

APPENDIX GA36d

LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	Tsoi Mei Kwan	Student ID number:	2322638
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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.		

UWTSD MBA

Change and Stability Management (HKBM7015)

Dr. Joe Leung

14 April 2024

Revitalizing Sa Sa International: An Organizational Change Initiative for Innovative Expansion

Tsoi Mei Kwan (Cherrie)

2322638

Table of Content



1. Introduction		3
2. Company Background	- History of Sa Sa International Holdings Ltd. - Core Business Operations and Strategy	4
3. Environmental Analysis of Sa Sa International	- Ten-year Financial and Operation Summary - General External Environment Analysis - Task Environment Analysis	6
4. Evaluation of Change Necessity		11
5. Organizational Change	- Technology Applications in Physical Stores - Optimization and Innovation in the Online Shopping Platform	12
6. Conclusion	- Summary of Findings - Final Thoughts on the Change Imperative	14
7. Recommendations	- Investing in technology - Blue Ocean Strategy - Customer Orientation - Offline	15
8. Appendix		16
9. References		17

1. Introduction

Sa Sa International's journey from rapid expansion to its current financial downturn underscores not just the impacts of a decline in tourism, but also the shifting competitive landscape and evolving consumer behavior. A thorough environmental analysis, paired with insights into organizational change, provides the context for understanding the company's challenges. This assignment culminates with strategic recommendations, offering a transformative blueprint for operational efficiency and innovative expansion to ensure sustainable growth.



2. Company Background ~ History

1978 -Mr. Kwok Siu-Ming and his wife started the "Sa Sa" cosmetics retail business in Hong Kong.

1990 -First "Sa Sa" standalone shop opened.

1997 -Sa Sa was listed on the Main Board of the Hong Kong.

1997 -First stores in Macau, Taiwan region and Singapore.

2000 -First store in Malaysia.

2000 -Launch of Sasa.com to offer online shopping.

2005 -First store in Shanghai, Mainland China.

2011 -The Group's 200th store in Asia.

2017 -Launched on WeChat, Tmall Global, Koala and Xiaohongshu.

2021 -Revamped shopping website and mobile app.



(Sa Sa International Holdings Limited, 2022)

2. Company Background ~ Core Business Operations & Strategy

➤ Self-service Shopping

Beauty Products:

- Cosmetics
- Personal Care
- Skin Care
- Fragrance
- Hair Care
- Body Care
- Skin Care Device
- Health Supplements

- ◆ Over 600 international brands
- ◆ Over 180 own brands
- ◆ Over 120 exclusive brands

- Price range from \$1 to \$5,000



Shops (183):

- Hong Kong (72)
- Macao (9)
- Mainland China (35)
- Malaysia (68)
- Taiwan (discontinued)



Supplies:

- Parallel Imports (low price)
- Exclusive Brands
- Local Supplies

(Chaoying and Xiao, 2010)



Channel On-line Sales:

