

The garden company limiteds performance in the hong kong market



Introduction

According to the assignment guidelines, students are allowed to choose either a service company or a manufacturing company for this report. I have chosen a manufacturing company in Hong Kong with global supply chains – the Garden Company Limited (hereinafter called Garden). Their major upstream suppliers are from the US, Canada, and Australia whereas their two biggest downstream suppliers in Hong Kong are supermarkets Wellcome and ParknShop. Although Garden products are also being sold outside Hong Kong and China, including the Northern American, Canadian, Australian markets, I would focus this report only on its market in Hong Kong.

Background information of the organization

The Garden Company Limited is a Hong Kong-based bakery and confectionery manufacturer. The company was one of the first Chinese owned business as created to sell Western-style food products in Hong Kong, but also has a global supply chain network. Founded in 1926, Garden has experienced rapid societal changes and technological advancement in the past 80 years. Today, they are still persisting with their paramount values in quality, innovation and advancement.

Garden supplies thousands of food products to today's retail and catering markets, with many of their products internationally awarded. As one of the largest bakery production corporations in Hong Kong, they are well equipped with state-of-the-art large-scale equipment. Their technology, quality, output and market development have long reached International Standards.

Garden's wide assortments of products, high sales volume and extensive market penetration have long been broadly recognized.

To further cope with rising market demand, they continue to inject large sums of investment into product research and development as well as upgrading their technology and production hardware. The various production procedures are completed with the most sophisticated equipment in their factory. Computer automation is integrated in all the processes from production to packaging, fully manifesting the remarkable results brought about by scientific management. Furthermore, their principal factory in Sham Tseng with a total area of 70, 000 square meters carries out the production lines for bread, cakes, biscuits, candies etc.

Unlike most firms in Hong Kong, Garden was a pro-China company and had been supplying bread to Chinese army during World War II. The firm closed its operations during the Japanese occupation of Hong Kong from 1941 to 1945. The company expanded with the growth of Hong Kong before and after World War II and benefited from the influx of immigrants from Mainland China. In the 1980s and 1990s, Garden products were shipped overseas to Chinese communities around the world. Besides their major business in Hong Kong, Garden has also been actively tapping into the Mainland China market since the 1980s. Factories had been set up in Dong Guan and Yang Zhou to introduce the advanced technology into the food manufacturing industry of the Mainland.

Achieving the ISO9001 certification in 1997 was a milestone in their history. It demonstrates that Garden, with its world-class corporate management and

modern operation system, is a globally acclaimed food manufacturer. Today, the company remains a privately owned family (Cheung family) business with several joint ventures with mainland Chinese firms. It is one of the few Hong Kong firms with manufacturing operations still in Hong Kong.

All Garden products are made of the finest ingredients selected from all around the world, for example their barley is from Australia, flour from the United States, milk and butter from New Zealand, just to name a few. Their long-standing experience, fully-automated technology and packing equipment together with careful quality control guarantee that every product of theirs can meet strict quality testing and safety standards in many countries.

With the past 80 years of excellence, Garden has successfully established itself as a distinguished brand supported and favored by many consumers around the world. Their products currently reach many major Chinese communities in as far as Europe and America. Today they are actively developing overseas markets in order to offer their quality foods to consumers in different corners of the world. With more than eight decades of experience in food production, the Garden Company's determination in offering quality products and services and its innovative spirit are as strong as ever. Looking ahead, they will continue with their commitment to producing nutritious and quality food with the pursuit of perfection.

QIE, which stands for " Quality, innovation, Efficiency", serves as Garden's corporate mission with the objectives to lead their staff to pursuit of superb quality, continuous innovation and achieve efficiency enhancement. It is

<https://assignbuster.com/the-garden-company-limiteds-performance-in-the-hong-kong-market/>

through the implementation of QIE that the recognition and reputation of their brand have been greatly elevated. To realize their goal of QIE, the Company puts LTC - "Learn, Think, and Communicate" - into practice with all their working together to continuously improve the manufacturing of quality products, developing new technologies and new product values so as to satisfy the ever-heightening needs of consumers.

SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis

Strengths:

Garden has a global brand, it is a strong brand, strengths including brand recognition, brand quality, economies of scale, strong distribution network, strong distribution chain, supply chain, strong international operations, online growth, good reputation, reputation management, market share leadership, effective marketing strategy, experienced personnel, strong management team, effective communication, extensive customer base, loyal customers, cost advantage, asset leverage, competitive pricing, original and unique products, high research and development, advanced equipments, innovation, etc. Apart from all these company strengths, they are famous in Hong Kong. I believe that all households in Hong Kong consume their products, one or the other on a regular basis. They are considered second to none in the bakery industry.

Weaknesses:

Due to Garden's huge range of products, coupled with a substantial global retail network, bad communication is unavoidable, it happens from time to time. Furthermore, they experience diseconomies to scale, at times over <https://assignbuster.com/the-garden-company-limiteds-performance-in-the-hong-kong-market/>

leveraged financial position, and weak corporate governing practice. Since Garden's range of products is for the public in general, many of their competitors go to the upper end market, for example to 'high class' customers such as hotels and delis, and leave Garden in the lower end market for many years.

Opportunities:

Garden basically has a healthy financial position. They did some acquisitions, merger and takeovers on a small scale basis. They also tie up with international events to capitalize on synergy opportunities for growth of the operation. They continuously look for new markets; expand in Asia, expand into online shopping; decrease its taxation through donations to charity organizations. In the era of emergence of international middle class, and change in consumer lifestyles, they are constantly changing their products to expand their customer base, and their service lines like new products such as drinks and snacks, and new service such as mail order.

Threats:

Although Garden has a lion share in the bakery industry, they have many competitors in the high end sector. With Hong Kong returning its sovereignty to Mainland China, Garden is facing many financially strong competitors from the Mainland. There are new competitors from the Mainland entering into this relatively small market. As far as their foreign business is concerned, foreign exchange rate changes affect its imports/exports strategies. The volatility in fuel costs, rising costs of business, pricing pressures, potentially slowing global economy, changes in demographics, change in consumer lifestyles, changing to cheaper technology, substitute products, changing <https://assignbuster.com/the-garden-company-limiteds-performance-in-the-hong-kong-market/>

consumer patterns, growing power of customers to set the price etc. are possible threats Garden has been facing during the past few years.

Porter's Five Forces analysis

Competitive Rivalry within an industry:

Since multi-market competition exists, rivalry between competitors in the industry is extremely intense. Companies in the industry have started new businesses to increase the level of competition with one another and compete heavily for geographic markets. There is no clear dominant market share player in the industry. Though the industry currently has relatively high growth, much of the business is cyclical, which leads to intensified competition in economic downturns. High fixed costs also contribute to intense competition. More recently, the continued growth of online shopping, mail orders, combined with increasing awareness of door to door logistics arrangements have been giving Garden 'headaches' and they have been streamlining their services in this competitive environment. A few remarks are listed below to introduce some of Garden's international and local rivalries.

Sara Lee Corporation

Sara Lee Corporation is a global consumer products company with food, beverage, and household and body care lines of business. With powerful brands, such as Ambi Pur, Ball Park, Douwe Egberts, Hillshire Farm, Jimmy Dean, Kiwi, Sanex, Senseo and its namesake, Sara Lee, the company has leading positions in numerous categories in the more than 180 markets in which it competes.

In Hong Kong, Garden has two main competitors in its frozen and fresh breads. For frozen breads, its major rivalries are Maxims, Sara Lee. For fresh breads, Garden is facing numerous small size competitors, in particular in the western style restaurants which bake on an everyday basis for its afternoon tea customers.

Competitive Rivalry is a strong force in the bakery industry because the competitors use price cuts to compete, there is a low cost product range and there is ease in switching brands, and the companies in this industry can diversify and acquire other companies for strategic growth and for synergy purposes.

