

**Language of Marketing and Finance**

**Business Plan**

**Hung Fook Tong**

**Tea and Herbal Drinks**



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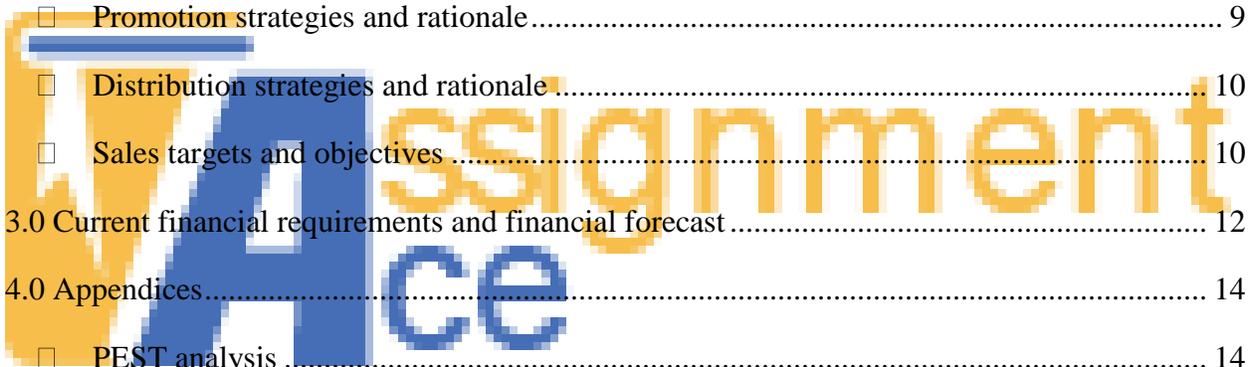
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## Executive Summary

Hung Fook Tong is a healthy food enterprise that provides fresh tea and herbal drinks. The company will target the UK business market for as importing the tea and herbal drinking products to UK. The venture will be providing fresh and high quality of healthy drinking products to the teenagers and older people in UK, they will be the key target consumers. The competitive edge of the business will its quality products and exquisite services to the customers. The nature of the business is sole proprietorship, as it is solely owned and governed by a single person. However, the business will have a team to run the different operations including the marketing, procurement, accounts and store management. As per the market analysis, UK beverages industry is the best suitable for the business.



## 1.0 Business Introduction

### ○ Rationale

According to Oltenacu and Algiers (2005), demand of the herbal drinking products is vastly increasing in UK fresh drinking industry. As the teenagers and the older population of UK are getting more health conscious. Therefore, the demand of the fresh drinking products especially the healthy drinks made from the fresh herbal raw material is increasingly in the demand. Around the globe, the British consumers are considered strong consumers of the fresh drinking products and they use to take in regular drinking purpose (Ampuero and Bosset, 2003). This is the reason that the fresh drinking products are commonly found in every household of UK, this huge demands gives rise to increase in the fresh drinking market and offers an opportunity to take advantage through market penetration. This is also benefitting for keeping the nation healthy and strong.

In this regard, a Chinese firm will be introduced in the UK market of fresh drinking products to fulfill the demands of the consumers. According to a research by Dolan and Humphrey, (2000) in 2018 the compound annual growth rate of the fresh drinking product market will increase to 1.8% and in this the key products will be the fresh drinking tea and drinking herbal products. Further, as stated by Royal, Flint and Woolliams (2002) that the access and availability of the fresh drinking products is also one of the issues. Therefore, the new business will provide an online access to the consumers to buy the products. This will make buying easier and healthier by getting the fresh products at their door step.

### ○ Vision, Aim & Objectives

#### • Vision

“Hung Fook Tong desires to be the first choice of the UK fresh drinking products consumers through facilitating consumers with quality and fresh products at the best of their ease and convenience”.

#### • Aim:

The key aim of the new business is to provide customers with best quality fresh drinking products and services at the affordable rates as compared to other market competitors.

- **Objectives**

- To provide valuable products and services to the customers.
- To achieve the consumers' satisfaction, provide comfort and ease
- To create an understanding about the consumers' preferences and attract large number of customers.
- To build a long term relationship with customers based on loyalty and trust.
- To attain market growth in the UK fresh drinking product industry.
- To earn profits and grow business all over the UK.

