

Entrepreneurship – hung fook tong essay sample

[Business](#), [Branding](#)



Hong Kong people have become more health-conscious in the past decade. In 2003, the SARS epidemic in Hong Kong had cruelly taken away the lives of 300 people and left us with traumatic experiences. After such a painful lesson, people have realised the vulnerability of life and the importance of health. Their consumption on healthy products has surged considerably as a result. In order to explore the lucrative market of healthy products, I have chosen Hung Fook Tong (HFT) for my analysis assignment. Found in 1986, HFT is a large herbal tea enterprise with chain stores, manufactories of health products and bottled herbal drinks. It is determined to devote itself to the search for a perfectly natural path to health for the benefits of mankind and to hand down the fine tradition of Chinese herbal application.

Coincidentally, one of my friends had previously worked at HFT during summer vacation. In order to carry out a thorough analysis of HFT and the Chinese herbal drink, my friend has kindly arranged an interview for me with the marketing manager, Mr. Ricky Wong.

However, before we process further, let us see what does a typical customer mean. A typical customer is someone who makes use of the paid products of an individual or organisation. This is typically through purchasing or renting goods or services. They are someone who frequented a particular shop, who made it a habit to purchase goods of the sort the shop sold there rather than elsewhere, and with whom the shopkeeper had to maintain a relationship to keep his or her “ custom”, meaning expected purchases in the future. The shopkeeper remembered the sizes and preferences of his or her customers.

Types of typical customers

Typical customers can be classified into two main groups: internal and external. Internal customers work for the organisation, possibly in another department or another branch. External customers are essentially the general public.

Internal Customers

- People working in different departments of the vendor's organisation
- People working in different branches of the vendor's organisation

External Customers

- Individuals
- Businesses or businesspeople, including suppliers, bankers and competitors.
- NGOs, Government Bodies, Voluntary Organisations.

However, although there are different types of typical customers, they are actually quite common because every customer has needs and expectations.

Customer needs may be defined as the facilities or services a customer requires to achieve specific goals or objectives. Needs are generally non-negotiable, but may be optional or of varying importance to the customer. In any transaction, customers seek value-for-money, and will often consider a range of vendors' offers before purchasing.

Customer expectations are based on perceived values of facilities or services as applied to specific needs. Expectations are influenced by cultural values, advertising, marketing, and other communications, both with the supplier and with other sources. Expectations are negotiable and modifiable.

After learning what a typical customer is, and what characteristics typical customers have commonly. Hung Fook Tong decided their marketing strategy to reach their targeted customers, which are the external customers as explained above. According to Mr. Ricky Wong, HFT had captured nearly 40% of the market share and their the two major competitors, Hoi Tin Tong () and HealthWorks () together had captured another 40% of the market share. The results of the Porter's Five Force analysis shows that the Chinese herbal drink industry is a favourably attractive industry.

As the Chinese herbal drink is currently in the growth stage of the product life cycle, it is experiencing constant growth in sales volume. In the practice to reach and meet the expectation of youngsters, HFT had used the following Marketing Mix to try to aim and maintain its position in the market.

Marketing Mix of the firm

HFT ' s sales network encompasses all major supermarkets, chain food stores and department stores in Hong Kong while its export route reaches as far as Europe and the United States.

1. Product

HFT is fully aware of the fast pace of life of modern people. In order that customers can enjoy at any time the many kinds of natural health herbal tea drinks offered by HFT, it set up a fully automated bottled drink factory in 1998 to produce healthy herbal tea drinks without preservatives and artificial colouring. Besides, HFT positioned the herbal tea drinks to be high quality, traditional, and healthy. HFT produces six healthy herbal drinks: (1) American Ginseng with honey, (2) Common Self-heal Fruit-Spike, (3) Canton Love-pes Vine, (4) Sour Plum Drink, (5) Chrysanthemum with honey and (6) Wild Dates Juice.

HFT offers 330ml, 500ml and 1. 5L volume bottle drinks for most of the flavours. The 330ml and 500ml bottle drink is for convenient carriage and the 1. 5L bottle drink is for family drinking. The package of the herbal tea drinks is colourful and is in accordance to the colour of the respective herbs. The package is fashionable and distinguishable from the traditional and old-fashioned one, because those herbal drinks are set to target at the new generation instead of the elderly.