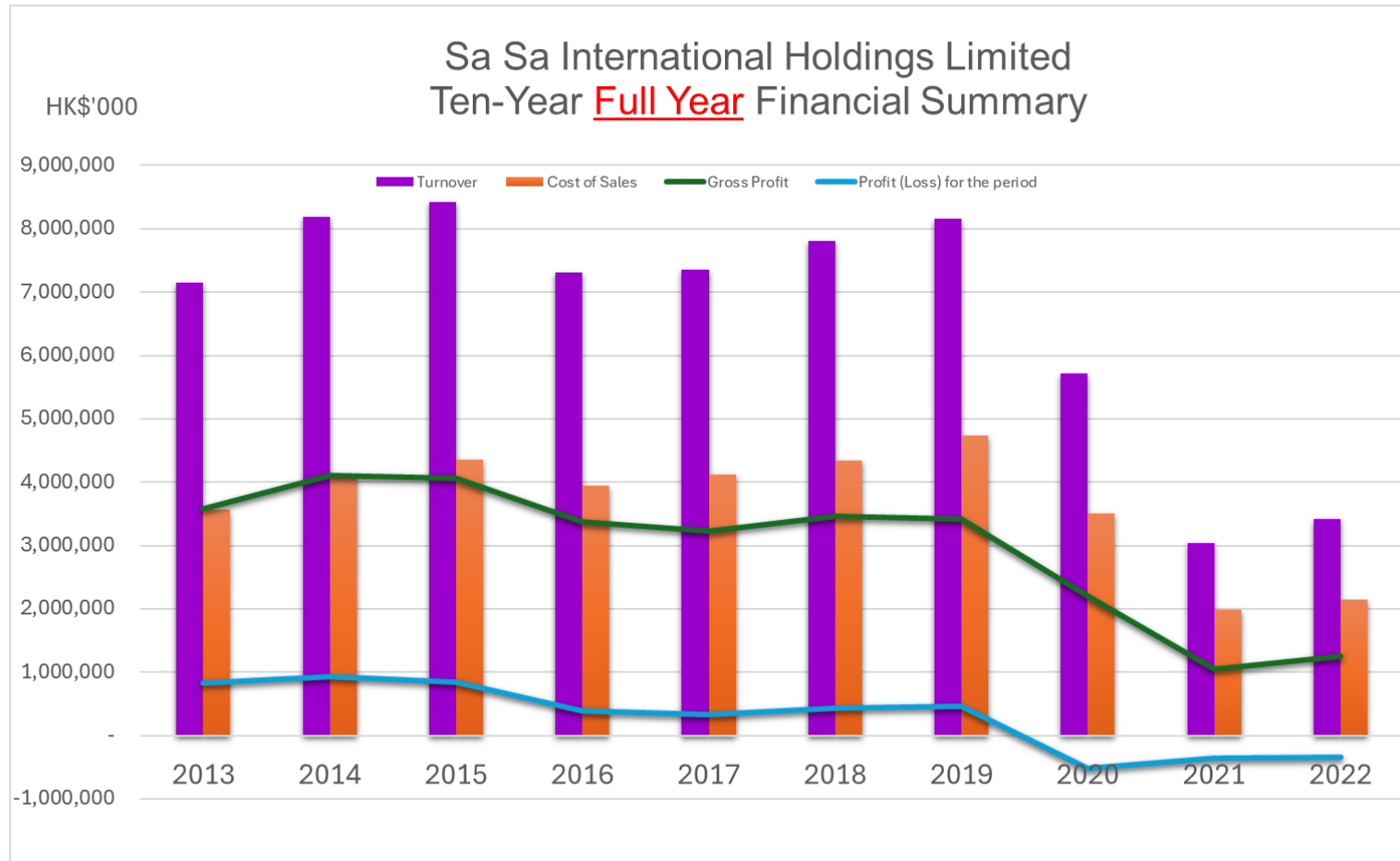
- Website
- Mobile Apps
- Third-party Platforms



(Sa Sa International Holdings Limited, 2022 & 2024)

3. Environmental Analysis of Sa Sa International

3.1 Ten-year Financial and Operation Summary - Overall

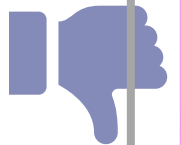


Highest Turnover:
2014-15 HK\$84 billion

Highest Profit:
2013-14 HK\$9.3 billion

Lowest Turnover:
2020-21 HK\$30 billion
-64% (compared to the highest)

