

LEVEL 7 ASSESSMENT SPECIFICATION

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Executive Summary

This report analyzes the current market position of Hung Fook Tong's fresh herbal drinks in Hong Kong and proposes a comprehensive marketing strategy for the next three years.

Hung Fook Tong, a leading retailer of Chinese herbal drinks enjoys a strong reputation and a strong retail network. However, the company faces challenges including rising labour costs, increased competition, and the potential impact of government regulations on waste disposal.

The report identifies a significant opportunity in the aging Hong Kong population, who are increasingly health-conscious and seeking natural remedies. Hung Fook Tong's unique formulations and commitment to quality position them well to capitalize on this trend.

This report recommends three strategies to increase sales:

- Building a Buyer Persona: Creating a detailed profile of the ideal customer will allow Hung Fook Tong to tailor marketing messages and product offerings to their specific needs and preferences.
- Authoritative voices: Collaborating with health professionals will enhance the credibility of Hung Fook Tong's products and educate consumers about the benefits of herbal drinks for preventative health.
- Embracing digital marketing: Expanding online presence through e-commerce platforms, social media marketing, and targeted advertising will reach a wider audience and promote Hung Fook Tong's brand.

The report concludes with GANTT Chart outlining a timeline for implementing these strategies. By embracing these recommendations, Hung Fook Tong can effectively address current challenges, capitalize on market opportunities, and achieve growth in the coming years.

Table of Contents

1 Introduction	1
1.1 Hung Fook Tong's background briefing.....	1
1.2 Hung Fook Tong in Hong Kong	1
2 Situation analysis	2
2.1 Hung Fook Tong fresh herbal drinks market in Hong Kong.....	2
2.1.1 Political(P)	3
2.1.2 Economic(E)	3
2.1.3 Social(S)	4
2.1.4 Technological(T)	5
2.2 Fresh herbal drinks product micro-environment.....	5
2.2.1 Resources	6
2.2.2 Capabilities.....	6
2.2.3 Human Resources	6
2.3 Hung Fook Tong fresh herbal drinks product SWOT analysis	7
3 Segmentation, Targeting, and Positioning strategies.....	9
3.1 Hung Fook Tong fresh herbal drinks product segmentation Strategy	9
3.2 Hung Fook Tong fresh herbal drinks targeting strategy	9
3.3 Hung Fook Tong fresh herbal drinks product positioning strategy	9
4 Hung Fook Tong's marketing mix	11
4.1 Hung Fook Tong Fresh Herbal Beverage product 4P's evaluation	11
4.2 Hung Fook Tong fresh herbal drinks product marketing mix implementation and impact	13
5 Conclusion and Recommendation	16

5.1 Conclusion.....	16
5.2 Recommendation for the coming 3 years.....	16
References.....	18
Appendix	21

1 Introduction

Hung Fook Tong has various kinds of herbal and non-herbal products. In the report, it focuses on fresh herbal drinks because it turns traditional herbal drinks into convenient and modern products in the local (Hong Kong) retail market.

1.1 Hung Fook Tong's background briefing

Hung Fook Tong was established in 1986. It was listed on the Hong Kong Stock Exchange (stock code:1446) in 2014. It has built a business in 38 years with 120 retail stores. The mission of Hung Fook Tong is to leverage industrial strengths and know how to create long-term values for corporate sustainable development (Hung Fook Tong Group Holidays Limited, 2023). Hung Fook Tong's key stakeholders include customers, employees, and suppliers.

1.2 Hung Fook Tong in Hong Kong

It is the top retailer of Chinese herbal drinks in Hong Kong. In 2009, Hung Fook Tong had a member club called JIKA, now the members over 1,300,000 (Hung Fook Tong Group Holding Limited, 2023). In 2021, Hung Fook Tong started up the bakery store called HFT life. In the same year, Hung Fook Tong also started up an online shopping platform called JIKA ON! which offering varies health, beauty, and household products (Hung Fook Tong Group Holding Limited, 2023).

2 Situation analysis

The business environment is changing. Whether a company adapts to the changes or impact, it can determine the success or failure of the company. Analyzing the macro-environment and micro-environment is necessary.

2.1 Hung Fook Tong fresh herbal drinks market in Hong Kong

A PEST analysis is an external environment analysis tool. According to Table 2.1.1 External factors by using PEST which is include Political, Economic, Sociological, and Technological factors (Johnson, Scholes &Whittington, 2006).