Threat of New Entrants:

The threat of new entrants into this industry is relatively low because of the scale required to make companies in the industry competitive. Capital demands to fund all of the assets required in the industry are extraordinarily large, making competition from entrepreneurs or small companies very difficult at this level of market competitiveness. Economies of scale are necessary for the business to be profitable and because of the intensity of rivalry, customers are difficult to attract. While the basic service of shipping goods would be relatively easy for new entrants to imitate, the competitors in the industry have created value and high switching costs for their customers through proprietary technologies.

Threat of New Entrants is a weak force in this industry. Each company currently in the industry has strong brand images, leaving a harder job for new companies. The capital expenditures to start a bakery company are

large, and the companies currently are achieving economies of scale by going global. Any smaller company will not be able to achieve these right away, not allowing them to compete on prices. Another factor threatening potential entrants is trade tariffs and international regulations. Most companies currently in the industry have already established relations with foreign countries. New companies will have to prove themselves to foreign companies, suppliers, and customers.

Threat of Substitute Products:

The threat of substitutes is currently high for the industry, but major technological or governmental foods regulations could change that. As mentioned above, although Garden has a lion share in the bakery industry, they have many competitors in the high end sector, for example Maxims, Saint Honore, Tai Pan Bakery etc. Garden is also facing many financially strong competitors from the Mainland. The latter produce substitute products such as dumplings, dim sums to suit the changing consumers taste. This is one of the many reasons why Garden has been continuously modifying the ingredients and packaging of their products during the past few years.

Threat of Substitute Products is a strong force in this industry. There are plenty of substitute products in the market. Bakery retail outlets such as Maxims, Saint Honore, Tai Pan Bakery etc are conveniently located in all the 18 zones. One can literally find either one of them in almost every main street in Hong Kong. These competitors also offer very competitive prices which make potential consumers lose their brand loyalty and easy to switch to another brand.

Bargaining Power of Suppliers:

Suppliers' bargaining power is fairly low in the industry, but different suppliers have slightly different pricing strategies to fight for their survival. Competitors are also on the same footing with suppliers, as they are all subject to the same prices, although they may have hedged differently. Labour is a major factor of production in the industry and differences between companies regarding labour contracts subjects them to varying degrees of supplier power. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm, when there are few substitutes. Suppliers may refuse to work with the firm, or, e. g., charge excessively high prices for unique resources.

This is a strong force if the suppliers serve different industries with their raw materials. If a supplier only has accounts or the majority of their accounts with different companies, they will not be able to control prices and supplies.

Bargaining Power of Buyers:

Customers in the industry initially have power, but once they commit to a bakery, their bargaining power decreases significantly. New customers can easily shop around for price or level of service in the beginning, but once they have chosen a bakery and buy their product, they are usually loyal to them. Customers are likely to become loyal to a certain provider because of long-standing relationships or personal interaction with the company.

This is a moderate force in this industry because competition keeps prices similar among the companies. The only difference is degree in loyalty. Also, the buyers of the services in this industry are reactionary. They do not know

the technology before it happens. They become dependent on the technology, service and speed offered by the companies in this industry and will pay for it.

SCOR (Supply-Chain Operations Reference) Model

Planning activities:

Garden's target customers are the public in general, whether they be as young as 2 years old, to as old as 99, they could be Garden's customers. Their pricing strategy is 'value for money'. Their marketing slogan has been 'nutrition you need every day with the highest quality'. These planning activities have proved to be most successful and made Garden the leading supplier in the bakery industry, in particular in the breads, biscuits and cakes sectors.

Sourcing activities:

According to the reading materials I searched and found, Garden has been purchasing all the baking ingredients directly themselves. However, they do outsource through logistic companies in their delivery activities. Locally, they need to deliver their fresh breads every early morning to hundreds of retail outlets. They also need to deliver fresh buns to all McDonald's franchisees. Furthermore they also deliver a range of fancy breads to airline caterers, hotels and restaurants. Internationally, they outsource transportation companies as well as freight forwarders for special orders such as wedding and birthday cakes. Internally, they outsource information technologies, finance and accounting, sales and marketing, foods testing etc. just to name a few.