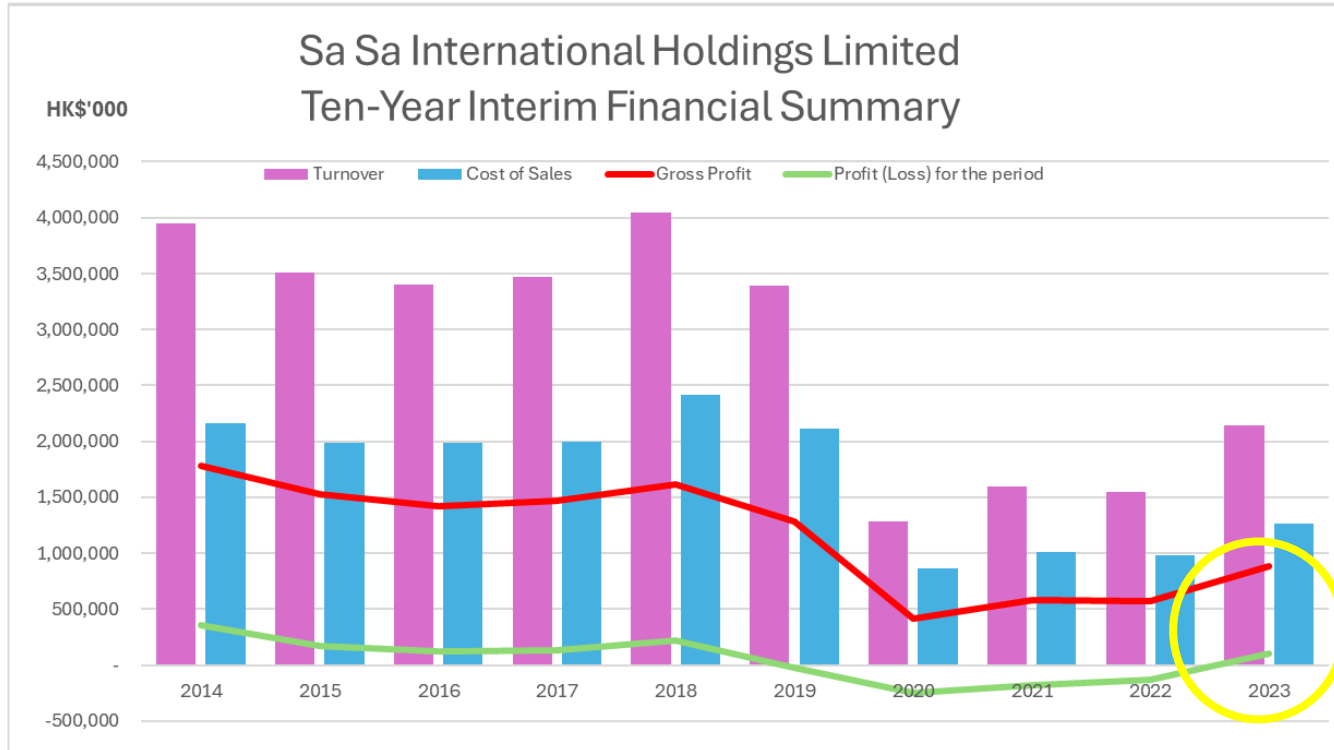
Loss:
2019-2020 HK\$5.2 billion



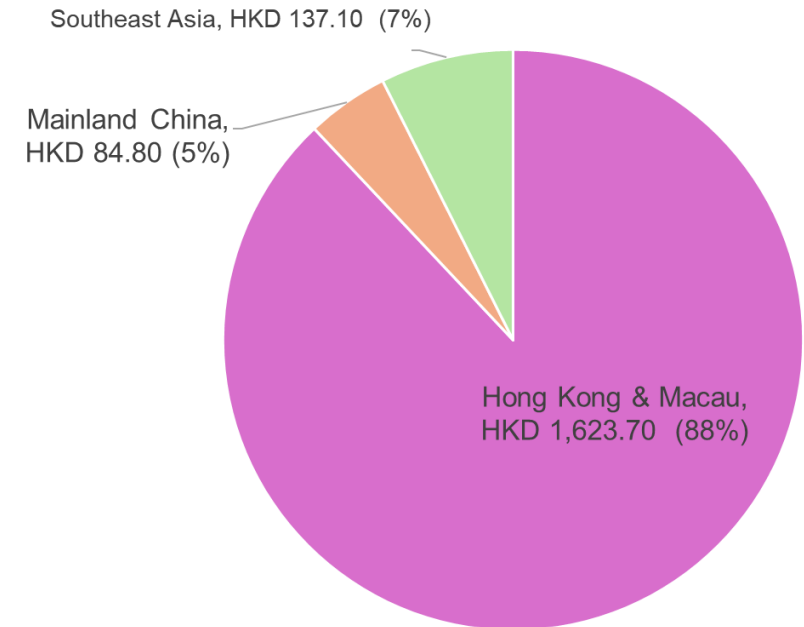
(Sa Sa International Holdings Limited, 2022)

3. Environmental Analysis of Sa Sa International

3.1 Ten-year Financial and Operation Summary – New Trend & Hong Kong



Breakdown of Offline Turnover (Million) (as at 30 Sep 2023)



