

LEVEL 7 ASSESSMENT SPECIFICATION

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Programme:	MBA		
Module:	Global Business Challenges		
Module code:	BMMB7006	Contribution to Overall Module Assessment (%):	100%
Lecturer:	Dr. Che Cheong Poon	Internal Verifier:	Dr. Joe Leung
Assignment Title:	Analytical Report – Organisational Strategies in a COVID 19 World	Word count (or equivalent):	5,000 words or equivalent
Submission deadline:	22 February 2021	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 <u>Turnitin</u> unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into <u>Turnitin</u> or it will match many similarities with other students' submissions.) 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.		
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Analytical Report – Organisational Strategies in a COVID 19 World

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Module: Global Business Challenges (BMMB7006)

22 February 2021

UWTSD MBA (May/Nov 2020 intakes)
BMMB7009 Global Business Challenges

Analytical Report – Organisational Strategies in a COVID 19 World

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Signed: _____

Date: 22 February 2021

Synopsis

COVID-19 pandemic has changed the world. Slow down business activities, restriction on people's mobility and the global economic activities downturn. Surprisingly AEON Stores had a record high revenue in operational in the first half of 2020. Nevertheless, the company must counter the threats while embracing the opportunities in its environment. This report reviews the company's business model, evaluates its ongoing marketing strategies, and provides recommendations for business continuity planning under the pandemic situation.

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1 Introduction

This report focuses on the strategic behavior and business plan of AEON Stores during the COVID-19 pandemic. The challenges that AEON Stores are facing is the rise of competitors and COVID-19 pandemic has forced customers to be confined to their homes, changing their consumption habit. This is a call to check the health of AEON Stores to respond to these challenges. Preparing business strategies to maintain the growth and sustain the business.

1.1 Research motivations

Most of the businesses recorded negative growth during COVID 19 pandemic, surprisingly AEON Stores had the highest revenue in Hong Kong operations in the first half of year. It is interesting to know the market strategies and the secret of AEON Stores to be a profitable company during COVID-19 pandemic.

The Hong Kong authorities began to close government offices. Schools, large businesses and parks were shut. Hong Kong's government blocked most border crossings and cut off train and bus services between mainland China as well. Before the outbreak of COVID-19 pandemic, Hong Kong was affected by the violent clashes between police and anti-government protesters. Tourists avoided coming to Hong Kong and expatriates had started leaving from Hong Kong because worrying of the social stability. The Hong Kong economy was sliding into recession, AEON Stores has to be prepared for the challenges and ensure the business strategies can be sustained in the tough environment.

1.2 Research framework

This report shows the business strategies of AEON Stores to cope with the difficult situation. Among different large consumer goods companies in Hong Kong, AEON Stores were selected to have a in-depth evaluation. AEON Stores has headquarter in Japan with global market, this report focuses on Hong Kong and China operation based on the interim operational revenue from 2018 to 2020.

Introduced AEON Stores by providing company background, the business performance during COVID-19 pandemic outbreak by using interim report. Analysis the business challenges in different aspects using SWOT analysis. Finally a business continuity plan, implementation process, conclusion and recommendations will be provided

2 Company background

AEON Stores (Hong Kong) Company Limited (“AEON Stores”) is under AEON Group, a group of retail and financial services companies based in Japan with sister companies in Malaysia, Thailand, Indonesia, Mainland China and Hong Kong. AEON Stores mainly manages shopping malls and other retail shops such as discount shops, supermarkets, department stores, convenience stores and home places. Providing a wide range of daily essentials merchandise at a fair prices to customers. It is a listed company in Hong Kong Stock Exchange in February 1994, stock code 0984 HK.

AEON Stores (formerly known as JUSCO supermarkets) has its headquarters in Japan with stores in Hong Kong, Malaysia and China, it is one of the the largest retailers in Asia with around 300 consolidated subsidiaries and 26 equity-method affiliated companies. AEON Stores is a well established company, large network in Asia and overwhelming scale of operations can attract customers. Therefore it is worth to evaluate the success of AEON Stores and its business strategies to cope with the challenges

2.1 History in Hong Kong

AEON Stores was set up in December 1985 in Hong Kong with its first flagship store at Kornhill Taikoo Hong Kong, followed by other stores opened in Kowloon, New Territories and Hong Kong Island. AEON Stores tried to expand its business and diversify the range of different products.

