critical importance of social media', *SAGE Journals*, Vol. 9 No.5, pp.203-232. DOI:10.1177/0266382110390976.
- Census and Statistics Department (2021). Unemployment and Underemployment Statistics for October - December 2020. Available at: https://www.censtatd.gov.hk/press_release/pressReleaseDetail.jsp?charsetID=1&pressRID=4815 (Accessed on 29 June 2022).
- Christopher M., Payne, A & Ballantyne, D. (2002) *Relationship Marketing*, Oxford, Butterworth-Heinemann.
- Constantinides, E. (2006). 'The marketing mix revisited: towards the 21st century marketing' *Journal of Marketing Management*, Vol 22, No3-4, pp407-438. DOI:10.1362/026725706776861190.
- Holmes, J. (2016) 'How do you identify a fragmented industry', Market Placer [blog]. 24 October. Available at: <https://marketplacer.com/blog/how-do-you-identify-a-fragmented-industry/> (Accessed: 31 March 2021).
- Jarl Borch, O. and Brastad, B. (2003) 'Strategic turnaround in a fragmented industry', *Journal of Small Business and Enterprise Development*, Vol. 10 No. 4, pp. 393-407. DOI: 10.1108/14626000310504701.
- Kotler, K. (2010). *A framework of marketing management*. Prentice Hall.
- Luan, C. and Zhang.M. (2020) 'Effective pretreatment technologies for fresh foods aimed for use in central kitchen processing', *Science of Food and Agriculture*, 15(4), pp.124-138. DOI: 10.1002/jsfa.10602.
- McCarthy, Jerome E. (1964). *Basic Marketing. A Managerial Approach*. Homewood, IL: Irwin

Neil H (1964). *The Economic Effects of Advertising*. Homewood, 111: Richard D. Irwin.

Poon, C (2022) *Economic and Trade Information on Hong Kong*. Available at:
<https://research.hktdc.com/en/article/MzIwNjkzNTY5> (Accessed: 2nd July 2022).

Selig, Gad J. (2008). *Implementing IT Governance: A Practical Guide to Global Best Practices in IT Management*. Van Haren Publishing

Smith, B. (2005) *Making Marketing Happen*, Oxford, Elsevier.

Steger, I. (2011) *Noodle Affair Simmers*. Available at:
<https://www.wsj.com/articles/SB10001424053111904253204576510232164041122>
(Accessed: 30th June 2022).

Peterdy K. (2022) *Ansoff Matrix*. Available at:
<https://corporatefinanceinstitute.com/resources/knowledge/strategy/ansoff-matrix/> (Accessed:
3rd July 2022).

Vinerean, S. (2017) 'Importance of Strategic Soocial Media Marketing', *Expert Journal of Marketing*, Vol. 5, Issue 1, pp. 28-35. DOI: 1159/1381.