Table 2.1.1 External factors by using PEST

P	E	S	T
Political	Economic	Social	Technological
-Defer the implementation of municipal solid waste (MSW) charging -Implementation of Trade Descriptions Ordinance	-Steady Gross Domestic Product (GDP)	-Aging population, People are concerned with health	-Rising e-commerce trend -Online shopping platform and using mobile apps

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2.1.1 Political(P)

Political factors can directly affect business operations, including environmental regulations, trade restrictions, etc. These factors have an important impact on the company's strategic decisions, daily operations, and financial performance.

Firstly, the government has announced to defer the implantation of municipal solid waste (MSW) charging in May 2024. However, if the law not deferred, the actual cost will be increased, because certain garbage bags are designed by the government. The maximum size of the garbage plastic bag is \$11. In addition, the garbage has to transport to a specific place for disposal and it will process certain charges. Therefore, Hung Fook Tong needs to decide to reduce garbage collection fees by reducing the amount of garbage or ensuring certain garbage can be recycled (HKSAR, 2024).

Secondly, under Cap. 362 Trade Descriptions Ordinance requires the manufacturers and sellers of food to ensure the products are fit for human consumption, food safety, food standards, and labels are under stringent quality control measures (HKSAR, 2024). Hung Fook Tong herbal drinks usually keep as 7-14 days because it no additive approach. Also, the food label is correct and matches the function of the herbal drinks. If not, it will violate the ordinance.

2.1.2 Economic(E)

Economic factors have a direct impact on business. Economic growth may bring greater market opportunities.

Table 2.1.2 Census and statistics Department, HK GDP from 2020-2014

Statistics																		
Year		2020				2021				2022				2023				2024
Quarter		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 r	Q2 r	Q3 r	Q4 r	Q1 r	Q2 r	Q3 r	Q4 r	Q1 r
GDP at current market prices	HK\$ million	0	654,083	627,597	687,240	706,873	705,090	678,833	730,502	753,548	684,813	674,635	717,540	731,993	718,904	703,912	765,849	792,936
	Year-on-year % change	9	-6.9	-8.9	-3.8	-4.4	+7.8	+8.2	+6.3	+6.6	-2.9	-0.6	-1.8	-2.9	+5.0	+4.3	+6.7	+8.3

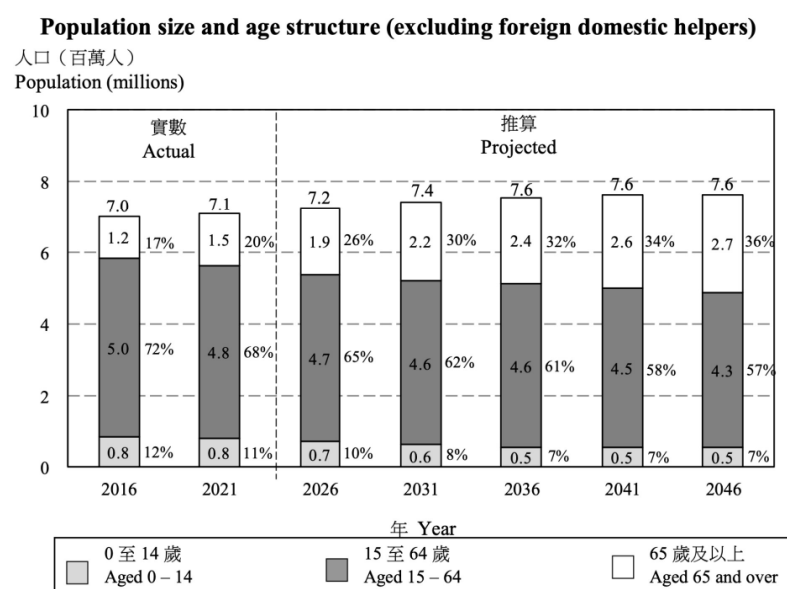
(HKSAR,2024)

According to Table 2.1.2 Census and Statistics Department, the GDP generally shows a moderate upward trend. It shows the economy is stable. Herbal drinks are convenient goods, so no matter the economic trends good or bad, they will not affect the business.

2.1.3 Social(S)

Social factors influence consumer demand and purchasing behavior, which in turn affects the market opportunities of the company. For example, consumer concerns about health, environmental protection, social responsibility, and other issues may affect their demand for certain products or services.