Currently it has 9 General Merchandise Store (GMS) and 2 independent supermarkets called “AEON SUPERMARKET”. They are selling fresh food, household products and beverages; 56 independent Living PLAZA by AEON, most of the daily necessity selling at discounted price \$12 Hong Kong dollar; 4 take-away shops in Japanese style called “Bento Express by AEON”; 3 Bakery shops called “La Boheme” and Cantevole“ and 3 new lifestyle speciality Store called “**ものもの Mono Mono**” . The implement of a wide variety of goods and services give customers one-stop shopping experiences. Furthermore online shopping store

“AEONCITY” was introduced in 2000 to provide online shopping services to the public. AEON stores also extended its footprints to China, there are 9 independent supermarket and 1 shopping center in Guangdong Province. AEON Stores with over 30 years history in Hong Kong went through the economic boom and financial crisis, it should have a well established business strategies and contingency plan to go through the ups and downs of the market.

2.2 Product portfolio

AEON Stores is selling a large variety of products under a different branding. In the recent five years, AEON Group diversified its business by creating new brands like ものもの Mono Mono, HOME CORDY and iC innercasual. The aim of AEON Group is to create the future of community living, it acts as a Life Design Developer, a firm with target to touch the hearts of the 5 billion people throughout Asia.

There are 9 different branding under AEON Stores: 1. AEON General Merchandise Store (GMS) provides a wide range of products for daily use, for example fashion, food, household items and electrical appliances at a fair prices with friendly services. 2. AEON Supermarket, obviously AEON Supermarket provides food products and other household goods where customers can find everything from groceries and fresh ingredients both local and imported from other countries. 3. Living PLAZA by AEON selling a large variety of modern products imported exclusively from Japan, such as home decoration, beauty, personal care products, kitchen utilities, stationery, glassware and etc. Most of the products are sold at HKD 12. 4. ものもの Mono Mono, a new concept store by the group to provide “relaxing, stylish and trendy” products. Those products are great variety of something fun and great for customers’ choice. To impress customers and make them enjoy a cheerful and relaxing shopping experience. 5. Glam Beautique provides customers both health and beauty through one-stop service and products. Offering a great variety of cosmetics, personal care products and skin care, as well as drugs and healthy food products. 6. HOME COORDY is AEON’s private brand, provides a large variety of household items in a different combinations of simple, durable and high quality functional products. The target of HOME COORDY is to create a comfortable and harmonious living environment. 7. iC innercasual is another private brand by AEON. It offers comfortable casual wear and inner, primarily underwear of optimal quality at a cheap price. Simple design, soft plain colours and high affinity can meet customers’

everyday needs. 8. Bakery shops: La Boheme and Cantevole, both bakery shops offer a wide variety of freshly made bread, pastries with some of the products are Japanese-style fresh bakery products are made with Japan flour and other high quality ingredients. 9. Bento Express by AEON, a healthy Japanese food and beverages take-away service at lower prices. Providing “low cholesterol, low sugar, low salt and high fibre bentos, hot Japanese dishes, oden, yakitori and salad to customers. All of them are freshly prepared daily.

Table 1 compares the revenue figures in 2018 and 2019, AEON Stores in Hong Kong has the highest revenue in the first half of the year in 2020. Revenue from Hong Kong operations has been increased by 15.9% between 2019 and 2020. In the first half of the year there was a growth in revenue in PRC but it was partly offset by 4.6% depreciation of RMB against HK dollar. Therefore a slightly decreased of 0.1% but with the Group’s efforts in cost control and optimizing store portfolio, PRC operations record a profit of HKD 2,100,000.

Table 1 Revenue from Hong Kong and China operations from 2018 to 2020

	Revenue from Hong Kong operations (HKD)	Revenue from PRC operations (HKD)
From 1 Jan to 30 Jun 2020	2,423,300,000	2,734,400,000
From 1 Jan to 30 Jun 2019	2,091,600,000	2,738,200,000
From 1 Jan to 30 Jun 2018	2,201,300,000	2,728,500,000