“ Make” or production activities:

Garden’s upstream suppliers are worldwide. These included but not limited to flour, sugar, milk, cocoa, vanilla, wheat, soda powder, etc. again just to name a few. Countries included but not limited to (in alphabetical order) Australia, Canada, China, Europe, Latin America, and the United States.

Bread Production

Garden’s bread production lines operate on a 24-hour basis, of which one is the first fully-automated line for hamburger buns in Asia. Apart from the retail market, they provide a huge volume of wholesale goods, which include bread, pastry and frozen dough products to major fast food chains, restaurants, hotels and airline catering services in Hong Kong. With their far-ranging businesses, they are committed to providing consumers with better choices with continuous innovations.

Biscuit production

Garden possesses diverse expertise, equipment and automated production lines to produce a wide variety of biscuits including wafers, cookies, sandwich biscuits, saltine, crackers and assorted biscuit gift packs to meet market demands.

Cake production

Their wide range of cakes has long been famous for its high quality and great taste. To cope with market demand, Garden produces cake products with highly efficient production lines, of which one is fully computerized for producing mini-cakes. With a wholehearted contribution from over 1, 200

employees, Garden has established itself as the most reputable manufacturer in the local industry.

Order processing & information systems

All market interactions, from the understanding of aggregate demand to the fulfillment of each order are not done wholly by Garden internally themselves. Some logistics are being outsourced, in particular for the overseas markets in Northern and Latin America, Australia, Europe, and Canada.

Garden normally receives their orders through phone, fax and e-mail or e-order. Its IT department uploads orders to the printing invoice system. Automatically, these invoices pass to its distribution department for delivery. After deliveries, these invoices will be, again automatically, sent to its accounting department. The latter department then issues credit notes to the appropriate customers. Currently they are still using the information systems designed by IBM.

Quality Control foremen in Garden are made responsible to ensure that expiry date, and appearances are properly done, and presentable. All delivery vans must have the correct temperatures for the different kinds of products.

Delivery activities:

Different transportation teams are required for different products. Fresh breads, frozen breads, biscuits are being delivered by the China and Hong Kong transport teams. Fresh bread team has about 60 vehicles to deliver 4,

000 orders per day. These trucks are recognizable easily on the streets. Frozen breads and biscuits teams have about 20 vehicles to deliver 400 orders per day. Three trailers are being outsourced for the Mainland China and Hong Kong markets.

As mentioned above, Garden does outsource through logistic companies in their delivery activities. Locally, they need to deliver their fresh breads every early morning to hundreds of retail outlets. They also need to deliver fresh buns to all McDonald's franchisees; deliver a range of fancy breads to airline caterers, hotels and restaurants. Internationally, they outsource transportation companies as well as freight forwarders for special orders such as wedding and birthday cakes. Not only that Garden wants to manufacture the best products, they also want to provide their best delivery service.

Return activities:

Garden guarantees its products are fresh and proper. They promise their retailers that they will replace any damaged or rotten items, that is if that happens. Garden has agreed with their retailers that they will pick up any expired items on their shelves.

Assess how well the organization implements the supply chain management

As mentioned right at the beginning of this report, Garden's major upstream suppliers are from the US, Canada, and Australia whereas their three biggest downstream suppliers in Hong Kong are supermarkets Wellcome, ParknShop and Mcdonald's. As far as this report is concerned, I would focus in the

downstream supply chains; and before I go into how well Garden implements the supply chain management, I would like to introduce Garden's major downstream supply chains Wellcome, ParknShop and Mcdonald's.

Wellcome - Wellcome is Hong Kong's longest-established supermarket chain, they have an overall staff of 5, 000 in more than 240 stores and serves more than 14 million customers every month.

ParknShop - ParknShop is one of the two largest supermarket chains in Hong Kong (the other is Wellcome Supermarket). ParknShop operates more than 260 outlets in Hong Kong, Macau, and Mainland China. ParknShop has more than 200 stores and 9, 000 employees in Hong Kong.