2. Price

HFT used cost-oriented pricing to set the product price. By adding a small amount of profit margin to the cost constitutes the price. The price of a 330ml bottle and 1. 5L bottle are usually set at around \$5 to \$7 and \$17-\$20 respectively. For a bunch of purchase, usually four 330ml bottles at pack, the price is around \$12 to \$16. And sometimes when purchasing one 1. 5L bottle of herbal drink, a 330ml bottle is also given as a free gift. Besides, HFT cooperated with Maxim's Cake shop, for each purchase in Maxim's Cake

shop, consumers can also buy HFT ' s herbal drinks at a much lower price, \$3 per bottle, which aimed at promoting new flavours of herbal drinks. In the HFT Teahouses, different set of meals, “ dim sum” with a bottle of herbal drink or a cup of instant drink is offered. The price is usually between \$8. 5 and \$20.

Its price setting aimed to provide an image of “ High quality, Low price” to the customers. It implemented price discounts when it introduced new drinks to customers, or to maintain the sales volume.

3. Place

HFT used different market channels to sell the herbal drinks to the market. Generally, the chained supermarket is the most effective way for distributing drinks or foods to consumers, and can reach at different market segments. So HFT used supermarkets as a major distributor to customers. Besides on-the-shelf-selling, HFT adopts point-selling method at chained supermarket regularly. Promotion counters are set up in supermarkets, consumers can enjoy free drinks and get gifts when purchase along those promotion counters. On the other hand, HFT has its own Herbal Teahouses located along the MTR Tseung Kwan O line and Prince Edward MTR station as well as the stations along the KCR West Rail. HFT Herbal Teahouses are also opened in plazas and housing estate shopping centres mainly in Kowloon and Shatin but rarely in other places in New Territories and Hong Kong Island. Moreover, HFT cooperated with Maxim’s Cake Shop. Consumers can purchase HFT herbal drinks at a much lower price when buying Maxim’s products. So consumers can also buy the herbal drinks in Maxim’s Cake Shop whose

branches are widespread in Hong Kong. Similarly, HFT also held similar campaigns with Circle K convenient stores periodically. Convenient store is a good distribution channel to serve other target segments with wide coverage of districts.

4. Promotion

In comparison with other herbal drinks competitors, HFT is still adolescence in the herbal drink industry even it had nearly 20 years experiences. It is still in the growth stage of its Product-life cycle, so HFT has invested greatly in promotion in order to arouse public awareness of its brand name and herbal drinks. HFT used different mass media as promotion channels together with celebrity, Natalie Cheung as the spokesman. TV commercials showed in golden hours and printed ads on magazines and newspapers are common and effective promotion channels, as to emphasise the healthy and fresh images and gain recognitions of HFT from the public. The recognition would then be established gradually.

HFT has its own website with a membership scheme open to public, so that they would enjoy different benefits offered by HFT. And there is a “ Young Zone” designed especially for teenagers. In the Young Zone, there are games, comics, e-card, news etc. All those are aimed at targeting the youngsters market with energetic and trendy designed web site. Besides, HFT had invested a huge sum of money to make printed ads on the cast of MTR trains and light-box-ads along MTR stations. Since the MTR trains would travel along the railway to different places, so it can reach most places with

their catchy appearances. Thus, it greatly helps to impress consumers and arouse consumers' interest to try HFT herbal drinks.

Furthermore, it used personal selling whereas promotion counters are set up in supermarkets regularly. Customers can get free drinks, purchase together with free gifts and buy a bunch of drinks at a much lower price during promotion, in order to boost sales and maintain the awareness of the brand name and the herbal drinks. As mentioned above, HFT cooperated with Maxim's Cake shop and convenient stores; customers can buy HFT herbal drinks at a lower price there. It is also a promotion strategy used for promoting new flavours of drinks.