- **Legal status and licences**

As the business is being established by an entrepreneur, therefore the nature of the venture will be sole proprietorship. The base of business operations will be in China, it will seek a legal license from the Chinese government to operate within the region and international as well. In the beginning, the scope of the business will be limited to the Chinese and UK market of fresh drinking products only. The operation units will be built in both the countries due to the very nature of the products. However, the operations and decision making will be taken care by the owner solely. Further, the business will be liable to pay the taxes for its operations in UK industry. Moreover, different types of licenses will be required to comply with the legal regulations of UK. The first one will be about getting permission to import the product from the China. Another legal requirement will be to build a set up including selling shop or place to create physical presence in the market. Moreover, other permissions and legal requirements for marketing, distribution and promotion purpose will be sought from the government of UK (Gunningham, Kagan and Thornton, 2004).

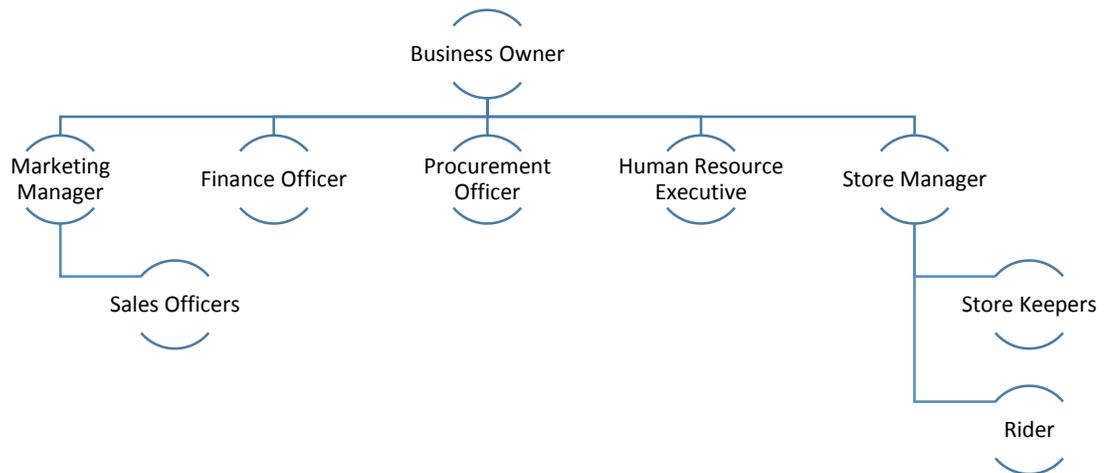
- **Management team**

Hung Fook Tong is a start-up business and initiated by an entrepreneur, therefore whole operations will be controlled by an autonomous authority, including all the manufacturing processes, marketing, exporting and distribution of products in UK market. In regard to spread the business in UK fresh drinking products industry, different retail stores will be opened up to distribute the products in the local market. The stores will do both the conventional selling and online distribution of the fresh drinking products in UK. The stores of Hung Fook Tong will be

run by different managers of marketing, human resource, finance officer and procurement. All the managers will directly report to the business owner.

Further, there will be retail store managers who will directly deal the customers through stores and online as well. The key responsibilities will be to ensure fresh, quality service and timely delivery of the products to the customers in order to gain the consumers' satisfaction in the market. Along with this, there will be a team of sales persons who will be directly responsible to focus on the marketing efforts including direct selling, online selling through promotions and distribution strategies. This is because the business will need an aggressive marketing, in the initial stage, to reach out to the mass consumers of the fresh drinking products in UK. In this regard, a comprehensive marketing plan will be devised to target the specific audience with their specific needs to fulfil. All these initiatives will though be taken care of by own marketing team solely, without any contribution of other marketing agencies due to budget constraints. The marketing manager will respect the financial budget for this purpose and will conduct a sales forecast.