(Sa Sa International Holdings Limited, 2024)

3. Environmental Analysis of Sa Sa International

3.1 Ten-year Financial and Operation Summary - Retail Outlets



(Statista, 2024)

Correlation Coefficients	
	Turnover
Turnover	1
Total Visitor Arrival	0.93
Visitor Arrival from Mainland China	0.93

(Schober, Boer, and Schwarte, 2018, p.1763) (Appendix)

(as at 30 Sep 2023)

HK Tourism

Recovered to 70% (of pre-pandemic levels)

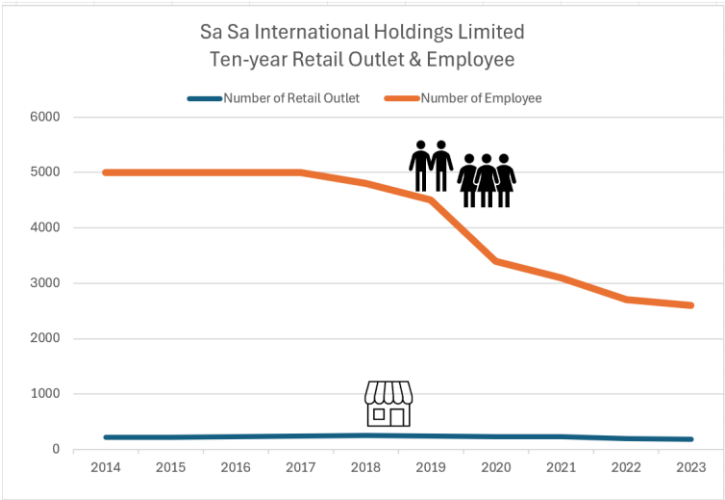
Hong Kong and Macau

Impacted by Tourists from Mainland China

Recovered to 46% (of Pre-Covid)

Tourist sales mix 49%

Pre-pandemic period 74%

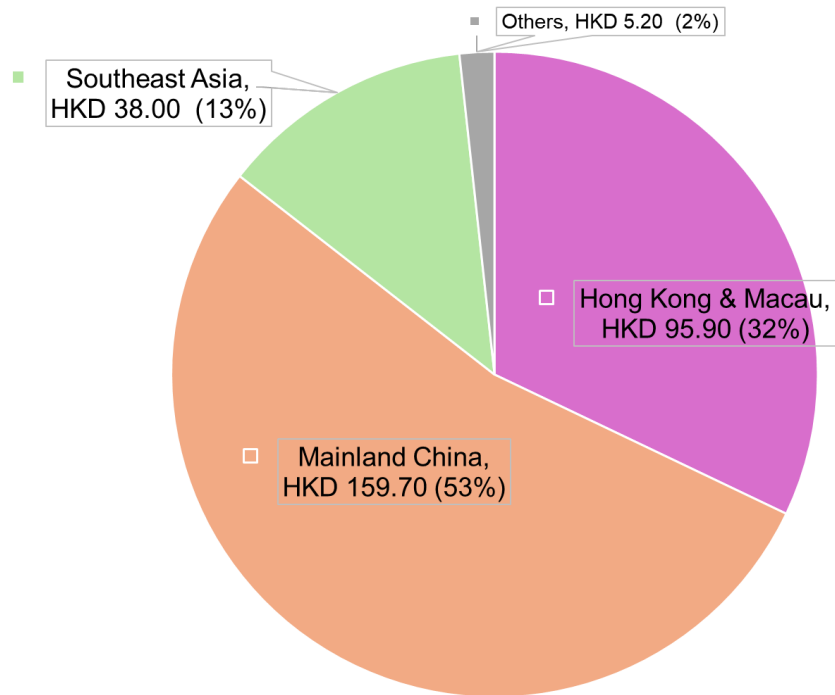


31.4% of stores closed

3. Environmental Analysis of Sa Sa International

3.1 Ten-year Financial and Operation Summary – Online Sales

Breakdown of Online Turnover (Million)
(as at 30 Sep 2023)