In recent years, HFT joined the Hong Kong Products Expo. In the HK Products Expo, it was the 'authorised health drink for the Expo', hence it helped to promote its healthy image. Last but not least, HFT always sponsor many functions and events, like Singing Contest of University and Society, programs of TVB etc. Sponsorship is a good way to promote and establish its brand name and drinks.

Analysis of the current situation

In this section, I have applied Michael E. Porter's five competitive forces including (1) the rivalry among existing industry firms, (2) the threat of substitute products, (3) the bargaining power of buyers, (4) the bargaining power of suppliers, (5) the threat of new entrants to assess the HFT's Chinese herbal drink industry's long-term attractiveness.

(1) Rivalry among existing industry firms

Rivalry occurs among firms which produce products that are close substitutes for each other. In the Chinese herbal drink industry, Hung Fook Tong, HealthWorks and Hoi Tin Tong are the three dominant firms and their combined market share accounts for nearly 80% of the total market share. Apart from the dominant firms, there have been some small emerging firms producing similar bottled herbal drinks in the recent years. As the ingredients and taste of the Chinese herbal drinks produced by different firms are very similar, there is little product differentiation. Besides, when a firm launches a new flavour of herbal drink, other firms follow suit swiftly. This makes it hard for firms to differentiate its herbal drinks by taste and thus increases the degree of competition among the existing firms. On the other hand, more and more people are willing to take Chinese herbal drink as a regular drink and believe that the herbal drink can help improve the internal functioning of the body. This means that the entire Chinese herbal drink industry is now serving a continuously growing market and the competition among the firms is alleviated as a result. Therefore, the rivalry in the Chinese herbal drink industry can be judged as moderately favourable.

(2) Threat of substitute products

Substitutes are alternative product types (not brands) that perform essentially the same functions. In general, the substitutes of Chinese herbal drinks are healthy drinks such as fresh fruit juice, green tea and low-calorie soft drinks. There are a large number of different brands supplying these kinds of drinks. Theoretically, the higher the degree of substitute products, the lower the attractiveness of the industry for the current firms and would-

be firms. However, if I strictly define the Chinese herbal drink industry, no close substitutes can be found. Why? It is simply because that none of the “substitutes” can perform the function of regulating internal operation of human body. The industry can be regarded as attractive in the sense that there is no real substitute to the Chinese herbal drink.

(3) Bargaining power of buyers

Nowadays, customers has become more sophisticated and constantly looks for reduced prices, improved product quality, and added services. Their increasing expectations have galvanised competition among the firms within the Chinese herbal drink industry. Besides, like other soft drinks, Chinese herbal drink is a low-involvement product; the consumers’ involvement and their risks associated with making poor decisions are low. If the customer has unsatisfactory experiences with a particular brand of Chinese herbal drink, he/she can simply try another brand next time. They have little to lose by switching to other brands. As the switching cost is quite low for the buyers, they have strong bargaining power. The strong bargaining power of the buyers reduces the attractiveness of the Chinese herbal drink industry.

(4) Bargaining power of suppliers

Since the land price is very expensive in Hong Kong, firms producing Chinese herbal drinks mainly import herbs, the essential ingredients of herbal drinks from China instead of planting them in the New Territories in Hong Kong. As there are a large number of unconcentrated suppliers of herbs in China, firms can simply switch to other suppliers if one raises the price of herbs.

The bargaining power of the suppliers of herbs is quite low. On the other hand, many firms run factories producing plastic bottles containing herbal drinks in China. Thus, the companies can supply plastic bottles themselves instead of relying on other suppliers. The low bargaining power of suppliers has greatly increased the attractiveness of the Chinese herbal drinks industry.

(5) Threat of new entrants

Since HFT itself has captured nearly 40% market share, together with Hoi Tin Tong and HealthWorks has captured 80% of the market share of Chinese herbal drink, they have enjoyed strong economies of scale in production. They all have set up fully automated bottled drink factories producing healthy herbal drinks to reduce the cost of production. It becomes even more difficult for new entrants to overcome the hurdle of cost disadvantage and grab customers from the three big firms in times of economic recession. The threat of new entrants is moderately low and thus reduces the attractiveness of the industry.