Mcdonald's - McDonald's Corporation is one of the world's largest chains of hamburger fast food restaurants, serving nearly 47 million customers daily. Most of their breads in Hong Kong are supplied by Garden.

Although Garden does supply their products to airlines catering companies, hotels and restaurants, as well as supply chains such as 7 Eleven, Circle K and etc., I am not going to introduce these supply chains on a one on one basis.

Basically these supply chains are owned by substantial and listed companies with well-trained management teams. Top management, as well as middle management personnel at Garden have very good business relationships with their supply chains. They have properly done legal contracts specifying all the details in supplies and payments. I have not been able to find any past news regarding any communication breakdowns between Garden and

<https://assignbuster.com/the-garden-company-limiteds-performance-in-the-hong-kong-market/>

its supply chains. I have neither been able to find any past law suits about Garden suing any of its supply chains for non-payments, nor any company suing Garden for not delivering its responsibilities although there have been rumors that Garden has been finding it more and more difficult to get their payments on time during the past few years. Based on these findings, I believe Garden has been successful in its supply chains management activities.

Suggest solutions/ways to improve the organization business; especially by improvements on supply chain management of the organization

Supply Chain Management (SCM) is not created to suit for every company. It can succeed only with top management commitment and managers' loyalty in executing those management strategies. Garden's management teams need to spend time in evaluating whether new SCM, inclusive of international networks, is suitable to be implemented into their company and how it could be successful.

Garden bread has long history in Hong Kong that the fundamental target market should be the mass public served as the stable diet. With the increasing awareness of healthy eating, the variety of 'healthy consciousness' products have been promoted like multi-grained, whole wheat, high calcium & low fat breads. It is the general social trend and also serves as one of the marketing strategies that focus on the targeted middle-class, office-ladies and health consciousness customers. The relative advantage of Garden obviously is its long history and well-developed manufacturing factories, well-connected distribution channels, competitive

retailing price and, of course, the well-known and long established brand name. On the other hand, these relative advantages might contribute some shortcomings in terms of the flexibility of market positioning and variety of products in response to the ever-changing and ever-increasing market force.

Personally I am disappointed with Garden's decade-long use of coconut oil as an ingredient for their biscuits production. According to certain food magazines, too much consumption in coconut oil is bad for our health.

Although all the reading material I found have been saying good things about Garden, nevertheless Garden is not a listed company, it is a privately owned company. They do not have to disclose any of their operation details to the public. Particularly, they do not have to disclose their financial position apart from to the Inland Revenue. My perception of Garden is that it is a very old style traditional company. Its top management includes family members of the founder. It is purely family business. Its image is not catching up with the young generation. Their product range is also conservative. It does not give any 'modern flare' to attract those expats from the west. They focus on Asians so far, that means there is a huge expats market for them to develop. Garden reminds me of the Green, Yellow and White Arrow brands chewing gum company. The latter company has been too conservative and has not been innovative to catch up with the new entrants. Hence, Green & White Arrow chewing gums have been losing market share. Until today, they have not been able to gain back what has been lost.

The image of Garden should shift to focus more clearly on each market segment. For instance, Garden should develop a 'Gourmet' production line which emphasis on the finest ingredients, the innovative design, for example <https://assignbuster.com/the-garden-company-limiteds-performance-in-the-hong-kong-market/>

in its packaging, and its advertisements. They could consider making more choice of breads, and cakes similar to those recipes from Italy and France, or from Europe at large. In order to shave off the old 'stable diet' image, instead, the building up of the delicate and professional 'crafted' food and to state that not only the five stars hotels can produce but Garden can also make and even better.

The efforts to make sure managers do well in the SCM program and not treat it as another flavor-of-the-month include but not limited to the followings.