Chart 2.1.3 Population size and age structure from 2016 to 2046



(HKSAR, 2024)

According to Chart 2.1.3 Hong Kong Monthly Digest of Statistics, from 2016 to 2046,

the aging population shown increase. Because of aging population, citizens are conscious about health due to an aging process, degenerate physical problems, and decreased immune systems, they are willing to buy herbal drinks to maintain a healthy body.

Moreover, in traditional Chinese culture, when people do not feel well, they are willing to drink herbal drinks to restore their health instead of consulting doctors (ScienceDirect,2023).

2.1.4 Technological(T)

Technological progress can bring business opportunities to the company, or it may also pose a threat to the company. For example, new technology can improve production efficiency and develop new products, but it can also make existing products obsolete. Online shopping is common nowadays, especially after COVID19, the shopping patterns around the world have changed. During lockdown, people are willing to buy things via online platforms. Hung Fook Tong integrating online and offline channels can improve the business.

2.2 Fresh herbal drinks product micro-environment

Micro-environment refers to the internal environment of the company such as resources, capabilities, and human resources. These factors are related to the enterprise and directly affect the marketing strategy (Kotler&Keller, 2016).

2.2.1 Resources

Hung Fook Tong has owned a factory producing herbal drinks since 1988 (Hung Fook Tong Group Limited, 2023). It would not be easy to start up due to factory-style production need to produce a large amount product at the same time. Bottled herbal drinks sell in 120 retails. Except for the amount, it also needs to maintain good quality. From 2003 until the present, Hung Fook Tong won an award from the International Organization for Standardization Food Safety Management System (ISO 22000) yearly and Hazard Analysis and Critical Control Points (HACCP) yearly (Hung Fook Tong Group Limited, 2023). However, Hung Fook Tong's competitors Yeung Woo Tong, Hoi Tin Tong, and Healthworks also contain their factories.

2.2.2 Capabilities

Hung Fook Tong has in-depth knowledge of traditional Chinese herbal drinks with unique formulations that provide functional health benefits. During a pandemic, it launched the new Detox & Heat Relief herbal drinks to the market. It responded quickly to market conditions and consumer trends. They also developed customer relationship management (CRM) by using customer data and insights to deliver personalized products via JIKA Club app.

2.2.3 Human Resources

Hung Fook Tong employs 901 employees in 2022, but control the staff cost to only 792 employees in 2023 (Hung Fook Tong Group Limited, 2023). Many types of workforces with specialized skills and majors in different functions such as production, product development, marketing, customer services, and logistics. Also, it provides sufficient training to the staff such as workplace safety knowledge, customer services, etc.

2.3 Hung Fook Tong fresh herbal drinks product SWOT analysis

SWOT analysis is strengths, weakness, opportunities, and threats. Strengths in SWOT refer to internal measures that perform well; Weakness in SWOT refer to internal measures that perform poorly; Opportunities in SWOT combine existing strengths and weaknesses, and any external actions that might improve the competitive position; Threats in SWOT refer to areas that may cause problems. Threats differ from weaknesses in that threats are external and usually out of control. It reflects the internal and external environment of Hung Fook Tong, which can gain insights into its current market position (Kotler & Armstrong, 2019).

Table 2.3.1 Table of SWOT

Strengths:(S) -Strong retail network which in MTR stations, shopping malls and street -New product development(roll out of more convenient options & cross-brand collaboration) -Maintained its position as the largest herbal retailer in Hong Kong in terms of retail network size -The company has a long history to sell high-quality traditional Chinese herbal drinks	Weakness:(W) -Large operating cost with own factory , eg: labour - Competitor increase
Oppuntunities:(O) -Demand for healtly product and aging	Threats:(T) -Comply with government laws -online shopping trends are common

Construction by writer

Refer to Table 2.3.1 Table of SWOT, high reputation and a strong retail network are considered the strength. High labour costs and more competitors are weakness. The

opportunities are the aging population's demand for health products. The law implemented by the government will increase operating costs, insufficient online shopping platforms or social media marketing is a threat.

3 Segmentation, Targeting, and Positioning strategies

Before formulating a marketing strategy, the market segment needs to be defined. Segmentation, Targeting, and Positioning (STP) is marketing as a planning tool that deliver more relevant messages to commercially appealing audiences (Armstrong et al., 2021).

3.1 Hung Fook Tong fresh herbal drinks product segmentation Strategy

Segmentation is a look at the major geographic, demographic, psychographic, and behavioural variables (Kotler *et al.*, 2018)

Hung Fook Tong's current business is using psychographic segmentation divide buyers into different segments based on lifestyle or personality characteristics.