Online Sales:
13.9%
Pre-Covid: 4.8% only

Mainland China:
53.5%
of the Group's total
online sales



3. Environmental Analysis of Sa Sa International

3.2 General External Environment Analysis

Economic Factor

- Economic Recession
- Hong Kong Retail Sales: local consumption is affected by revenge travelling behaviour. (Chaileedo, 2023)
- Tourists from Mainland China: not increased as rapidly as expected; not replicating the consumption patterns. (Cheng, 2023)

3.3 Task Environment Analysis

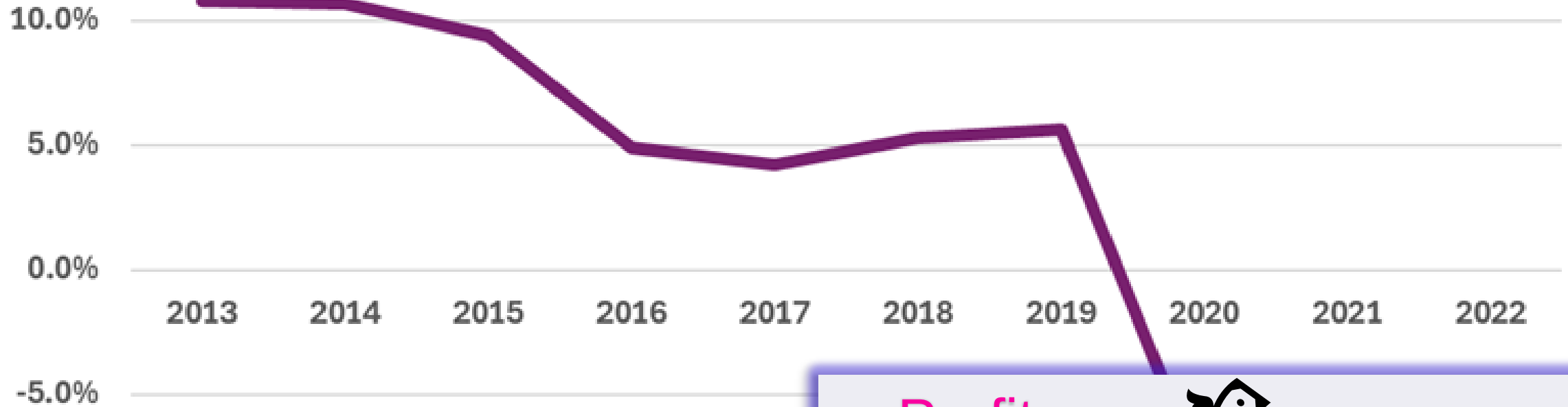
Competitors & New Entrants

- Fierce competition: Bonjour Holdings (1991) & Colourmix (2004)
- Aster Cosmetic Centre, Angel Beauty Bar, Watson's, and Mannings
- Large numbers of mid-and high-end foreign brands - sales counters in local department stores and shopping malls, e.g. Harvey Nichols
- Sephora (2019) and Matsumoto Kiyoshi (2022)

(Hong Kong Trade Development Council Research, 2023)

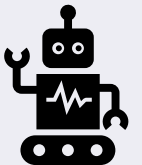
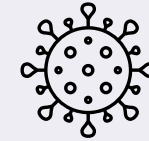
Customers & Buyers

- Online Shopping



4. Evaluation of Change Necessity

- Profit
- Crisis
- Opportunity
- Technology





Source of photo: <https://bernardmarr.com/what-is-blue-ocean-strategy-and-how-can-you-create-one/>

5. Organizational Change

[What is Blue Ocean Strategy? \(youtube.com\)](#)

Blue Ocean Strategy - a business theory
a blue ocean - "uncontested market space"
a red ocean - competing with similar companies

(Kim and Mauborgne, 2004) (Appendix)

5. Organizational Change

Technological Change:

1. Technology Applications in Physical Stores
2. Optimization and Innovation in the Online Shopping Platform

(Leung, 2024)

How Sephora Is Thriving Amid a Retail Crisis

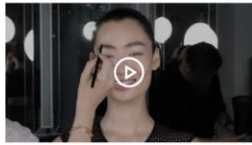
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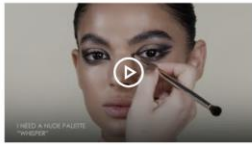
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6. Conclusion

Summary of Findings:

From 2015, Sa Sa International experienced a cessation in growth and a decline in profits.