Firstly, Garden has to ensure that the company's SCM strategies are specifically designed. Secondly, the SCM program need to meet their customers' demands and reduces the company's costs. Thirdly, the management team must buy-in the program. Also, all the benefits included from the program such as customer responsiveness, more consistent on-time delivery; shorter order fulfillment lead times; reduced inventory costs; lower cost of purchased items; higher product quality; faster product innovation and etc. must be clearly explained to all the concerned managers so that they know the importance of the program. Garden must ensure that the staff concerned understand the objectives of the program, for example - to better utilize the company resources and yet with higher product quality. Finally, if managers do well in implementing and executing the program, the company should consider giving them incentive such as bonus or additional rewards other than their normal compensation. This will give them more motivation to continue to run the program.

Garden has to do detailed surveys and researches to find out what are the products that their customers demand. They should listen to the voice of <https://assignbuster.com/the-garden-company-limiteds-performance-in-the-hong-kong-market/>

their customers. Their views and suggestions could in turn help the company to produce specifically the range of products the customers need. The company could also utilize their findings for meetings and discussions with their suppliers, both upstream and downstream and production managers to reduce the order processing time and inventories. The company would also be able to produce higher quality products with lower prices and less order processing time. In this way, the company would be more responsive to both their customers and suppliers. By doing the above, the company would be able to expand its market share from other competitors.

Further possible improvements can be capitalized in the advances in technological and informational environment. These improvements have major implications for all industries, particularly logistics. If used effectively such advances may be a key source of competitive advantage. The technology listed below may become a competitive edge advantage for Garden in the future.

Radio-frequency identification (RFID) – not ready to implement?

Radio-frequency identification (RFID) is the use of an object (typically referred to as an RFID tag) applied to or incorporated into a product, animal, or person for the purpose of identification and tracking using radio waves. Some tags can be read from several meters away and beyond the line of sight of the reader. It works like a barcode, but instead of having to be passed in front of a scanner for recognition, tiny transponders (known as ‘ tags’ or ‘ chips’) send out radio signals. Each tag is small, robust and unique so any one item can be tracked individually throughout the supply chain.

Logistics and transportation are major areas of implementation for RFID technology. For example, yard management, shipping and freight and distribution centers are some areas where RFID tracking technology is used. Transportation companies around the world value RFID technology due to its impact on the business value and efficiency.

The new technology is currently seen as too expensive to put on individuals products, but large companies already use it to track shipping items. RFID trials have met with mixed customer reactions. As with many such technical ‘ advances’ the effects can be both positive and negative. RFID technology is currently unsophisticated and largely applied to logistical operations. Training of staff and informing all internal stakeholders as to how RFID technology works and can benefit the company, stating the impact on customers so that companies are able to improve their operations.

Global Positioning System (GPS)

The Global Positioning System (GPS) is a U. S. space-based global navigation satellite system. It provides reliable positioning, navigation, and timing services to worldwide users on a continuous basis in all weather, day and night, anywhere on or near the Earth which has an unobstructed view of four or more GPS satellites. GPS has become a mainstay of transportation systems worldwide, providing navigation for aviation, ground, and maritime operations.

Installing GPS systems for delivery vehicles can increase the efficiency and effectiveness in delivering products.

Even though transportation companies offer tracking and insurance services to their customers, there are still chances that the customers’ packages might be lost or stolen.

Imagine a GPS chip attached to the delivery packages; it can then be tracked anytime. Adding this technology can boost the customer’s confidence about Garden.

Conclusion

Garden's supply chains are owned by substantial and listed companies with well-trained management teams. Garden has very good business relationships with their supply chains. Garden has been successful in its SCM activities. For further improvements, Garden should keep themselves abreast of the current important trends being developed in the business arena, for example electronic commerce has been widely used. Experienced users reveal that e-business reduces costs and time. It creates less conflict between suppliers and consumers. Garden must realize that very few industries are protected geographically; competition is getting more and more fierce. Garden's determination to 'change' as the contents mentioned above is critical for its advancement.

With Garden's top management team's commitment, together with managers' efforts, I believe that Garden's staff is more willingly to change and Garden has a good chance of success in improving its current SCM program.

During the process of finding reading material for this exercise and thereafter digesting the material, I became more familiar with what