3.2 Hung Fook Tong fresh herbal drinks targeting strategy

Hung Fook Tong's target customers are "concern about health". They trust the products can provide certain functions and are good for health.

3.3 Hung Fook Tong fresh herbal drinks product positioning strategy

Positioning is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Marketers plan positions that distinguish their products from competing brands and give them the greatest advantage in their target markets. (Kotler *et al.*, 2009)

Hung Fook Tong's competitors are Yeung Woo Tong, Hoi Tin Tong, Healthworks, etc.

Healthworks's retail store, product types, and prices are similar to Hung Fook Tong. Hung Fook Tong provides superior quality herbal drinks with different awards from businesses and higher prices than other competitors. This positioning allows Hung Fook Tong to differentiate itself from the mainstream.

4 Hung Fook Tong's marketing mix

The marketing mix refers to the comprehensive marketing strategy employed by a company in a target market. It encompasses the four core elements: product, price, place, and promotion (Kotler & Armstrong, 2019). Those four combinations need to coordinate, cooperate, and function with each other to achieve the best results. As the environment continues to change, any change in one of the factors will affect its strategy, so companies have to constantly adjust their portfolio.

4.1 Hung Fook Tong Fresh Herbal Beverage product 4P's evaluation

Product means the goods-and-services combination the company offers to the target market (Kolter, 2018). Hung Fook Tong's products are mainly provided to people who are concerned about health. For example, herbal drinks of the heat purifiers can reduce flu and illness, so customers who have under busy lifestyles or lack sleep or flu symptoms will choose to buy herbal drinks. Therefore, nutrition labels need to show clearly. Moreover, using rPet, Recycled Polyethylene Terephthalate as packing material. Installing plastic bottle recycling machines at selected HFT Life stores to encourage customers to recycle cleaned beverage bottles can reduce the MSW charging.

Price is the amount of money customers must pay to obtain the product. There are several common pricing strategies that be used to price products (Kolter, 2018). Consumers believe that products with high value can set high-cost pricing. For example, drinking herbal drinks can reduce physical discomfort and prevent illness, so the consumers are willing to pay a higher price to the products. Hung Fook Tong is using three strategies including a cost-plus pricing strategy, a competitive pricing strategy,

and a value-based pricing strategy. A Cost-plus pricing strategy is fixed percentage on top of the cost of producing a product, regardless of consumer demand or competitors' pricing. For example, Hung Fook Tong sell herbal drinks for 50 percent more than what it costs to manufacture them. Another is competitive pricing strategy which is pricing products based on the price of competitive products (Healthworks fresh herbal drinks), rather than cost or target profit. Comparing with some items, both of them make prices close. For example, sugar-free bitter herbal drink for clearing heat, the price is \$26, and Healthworks is \$25 (Healthworks, 2024). It is using that method to adjust to beat a competitor's price or gain market share. At last, value-based pricing strategy is pricing a product based on how much the customer believes it is worth. Strong brand loyalty among its customer base pricing herbal drinks higher than competitors (Dhang,2014).

Place includes company activities that make the product available to target consumers (Kolter, 2018). Accessibility is key to improving local business. Hung Fook Tong has a strong retail network which is located in MTR stations, shopping malls, and streets. Because Hong Kong has busy lifestyle, the retail stores located in convenient place where can make customers when suffering illness or prevent illness. Apart from that, vending machines located in different areas. Moreover, the mobile application JIKA Club and the online website are the channels for customers to shop for their needs. Extend the sales channel needs to cooperate with the electronic payment methods.

Promotion refers to activities that communicate the advantages of the product and persuade target customers to buy it (Kotler, 2018). To employ this promotion strategy, Hung Fook Tong always offers a various kinds of special promotions like cash coupons,

sales, etc. Also, using social media platforms and the JIKA Club app to inform customers about the special promotions. However, customers expect a more personalized consumption experience. However, Hung Fook Tong is not yet designed a Buyer Persona. Buyer Persona is a semi-fictitious image of an ideal customer created by a company after integrating market survey results and real customer data (Revella, 2015). The purpose is to gain an in-depth understanding of customers' behaviour such as needs and preferences of the customer group. Different from a simple customer description, Buyer Persona not only just analysis information such as age, gender, education level, income etc. It also, more importantly, lists the customer's consumption motivations and intentions. It has an important impact on consumption.