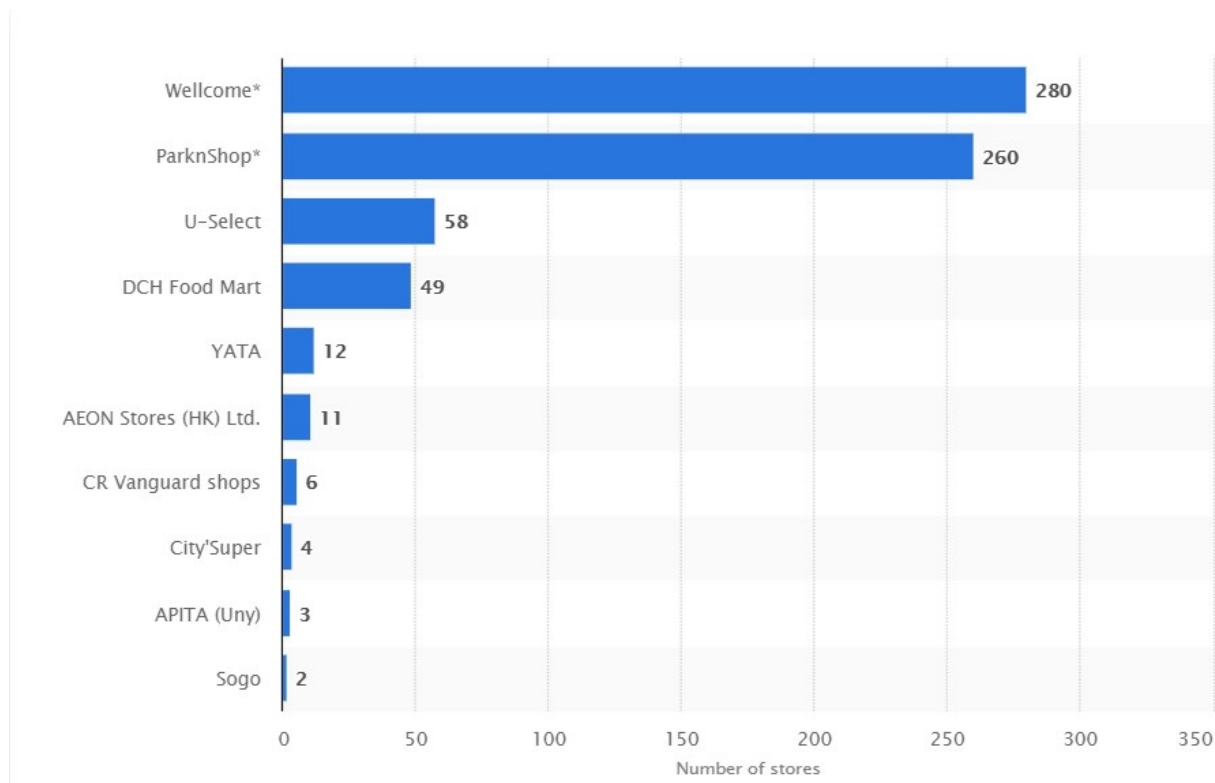
Sources: Interim report 2020. p. 20 and Interim report 2019. p. 26

In the view of uncertain global conditions, particular the sign of further deterioration of Sino-US relations and the instability of the COVID-19 situation, the challenges AEON Stores facing is cost control of the business. It implemented cost control policy to prepare for the uncertainty of the market environment. The cost control in the first half of the year in 2020. The staff cost decreased by 6.1% and its ratio to sales revenue declined to 10.4% (2019: 11.8%). Expenses related to lease was also declined by 5.5% and its ratio of expenses to sales revenue dropped to 11.7% (2019: 13.2%). Other operation expenses including promotion, advertising, selling expenses, repair and maintenance expenses, administrative expenses and other expenses, also dropped by 5.3% year-on year and the ratio of other expenses to revenue was 9.8% (2019:11.1%)

2.3 Industry competition

Hong Kong grocery industry is very competitive. In terms of supermarket sector, the market share of AEON Stores is relatively small. Figure 1 shows the number of stores of the leading supermarket chains in Hong Kong as of 2019. ParknShop and Wellcome are the two largest supermarket chains in Hong Kong. They are growing their presence in the grocery retailing market, with total market share above 50%. AEON Stores has 11 supermarkets only as of 2019. Compared with the two supermarket giants, AEON Stores market share is relatively small.

Figure 1: Number of stores of the leading supermarket chains in Hong Kong as of 2019



Source: Statista. Release date June 2020. Region Hong Kong. Survey time period 2019

*To be specific, the number of Wellcome stores and ParknShop stores was indicated as "over 280" and "over 260" respectively in the source.

The market structure of supermarket in Hong Kong is an oligopolistic market which is imperfectly competitive and dominated by few suppliers (Anderton, 322). The supermarkets in Hong Kong are interdependent, the top giants like Wellcome and Parknshop are the main suppliers in the industry. Therefore new supermarkets are difficult to enter the industry, and existing supermarkets are difficult to compete with the giants. AEON Stores is facing a challenge to get market share in this oligopolistic market, it has to be outstanding and improve customer's experience in order to attract more customers. AEON Stores focuses on products

variety in order to compete with the market competitors. AEON Stores has a large variety of products which allow customers to buy most of the things in the stores at once and this can enhance customer shopping experience. For example AEON's General Merchandise Stores are selling furniture, electric appliances, household products, clothing and etc while the top 4 competitors like Wellcome, ParknShop, U-Select and DCH Food Mart are mainly focus on fresh food, groceries and household products.