Strength and weaknesses analysis

According to the information that Mr. Wong gave me, I'm convinced that HFT has internal and external strength factors. I will first describe their internal strengths and then their external strengths.

Internal strengths:

(1) Offerings: Ensure fresh quality and without preservatives or artificial colouring with modern package design. Hung Fook Tong ensures its fresh herbal drinks by setting up a professional delivery team and a fleet of dedicated lorries and adopts advanced management methods as well. Also, Hung Fook Tong ensures its bottled herbal drinks contain no preservatives or artificial colouring and their ingredients are natural. Also, the packaging of Hung Fook Tong bottled herbal drink is trendy and modern, it can be accepted by a large range of consumer and attract them to buy.

(2) Manufacturing: Produced in a fully automated bottled drink factory. With employing advanced technology, Hung Fook Tong ensures a high quality in the production process. It can produce bottled herbal drinks in large amount with less labour involved, this can reduce labour costs and ensure the hygiene of manufacturing condition.

(3) Marketing: It has wide sales network and variety of sales promotion. Consumers can buy Hung Fook Tong herbal drinks in all major supermarkets, chain food stores, and department stores. And Hung Fook Tong has its own outlet shop for convenient drink which called Health Express shops. The availability of Hung Fook Tong herbal drinks is quite high. Previously, Hung Fook Tong put a lot on promoting its bottled herbal drink including advertisement, point selling, lucky draw, web site, etc.

(4) Management: Employing professional personnel. Knowing that good management

and competent staff are prerequisites for development, HFT employs professional personnel to exercise specialised business management. This ensures effective management and operation of the business. Also, Hung Fook Tong takes the lead in providing quality training to front-line staff and setting service standards just in the ways other big enterprises do.

(5) Achievement: HFT is one of the ISO 9001 certified company and there are twenty requirements for ISO 9001. This can improve the enterprise image and increase the customer loyalty. Also, HFT has been awarded of the “ The Hong Kong Top Ten Brandnames Award” and “ Superbrands Hong Kong”. The Hong Kong Top Ten Brandnames Award is organised by the Chinese Manufacturers Association (CMA), which aims to give recognition to outstanding brandnames established by Hong Kong companies. Assessment is primarily based on the Reputation, Product Distinctiveness, Innovation, Quality, Image and Environmental Performance. And for “ Superbrands Hong Kong”, its assessment is based on Market Dominance, Longevity, Goodwill, Customer Loyalty and Overall Market Acceptance. “ Hong Kong Top Ten Brandnames Awards” together with the “ Superbrands” Awards make a leap of Hung Fook Tong and approved its achievement and encouraged it to move forward.

External strengths:

(1) The Demographic Environment:

The results of the Hong Kong Population Census in the past decade have shown signs of increase in percentage of people aged 65 and above. This

reflects that Hong Kong is facing the aging problem which is a major trend in most developed countries as well. People within this age group generally have traditional value and believe that Chinese herbs help improve the internal functioning of body. Besides, the traditional role of women as housewives has changed to working women in Hong Kong. The fast pace of life of modern people has led to huge consumption of ready-to-eat product which save time for cooking. The launch of bottled Chinese drinks has enabled consumers to enjoy the natural health products anytime anywhere.

(2) The Socio-cultural environment:

People have become more health-conscious in the past decades. The SARS outbreak earlier in 2003 has painfully alerted the public about the importance of hygiene and good immune system. Besides, women are trying every possible means to lose weight to catch up the trend of “ slim is beauty”. These two factors have led to an increasing demand for Chinese herbal drink as it can help regulate internal operation of body on one hand and is low in calorie on the other hand.

Weaknesses:

(1) Offerings: Healthy oriented but not cure oriented.

The image of Hung Fook Tong herbal drink is natural and no harm to drink, but cannot cure illnesses. Consumers may think that it is not so effective comparing with other brand. Sometimes the packaging makes the drink seems not professional and mature.

(2) Marketing: Low brand equity and is only a follower of herbal drinks industry.