4.2 Hung Fook Tong fresh herbal drinks product marketing mix implementation and impact

Products: There are a variety of herbal drinks, adjusting front-of-pack to let customers easy to read the product's content and herbal drinks's function.

Prices: Value-based pricing strategy is important in Hung Fook Tong, herbal drinks with numerous health benefits, so the health-conscious customers are willing to pay it.

Place: It is recommended to launch online shopping and provide delivery and store pick up services. Expanding the online platform, if customers come to pick up the goods, they will have the opportunity to consume other products. In addition, online shopping can reduce the space of the store and reduce the display space, it can rent a smaller store and the rent will be relatively reduced. Finally, to expand the range of

convenience, suggested vending machines can be added at public transportation stations, stadiums, hospitals and other places to facilitate the purchase of health-conscious customers.

Chart 4.2.1 Population density by area from 2017 to 2022

Population density ⁽¹⁾ by area		每平方公里人數 Persons per sq. km		
		2017	2021	2022
香港島	Hong Kong Island	15 620	14 960	14 470
九龍	Kowloon	48 090 *	47 560	47 000
新界及離島	New Territories and Islands	4 070	4 140	4 130
總計	Total	6 830	6 800	6 740

註釋：數字指該年 6 月底的數字。
 (1) 數字不包括水上人口及水塘區域。
 Notes : Figures are as at the end of June of the year.
 (1) Figures exclude marine population and area of reservoirs.

(HKSAR, 2024)

According to Chart 4.2.1 Population density by area from 2017 to 2022, suggest adding more retail stores in New Territories and island because the population density are shifting to N.T.

Promotion: In terms of promotion, suggest find an authoritative person to provide more information of each herbal drinks. Ensure the people understand the effectiveness of products and educate people to understand prevention is vital. Besides, cooperate more with platforms that sell health products to increase exposure and create a healthy product image. Last but not the least, build a Buyer Persona, use online questionnaire survey services to create and publish questionnaires, search customers’ email in the CRM system, send the questionnaire and collect results. Then select valuable customers and arrange phone interviews or interviews to understand their thoughts deeply. Make a voice record during the interview to record the

representative quotes. Though the feedback from the questionnaire, observe the trends or phenomena in the survey to integrate the profiles of various customers. Set a profile for each ideal customer that clearly outlines their demographics, psychographics, and quotes. In addition, also preferably write in English and Mandarin.

5 Conclusion and Recommendation

5.1 Conclusion

An in-depth exploration of the external and internal factors affecting Hung Fook Tong's prospects. Look into the strengths and weaknesses of Hung Fook Tong via internal factors, and the opportunities and threats posed by external factors. In-depth reflection on the market and positioning, making the strategies and improving the company's performance to make it better.

5.2 Recommendation for the coming 3 years

Table 5.2.1 Hong Fook Tong's revenue from retail business from 2019-2023

Year	Hong Fook Tong's revenue from retail business	Rate
2023	503.8M	↓2.6%
2022	517.4M	↓1.5%
2021	525.1M	↓4.3%
2020	548.6M	↓5.6%
2019	581.1M	↑4.2%

(Hong Fook Tong Group Limited, 2023)

According to Table 5.2.1 Hong Fook Tong's revenue from retail business is show the business in decline. For change this situation, there are three strategies to increase sales in the next three years. Build a Buyer Persona, inviting authoritative people, and digital marketing to introducing the products to target health-conscious customers. To

ensure project coordination and control, use GANTT Chart to provide a clear visual representation of task dependencies, durations, and timelines which can help improve the project.

GANTT Chart for Hung Fook Tong three years marketing strategies:



Construction by writer

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Appendix

Table 2.1.2 Census and statistics department, HK GDP from 2020-2014

Available at: https://www.censtatd.gov.hk/en/web_table.html?id=310-31001#

(Accessed :10 June 2024)

Table 2.1.3 population size and age structure from 2016 to 2046

Available at:

https://www.censtatd.gov.hk/en/data/stat_report/product/FA100061/att/B72310FA2023XXXXB0100.pdf

(Accessed :11 June 2024)

Chart 4.2.1 Population density by area from 2017 to 2022

Census and Statistics Department

Available at:

https://www.censtatd.gov.hk/en/data/stat_report/product/FA100061/att/B72310FA2023XXXXB0100.pdf

(Accessed :29 June 2024)

Table 5.2.1 Hong Fook Tong's revenue from retail business from 2019 to 2023

Available at: <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901825.pdf>

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