3 Company's business performance amid the economic disruption due to the COVID-19 outbreak

COVID-19 pandemic caused a worldwide disruption has resulted in numerous effects on global economy and human activities. It has spread with alarming speed, most countries imposed tight restrictions on movement to avoid the spread of the virus. The largest economic shock the world has experienced in decades.

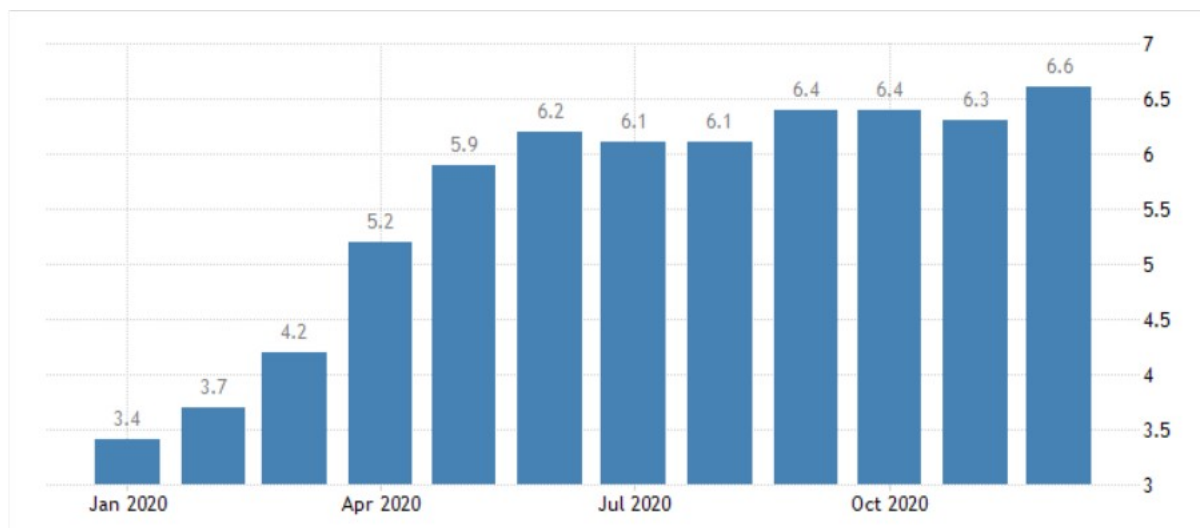
3.1 Macroeconomic environment

According to the World Economic Outlook Update June 2020, the global growth is projected at -4.9 percent in 2020, it is nearly three times as steep as the 2009 global recession and the worst since World War II. About half of the world's population was under lockdown and more than 3.9 billion people in over 90 territories and countries have been requested or ordered to stay at home by their governments. COVID-19 situation in Hong Kong is similar to the rest of the world, people staying at home most of the time to prevent spread of virus. COVID-19 cases in Hong Kong started from Feb 2020 to Feb 2021, there are fourth wave of COVID-19 cases, government imposed different measure and regulations to control social-distancing to avoid the spread of virus. For example restriction on number of people gatherings in public place; require restaurants to serve half their capacity of customers; ban dining in restaurants after 6pm; order the closure of gyms, massage parlours and beauty salons. The restriction on flow of people and goods are vital part of the economic activity.

Hong Kong unemployment rate is high, increased to 6.6 percent in three months to December of 2020 from 6.3 percent in the previous period. The highest jobless rate since the last quarter of 2004 because COVID-19 continues to weigh on local consumption sentiment and disruption on economic activities. In terms of unemployment rate by sector, consumption-and

tourism- related sector has one of the highest unemployment rate 10.6 percent in October to December 2020.