Moreover, the procurement and accounts officers will be responsible to take on the inventories and the business accounts respectively. The key job of the procurement officer will be to ensure timely delivery of products from China, and further timely distribution of the products to the end consumers. In simple, the complete supply chain management from raw material to the end user will be the procurement officer's responsibility. Additionally, in the end the key role of accounts officer will be to manage and report on the finances of the business. The hierarchy of the Hung Fook Tong management has been illustrated below:



**Figure 01: The Management Team of Hung Fook Tong**

## 2.0 Marketing strategy and marketing plan

In the marketing plan, the marketing objectives will first be set in order to decide on the direction of business towards its strategic goals, aims and objectives (Jain and Haley, 2009).

Similar to the business goals, the marketing objectives will be:

- a) To enhance the market presence of Hong Fook Tong (Fresh Drinking – Healthy Products) for the teenagers and old age people in UK market.
- b) To increase the business sales after setting and meeting the yearly targets.
- c) To build customers' loyalty, creating customer satisfaction and build up a strong relationship between the offering and the customer.
- d) To increase the market share of Hong Fook Tong in the UK fresh drinking product market.

Therefore, in order to achieve the above marketing objectives it is important to specifically select the target audience, market segmentation, products range and variety in the UK market. As required, the business will target the teenagers and older people who take the healthy drinking products than the other consumers of different age groups. The class group will be varied from middle, upper middle and upper class in the class economy. Specifically, the

health conscious British and Chinese consumers will be targeted in UK for the business. The edge of this business is to provide high quality fresh drinking products at the door of the consumers. The convenience and ease for the busy schedule consumers will prove favourable to increase the market share. In this regard, the prices will be kept affordable for teenagers and older people as they have limited budget for their regular expenses.

Hung Fook Tong will create its marketing position aligned with its vision to be the first choice of the UK fresh drinking product consumers. Therefore, the key target will be to provide quality and fresh products to the consumers at reasonable prices. Product range will also be created to offer a variety of products to target consumers. This pricing strategy will be useful in creating mass number of consumers and will also spread positive word of mouth regarding the product will ultimately create more number of customers in UK. The key purpose of the business will be to ensure the customer satisfaction, quality and wide range of products. This will create a positive perception/image of the products in the mind of the consumers.

### ○ **Product description**

Hung Fook Tong (Fresh Drinking – Healthy Products) will be offering variety of drinking products. The key focus will be on the drinking products that are easy to open and consume by the consumers.

Fresh drink products (Traditional formula – Herbal tea)

Fresh drink products (Herbal healing remedy – functional tea)

Fresh drink products (Restoring balance – healthy tea)

Herbal Nourishment – Healthy tea

Hence a variety of fresh drinking products will be offered to consumers. Later on, more product lines can be introduced to cater other drinking product consumers in UK. Furthermore, the offer of customization will be given to the consumers should they need any other pure and fresh drink from the herbal products. All the products will be available at reasonable prices. The online service will also strengthen the customer service delivery and assurance of the quality and fresh products.

### ○ **Pricing strategies and rationale**

Currently, the Hung Fook Tong will import the products from China to UK for its business purpose. However, in future, production plants will be set up in UK market firstly to expand the business and gain the market share in the UK industry. Though, the pricing strategy will be the cost leadership strategy. As low cost will help enter the new market and attract more number of customers and increase in sales. It will also be useful to give tough competition to the local and other competitors. However, the key challenge for the business will be maintaining the cost to gain the profit margins.

Below is the pricing list for different offering products of Hung Fook Tong:

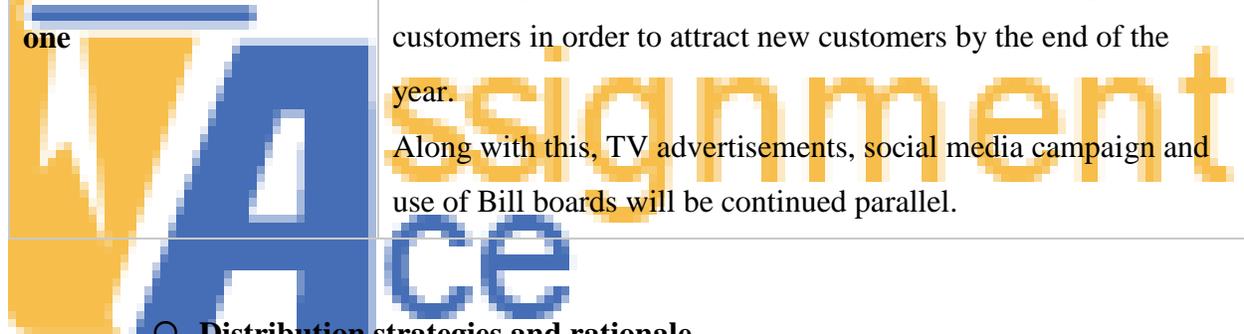
Item	Price
<b>Fresh drink products (Traditional formula – Herbal tea)</b>	£1.50
<b>Fresh drink products (Herbal healing remedy – functional tea)</b>	£2.00
<b>Fresh drink products (Restoring balance – healthy tea)</b>	£1.50
<b>Herbal Nourishment – Healthy tea</b>	£2.00