1. Red Ocean: outperformed their rivals to capture a greater share of the existing market
2. Traditional strategy: Low price and Opened new outlets continuously
3. Self service shopping: Not a new concept and opted for a simple approach without gimmicks
4. Website & Apps design: Not trendy, Not attractive, Imperfect if compared to competitors; Regretted missing the opportunity to develop it further

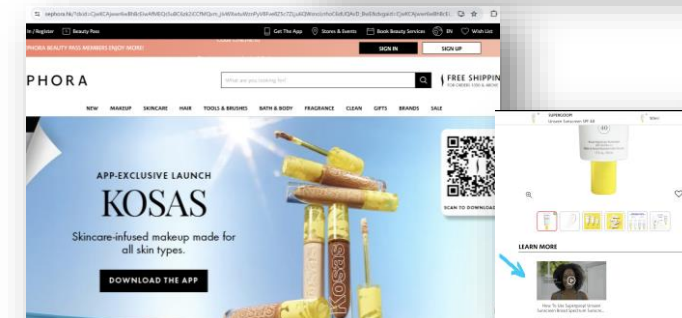
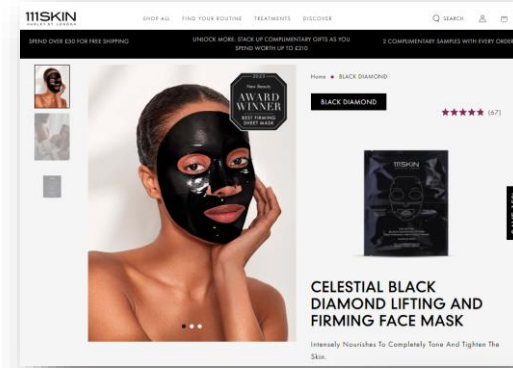
Final Thoughts on the Change Imperative:

1. Technology
2. Blue Ocean –New market strategy
3. Customer Orientation
4. Opportunities are still everywhere

(Schein, 2019)

7. Recommendation

1. Investing in technology: vital for long-term sustainability and lead to operational efficiencies.
2. Blue Ocean–New market strategy: creating a new market space and making the competition irrelevant, such as Men's Corner with AI Make-up Expert. (The Chinese Manufacturers' Association of Hong Kong, 2021)
3. Customer Orientation: customers' need; diversifying products and balancing costs with a mix of parallel imports and standard wholesale pricing; organic and mineral-based skincare, as well as introducing Israeli high-tech beauty devices; demonstrating products, especially for less-known brands; innovative and health-conscious beauty solutions
4. Offline Sales: Upgrading stores instead of expanding the number of stores; Specialized expertise - knowledgeable in specific area, e.g. Make-up expert, Beauty device expert, Essential oil expert, etc.



8. Appendix

Correlation Coefficients: An initial explanation of the basic principles of the Pearson Correlation Coefficients is offered, as illustrated in the *Anesthesia & Analgesia*, a medical journal. One article written by Schober, Boer, and Schwarte (2018, p.1763), demonstrates how correlation serves as a statistical measure of the association between variables. It reveals how changes in one variable may correspond with changes in another, in either a positive or negative direction. The correlation values themselves span from -1 to +1, with 0 indicating no correlation. Values nearing the extremes of this range signify a stronger relationship.

Blue Ocean Strategy is a business theory that suggests companies are better off searching for ways to gain "uncontested market space" (i.e., a blue ocean) than competing with similar companies (i.e., in a red ocean). The metaphor of blue and red oceans describes the market universe. Red Oceans are all the industries in existence today – the known market space, where industry boundaries are defined and companies try to outperform their rivals to grab a greater share of the existing market. By contrast, blue oceans denote all the industries not in existence today – the unknown market space, untapped and devoid of competition.

The concept was originally proposed by W. Chan Kim and Renée Mauborgne in their book titled "Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant" (2005). The book draws from a study of 150 strategic moves spanning more than a hundred years and 30 industries (Kim and Mauborgne, 2015).

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