Figure 2: Hong Kong Unemployment Rate from Jan to Dec 2020



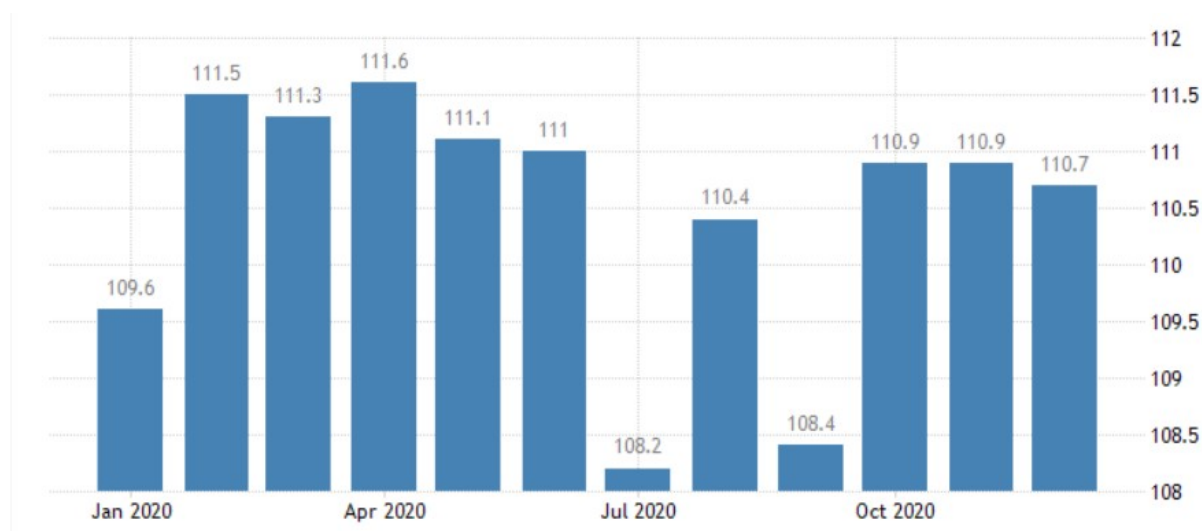
Source: Census and Statistic Department January 19 2021

According to Monthly Survey of Retail Sales (MRS) by Census and Statistics Department, the value of total retail sales in December 2020 decreased by 13.2% compared with the same month in 2019. Especially in jewellery, watches and clocks, and valuable gifts sector, there is a dramatic decrease of -40.8 percent. However surprisingly value of sales of commodities in supermarkets increased by 11.7 percent in December 2020 over a year earlier. Also some household related sectors like electrical goods increased by 21.7% and furniture and fixtures increased by 6.3%. High unemployment rate and COVID-19 may lead to the change on people's consumption pattern and consumer behavior. People tends to save money on valuable goods and spend more money on necessity goods and household products. As AEON Stores mainly selling of grocery and daily necessity products, it benefits from the change of consumption pattern. This can explain AEON Stores had a growth of revenue in Hong Kong operation during the COVID-19 pandemic.

The Consumer Price Index (CPI) examines the weighted average of prices of a basket of consumer goods and services, such as food, medical care and transportation. It can show the

inflation and deflation of the economy. Refer to the below figure, CPI edged down in Jul and Sept 2020 due to the second and third wave of COVID-19 epidemic in Hong Kong. The economic conditions remained weak and there is a price pressures on both external and domestic fronts. Under the weak economic conditions, AEON Stores facing challenges to get revenue income to sustain the business.

Figure 2: Hong Kong Consumer Price Index (CPI) from Jan to Dec 2020



Source: Census and Statistic Department January 19 2021

3.2 The cost structure on AEON Stores

AEON Stores applied cost control during 1 Jan to 30 Jun 2020. The total cost expenses from the first six month of 2020 and 2019, it decreased by 5.7%. The Group's staff cost declined by 6.1% and its ratio to sales revenue dropped to 10.4% (2019:11.8%). Leases expenses also dropped by 5.5% and the ratio of expenses to sales revenue dropped to 11.7% (2019: 13.2%). Other operating expenses, including maintenance and repair expenses, administrative expenses, utility expenses, advertising, promotion and selling expenses and other expenses also decreased by 5.3% year-on-year and the ratio of other expenses to revenue was 9.8% (2019:11.1%).

Table 2: AEON Stores major cost expenses comparison from 1 Jan - 30 Jun 2019 and 1 Jan - 30 Jun 2020

	Six months ended	
	30 Jun 2020	30 Jun 2019
Leases expenses	57,687,000	61,358,000
Staff costs	534,468,000	569,349,000

Advertising, promotion and selling expenses	149,855,000	149,940,000
Maintenance and repair expenses	169,715,000	174,467,000
Administrative expenses	117,142,000	125,826,000
Utilities expenses	67,585,000	82,238,000
Others	3,389,000	3,349,000
Total major cost expenses	1,099,841,000	1,166,527,000