### ○ Promotion strategies and rationale

The promotional strategies will be used for effective means of advertisement and building up a high quality brand image in the UK market. Following will be the promotion strategies for the Hung Fook Tong business:

Time	Strategy
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<b>First Quarter – Year one</b>	T.V advertisements that would highlight the benefits of the new business to cater the mass audience.
<b>Second Quarter – Year one</b>	Launch of full T.V advertisements that would highlight the key benefits of the products, further an aggressive social media campaign will be launched. Free coupons for try the product and getting their feedback.
<b>Third Quarter – Year One</b>	TV advertisements. Social media campaign. Email marketing. Use of bill boards to further enhance product awareness. Multiple BTL and ATL activities to engage the audience and taking their response towards the business.
<b>Fourth Quarter – Year one</b>	Discount, promotion offers will be given to the existing customers in order to attract new customers by the end of the year. Along with this, TV advertisements, social media campaign and use of Bill boards will be continued parallel.



#### ○ **Distribution strategies and rationale**

Distribution of the products will take place from the physical stores and online as well. In store, customers will directly buy the products from the Hung Fook Tong store. An online website will be built to offer online services and delivery in UK. Along with this, the social media and telecommunication sources or mediums will also be used for the promotion and distribution purposes. All these distribution strategies will likely expand the business in the UK market.

#### ○ **Sales' targets and objectives**

To attain the targeted sales objectives it is important to make them realistic and attainable for a small business. Therefore, following sales target objectives have been set for the business:

- It is assumed that all the sales would be made in cash.

- Business will not take any debt i.e. no buying on credit.
- The sales need to increase by 10 & 20 percent in the 2<sup>nd</sup> and 3<sup>rd</sup> year of the business respectively.
- Keeping the external factors in mind, following table reflects on forecast of the sales and revenues for the business.

Item	Price	Number of Units	Number of Days	Revenue
<b>Fresh drink products (Traditional formula – Herbal tea)</b>	£1.50	250	360	£ <b>135,000</b>
<b>Fresh drink products (Herbal healing remedy – functional tea)</b>	£2.00	250	360	£ <b>180,000</b>
<b>Fresh drink products (Restoring balance – healthy tea)</b>	£1.50	250	360	£ <b>135,000</b>
<b>Herbal Nourishment – Healthy tea</b>	£2.00	250	360	£ <b>180,000</b>
<b>Total</b>		1000	360	£ <b>630,000</b>

All the above sales targets have been calculated on ‘assumption’ basis. The average number of units have been calculated on minimum prices to calculate the expected revenue in the first year of the business. However, with the progress or growth of the business, the number of sales units and prices will likely be increased. On the basis of the above calculations, sales forecast will be:

Year	2014	2015	2016	2017	2018
Sales	£ 630,000	£ 693,000	£ 762,300	£ 838,530	£ 922,383

### 3.0 Current financial requirements and financial forecast:

Cash Flow Statement					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>					
Revenue	£ 630,000	£ 693,000	£ 762,300	£ 838,530	£ 922,383
Import of fresh Products	£ 400,000	£ 420,000	£ 440,000	£ 460,000	£ 480,000
Marketing Expenses or budget	£ 80,000	£ 100,000	£ 115,000	£ 125,000	£ 130,000
Salaries to staff	£ 50,000	£ 60,000	£ 65,000	£ 70,000	£ 80,000
Fixed Expenses and Licensing Fee	£ 50,000	£ 60,000	£ 65,000	£ 70,000	£ 75,000
<b>Net Cash from Operating Activities</b>	<u>£ 50,000</u>	<u>£ 53,000</u>	<u>£ 77,300</u>	<u>£ 113,530</u>	<u>£ 157,383</u>
Cash Flows from Investing Activities					