Because of the shorter history of Hung Fook Tong, the brand of Hung Fook Tong is quite new to some consumers and they may even do not know Hung Fook Tong also provide bottled herbal drink. That means, when some consumers want to buy a convenient herbal drink, they may not think of Hung Fook Tong's herbal drink immediately. Therefore, Hung Fook Tong should try hard to increase the awareness of its brand. Being a follower in the industry, Hung Fook Tong is still building up its goodwill, it is difficult to compare with its competitors which have long history.

Despite the fact that HFT is doing quite well at the moment, there are some aspects of the business that are not perfect and personally I don't quite like.

1. The variety of product is limited.
2. They mainly promote their products, but not the brand image as such.

(It is important to promote more on the brand name rather than its products, since sometimes people do not know the brand even they buy the brand's drink or do not know what kind of drinking products the brand produces).

3. Their target market mainly focused on younger generations (their developed market) in Hong Kong but left out the elderly and the less developed market.

4. Their products can only be found in the big stores like the supermarkets, department stores and convenience stores, but they left out the smaller grocery stores and other possible places.

From those imperfections of HFT, I can start a business that mainly attacks on two (1 and 4) of the above four imperfections by providing more variety of products and expand the availability of my products to more places.

I would introduce new flavours and other non-drink herbal products like herbal drinking powders to meet more customers' preference. To meet the various preferences of different customers, I would pay effort to provide more varieties of drink to meet different wants of customers. I would extend the existing product lines, and diversify into other related product markets.

Nowadays, consumers have become more sophisticated and constantly demand higher quality and wider choices. Moreover, the general public's health concern has greatly increased. As such, I could seize this precious opportunity to add more vitamins to my herbal drinks to enhance the therapeutic value of the products. Besides, more mainland tourists are visiting Hong Kong through individual visa application. Hence the demand for such traditional yet easy to consume Chinese herbal drink products will increase. In fact, the current products produced by HFT are just a small proportion out of all traditional Chinese herbal drinks.

I could extend the product line to develop more bottled Chinese herbal drinks to have different therapeutic value to attract more potential customers pursuing easy and healthy lifestyle. Afterwards, I can expand my

product width by introducing other herbs-related products such as instant herbal powder, herbal lozenges to meet expectations of different customers. Furthermore, I can develop some low-calories snacks with the mix of herbs (e. g. biscuits) to target customers who have phobia of drinking Chinese herbal tea.

Apart from distributing my products at supermarkets (e. g. Park n' shop and Wellcome), department stores (e. g. Jusco and Sogo), other convenience stores. (e. g. 7-11, OK) I would pay more effort in persuading small grocery stores to stock my herbal drink as this kind of stores are located everywhere and some are situated at distant places where supermarkets are not available. With the increase of new distribution places, I can ensure that whoever wants to consume my Chinese herbal drinks can have access to the product at the shortest distance and quickest time.

Also, I would actively connect with the cafeterias of different government departments, including fire and police stations, and in places where health is of main concern, that is, hospitals and clinics. To do business in these particular locations, developing vending machines is deemed to be an even more efficient way. A vending machine can easily provide cold or hot herbal drinks, and at the same time, offer non-drink products like herbal tea packs and candies, etc. More importantly, vending machines are often a good way to promote new products to customers. Connection with cafeterias, equipped with vending machines, can move products forward to reach a lot more customers. For instance, hot traditional herbal tea drinks should receive great support in elderly homes and other community organisations. To

further facilitate the consumption by the younger generation, the importance of exploring into schools, colleges and universities should be weighed more than ever. Parents, in particular, should cheer on this with a big welcome.

As the Chinese herbal drink is currently in the growth stage of the product life cycle, HFT is experiencing constant growth in sales volume. HFT's main targets are youngsters and they had followed a marketing mix as described to reach and meet their targeted customers' expectation. Additionally, the moderate rivalry among present competitors, coupled with low threat of new entrants, bargaining power of suppliers and threat of substitutes have made the Chinese herbal drink industry a favourably attractive industry for HFT to grow its business. However, despite of their successes, there are still rooms for improvement and future competitors such as myself can exploit their imperfections and compete with them. Competition is about being better than your competitors, and entrepreneurs are limitless; therefore, competitions will go on forever and ever, and there will always be entrepreneurs come rising.