Source: Interim Report 2020

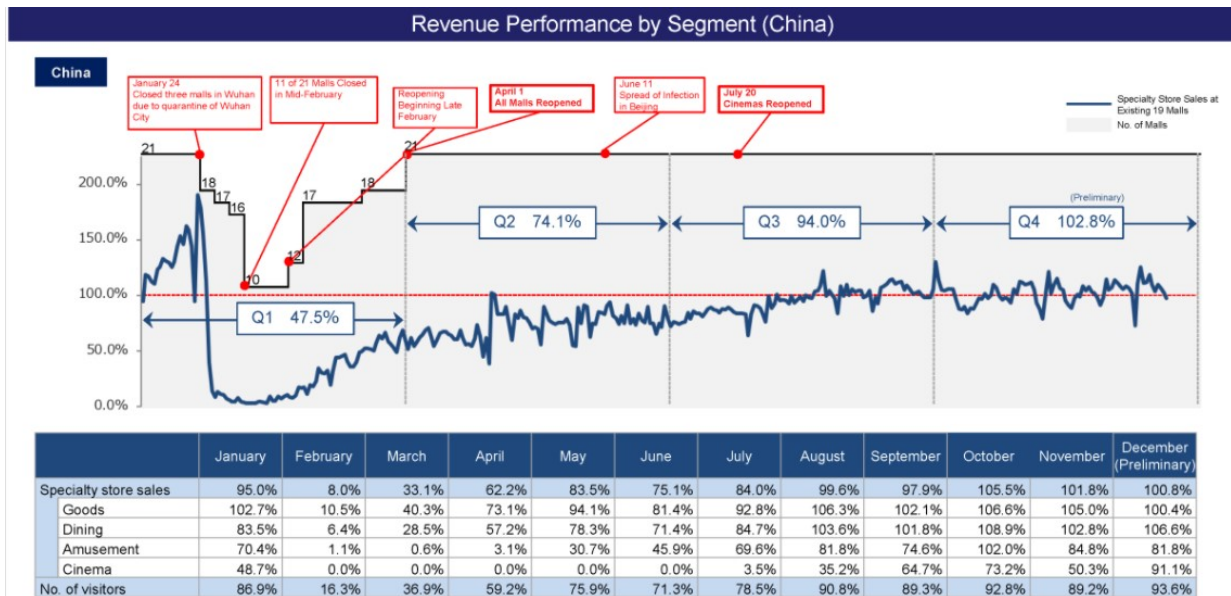
Cost-cutting is a wise strategy for businesses to survive under COVID-19 pandemic, this is the fastest way to increase cash flow to maintain solvency when the sales revenue are slow. However it is not a long lasting business strategy because curtailing operational expenses lead to a risk of minimizing business exposure, cost cutting is not a sustainable way to long-term growth. AEON Stores facing challenge to apply strategic cost cutting to ensure the company has capital for the growth, focuses on the aspects of operational cost that are controllable while free up resources to invest in company transformation and future growth.

3.3 The revenue structure on AEON Stores

From the first six months of 2020, AEON Stores group's revenue increased by 6.8 percent year-on-year to HKD 5,157,700,000 (2019: HKD 4,829,800) which is the record high revenue. Gross profit margin dropped slightly to 28.2% (2019: 29.5%). The revenue mainly coming from the direct sales under different branding.

COVID-19 affected China starting from Jan 2020, some of the AEON Stores were closed due to China government lockdown requirement and lead to the revenue performance down to 47.5%. 11 out of 21 AEON malls were closed in China at one time temporarily between Jan and mid-February 2020. Business resumed normal in 1 April and the revenue performance increased. In third quarter speciality store sales at 19 existing malls recovered to 94% of the same period in the prior fiscal year. Most-recent speciality store sales have recovered to outpace prior-year results. The recovery of the revenue performance is very fast. AEON Stores facing challenges on the dramatic decreased on revenue due to COVID-19 pandemic and other crisis may happen in the future. A continuity plan is necessary to maintain the stability of the business.

Figure 3: Revenue Performance by Segment (China)



Source: Financial Results for Q3, FY 2020

4 Analysis and discussion

The challenge of AEON Stores business is possible to sustain the growth of revenue, take it up a notch and make it perfect? AEON Stores achieved a good result in 2020 due to the significant change of customer consumption behavior. People preferring to stay at home, so they had more concern about the improvement of living environment, health and safety. The below will use SWOT analysis to analysis AEON Stores strengths, weaknesses, opportunities and threats to evaluate the business situation.

4.1 Challenges facing the company

4.1.1 Costing challenges

AEON Store implemented a strict cost control measures in 2020, the total major cost expenses decreased by 5.7 percent. The highest cost expenses is staff cost with staff workforce of over 80,000. However cost cutting minimize the business exposure, it is not sustainable in long term growth. AEON Stores facing challenge is strategic cost control, lower the cost structure to ensure AEON Stores is ready for growth.