<b>Three Commercial Shop Rents Advance</b>	£ 450,000				
<b>Initial Stock Import</b>	£ 500,000				
<b>Furniture and Fixture</b>	<u>£</u> <u>100,000</u>	£ -	£ -	£ -	£ -
<b>Kitchen/Equipment</b>	<u>£</u> <u>500,000</u>	£ -	£ -	£ -	£ -
<b>Net Cash Used for Investing Activities</b>	<u>£</u> <u>12,100,000</u>	£ -	£ -	£ -	£ -
Cash Flows from Financing Activities					
<b>Capital Investment</b>	£ <u>12,100,000</u>	£ -	£ -	£ -	£ -
<b>Net Cash from Financing Activities</b>	<u>£</u> <u>12,100,000</u>	<u>£</u> -	£ -	£ -	£ -
<b>Net Cash</b>	<u>£</u> <u>50,000</u>	<u>£</u> <u>53,000</u>	<u>£</u> <u>77,300</u>	<u>£</u> <u>113,530</u>	<u>£</u> <u>157,383</u>

### 4.0 Appendices

#### ○ PEST analysis

<b>P</b> Political	<b>E</b> Economic	<b>S</b> Social	<b>T</b> Technological	<b>L</b> Legal	<b>E</b> Environmental
<ul style="list-style-type: none"> <li>➤ Stable political environment of UK.</li> <li>➤ State supports healthy food and drinking products in the UK beverages industry.</li> <li>➤ Further, the government promotes new businesses and start-ups by entrepreneur.</li> <li>➤ Bilateral relationship of China &amp; UK.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increasing rate of FDI.</li> <li>➤ Strong financial markets of UK especially the beverages or fresh drinking product industry.</li> <li>➤ Increase in GDP per Capita of UK recently.</li> <li>➤ Increase in consumption rates of fresh drinking products by the consumers.</li> <li>➤ High prospects and opportunities for growth.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Multi-cultural society, the business can target multicultural people.</li> <li>➤ Most of the people living a luxurious and lavish life in UK.</li> <li>➤ People are health and diet conscious</li> </ul>	<ul style="list-style-type: none"> <li>➤ High rates of technological advancements and manufactured from high processing and manufacturing units.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Easy legal proceedings for seeking permission and licenses to run or operate a business in UK.</li> <li>➤ All the laws and regulations prepared by the state are friendly to start-ups.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Less environmental hazards.</li> <li>➤ Less contribution in carbon emission.</li> <li>➤ Fresh drinking products suitable for all kinds of weathers in UK.</li> </ul>

○ **SWOT analysis**

<b>Strengths (S)</b>	<b>Weaknesses (W)</b>
<ol style="list-style-type: none"> <li>1. Large earnings from a wide variety of products.</li> <li>2. New business idea for the Chinese and UK consumers.</li> <li>3. High quality and ease of affordability.</li> </ol>	<ol style="list-style-type: none"> <li>1. Competition from already existing market competitors.</li> <li>2. Low profit margins will impact on the number of sales and revenues.</li> <li>3. Small scale of the business, unable to target large number of consumers.</li> </ol>
<b>Opportunities (O)</b>	<b>Threats (T)</b>
<ol style="list-style-type: none"> <li>1. Demand for healthy food products is increasing rapidly.</li> <li>2. Vast opportunities to do partnership and joint ventures with the UK local companies.</li> <li>3. Introduction of more health-based products for the expansion of the business.</li> </ol>	<ol style="list-style-type: none"> <li>1. Entrance of new market competitors from China and other regions in UK.</li> <li>2. Market saturation.</li> <li>3. Increasing taxes and laws in UK.</li> <li>4. Increasing price of the products and also fluctuating exchange rate.</li> <li>5. Existing competition.</li> </ol>

(Source: Dyson, 2004)

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