According to the article in Forbes (2016), cost can be classified into 3 categories, Bad Cost, Good Costs and the Best Costs. Bad cost referring to those costs do not match with the overall growth strategy of the company. A healthy company cut the bad costs and reallocate the capital in other areas for growth. In AEON Stores, the biggest drop of operational cost is staff cost, declined by 6.1% in 2020. Based on the interim report 2020, instead of hiring full time employee (6.500 full-time employee) only, AEON Stores hired 3,900 part-time employees in Hong Kong and PRC in order to be flexible and lower the staff cost. As part-time employees usually paid an hourly wage, employers can control the number of hours their part-time employees work, hiring more part-time employee during peak seasons.

Digital transformation is also an effective way to resolve the cost challenges in advertising and customer services. In terms of advertising based on AEON Stores interim report (2020), the management observed the transition of business is inequitable to cope with the COVID-19 pandemic. The expansion of online shopping will no doubt to have a continued improvements in quality. AEON Stores implemented Live commerce in China and ASEAN stores. Live commerce combines video and online shopping, employs influencers like YouTuber or celebrities to appear in live broadcasts to sell products online.

Besides AEON Stores in China is set to launch self-services store network to equip with new facial-recognition technology, this can activate recommendations and coupons displayed on customer's phone. The system will analyse customer's purchase habits and payment history, allow automatic product ordering. It acts as an assistant for customer's to tailor made the buying list to customers. All the digital transformation strategy can reduce the staffing costs and improve the customer's shopping experiences.

4.1.2 Pricing challenges

Due to the COVID-19 outbreak in China in Jan 2020, AEON Stores experience a dramatic dropped of revenue performance dropped 47.5%. AEON Stores facing a challenge to sustain the revenue performance and business, the strategy of product selection is a key to resolve the issues.

According to the Consumer Council's 2019 Annual Supermarket Price Survey, some of the product category aggregate average price increased which is higher than the Composite Consumer Price Index of 2.9% in the same period. For example, the aggregate average price of "non-staple food/seasonings" and "staple food" showed the biggest increase of 3.3% and 3.2% respectively; the aggregate average price of "packaged rice" and "frozen food" showed the biggest increase of 8.5% and 6.7% respectively. Under this circumstances AEON Stores doesn't increase the price of the products, oppositely it declared "price reduction declaration" to support local community go through the challenging time. Hundred of AEON's brand "TOPVALU" essential items pricing has been reduced, including sanitary products, food and beverage. Some of the discounted products are newly launched at the store to attract new customers. New products, accurate product selection and marketing strategy are the key to sustain the business during crisis.

4.1.2 Market sharing challenges

AEON Stores market share in Hong Kong is relatively small, it has problem to get market share in oligopolistic market. AEON Stores using different market strategy to attract more customers. Japan has fascinated Hong Kong and ASEAN people for decades, from consumer goods to food, travel to television and increasing number of Japanese restaurants in Hong Kong and ASEAN countries. AEON Stores with headquarter in Japan has privileges to import a large variety of Japanese products. It introduced new branding like HOME COORDY and TOPVALU PEACEFIT to sell some “made in Japan” products to attract customers. Also setting up Pop-up stores in Mongkok city center to promote its branding. Pop-up Store is a new marketing strategies for retail business. It can extend the brand at lower cost than permanent shop and introduce new products to attract customer’s attention. Besides Pop-up Stores, AEON Stores has set up 16 permanent shops in Hong Kong in 2020 to increase its footprint. In terms of store location, the management chose to set up the stores in residential area instead of city center because AEON Stores would like to focus the selling of household and grocery products to local Hong Kong people during COVID-19 environment.

In terms of customer experience, instead of introduce simple online shopping and purchasing APP, AEON has launched “AEON Mobile” app provides exclusive “POS Express” shopping experience to its members. It is a brand new feature in Hong Kong,, allow customer to save queuing time and customer can have better budget control by scanning items during shopping in the shop and enjoy simplified payment process. AEON Stores awarded “The Hong Kong Retail Innovation Award 2020- Best Retail Innovation (Application) Award For Retailers”.

4.2 Strategies to ensure business continuity under the Covid-19 epidemic situation

4.2.1 AEON Stores future development strategy and Vision

The philosophy of AEON Stores is to create the future of community living and sim to be a firm that touches the hearts of the 5 billion people throughout Asia. Therefore, the group targeted to build a portfolio of multiple business models rather than setting up domestic malls as a single source of profit generation. Also to make AEON Stores as a leading global commercial developer, target to have operating margin of 20% across 70 malls.

4.2.2 SWOT analysis on AEON Stores

AEON Strengths:

- a. Good reputation as AEON Stores is one of the two largest Japanese retailer by sales.
- b. Market presence specially in Japan, China and ASEAN
- c. Strong workforce of over 80,000
- d. Top ten worldwide in the retail food and drug store

AEON Weakness:

- a. Worldwide presence is less compared to global leaders
- b. Inventory holding is large due to a large variety of products

AEON Opportunities:

- a. Increasing demand on household products and food because of COVID-19 people prefer stay home to cook and more focus on living environment
- b. With the support from headquarter in Japan, branches in mainland China, Hong Kong, Vietnam and Malaysia

AEON Threats:

- a. High domestic and international competition
- b. Unfavorable government measurement like lockdown of the city affects AEON Stores business

4.2.3 The business continuity plan

Based on the above SWOT analysis, we noted that AEON Stores is a well established firm with a good foundation, reputation and strong power to cope with the growth of business. The weakness and threats mainly coming from the competitors pressure, not enough market share internationally and the government policies to lockdown the city affects retail business. Also the key challenge of AEON Stores is to sustain the business growth of revenue. In the previous sections identify the AEON Stores facing the challenges on cost control, get market share in this oligopolistic market, unstable income during COVID-19 or crisis. Therefore relevant business continuity plan is suggested based on the challenges and opportunities for

business expansion.

a. Reforming AEON Stores for growth and maximizing technology (Level of business impact: Critical)

Using technology for help. For example: Increase self check in counter to decrease number of cashier at the counter. Also applying AI technology and robotics to analyze customers consumer habit to establish strong regional-based operations to develop local product. Similar to the “POS Express” in Hong Kong. This can save customer time in queuing up and enjoy the fast payment system. It can apply to AEON Stores globally, improve the customer experiences in shopping in the stores.

Also promoting AEON App and online experiences. During the COVID-19 environment, people tends to stay home and shopping online. To make good use of the environment to build up online shopping habit the grocery and household products. AEON Stores with large variety products can allow customer to shop everything at one goal. AEON Stores can promote online shopping platform by using different campaign like “Buy more save more” to make customers enjoy the bulk ordering online. Besides bulk ordering can help AEON Stores to save cost in inventory holdings and lower the operational cost. Increase the turnover of the inventory and allow a larger variety of products to attract more customers. In terms of advertising, traditional TV or newspaper advertising may not be useful nowadays. People spending more time in social media like Facebook and YouTube. Promoting products and AEON Stores by advertising in social media live broadcast maybe more effective.

Role / responsibilities: Management / Information Technology department / Research & Development department (R&D)

Timeline: Within 6 months.

b. Expand Asian markets and promote large variety of products to drive the growth of business (Level of business impact: Moderate)

AEON Stores presence in China, Hong Kong and ASEAN countries are low compared with other competitors. AEON Stores can increase its footprint by merge and acquisition or joint venture with local brands to get more market share in Asia. According to the annual report of AEON Group in 2020, the vision for 2025 is to build up overseas operating margin of 20% and make AEON as a leading global commercial developer.

With headquarters in Japan, the import of exclusive products from Japan is a marketing strategies to attract more customers. Also AEON Stores with different branding can improve customers shopping experience, they can enjoy “all-in-one service” by stepping into AEON Stores.

Role / responsibilities: Management / Research & Development department

Timeline: In 4 years

Implantation process

AEON Stores has already adopt digital transformation in some of the couturiers. The management and IT department can modify the existing technology and implement in other counties as well. AI and robotic system are the key and trend for future growth. The mobility of people is getting low due to COVID-19 and cost saving, technology can bring people together. Management and IT department in AEON Group can equip better for business expansion and implement different market strategies. Research & Development department can leverage AEON Stores good reputation to expand the business. By implement the above business continuity plan, AEON Stores can have an effective use of operational cost, maximizing the use of technology to impress the customers.

5 Conclusion and recommendations

5.1 Conclusion

COVID-19 pandemic has changed the human activities and consumption habit. It forced the firms to evaluate its business model and strategies to cope with the new environment. AEON Stores is lucky to benefit from the COVID-19 environment and get record high revenue in the first six month in 2020. However the challenge of AEON Store is to sustain the growth of revenue in the post COVID-19 environment. By effective cost control, introduce large variety of products and digital transformation are the key to sustain the business. The financial report of AEON Stores showing that Vision for 2025 is to target overseas operating income and build up multiple business model portfolio. This can make AEON Stores become a leading global department store in the world.

5.1.2 Recommendation

AEON Stores with headquarter in Japan has privilege to import special Japanese product. However there are more Japanese grocery stores in Hong Kong like Donki Donki and YATA, both of them also with headquarter in Japan can introduce similar products as AEON Stores. Also implement of digital transformation is a long term investment and needs lots of capital. AEON Stores should adapt a certain risk taking approach to evaluate the effectiveness of new business strategies and avoid overspending in technology.

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