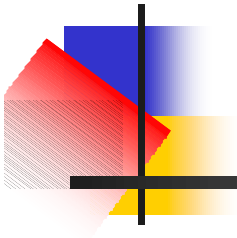


BUSS 671 Global Marketing Management



Yang He Tang Chinese Herbal Drinks



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November 20, 2002



THE PRODUCT

- Yang He Tang Chinese herbal drinks
 - Healthy alternative to soft drinks
 - Herbal benefits – ‘medication’ effect of reducing ‘hotness’ which causes pimples, gum pains, restlessness, etc
- Position as a healthy alternative to soft drinks
 - Use of natural Chinese herbs
 - No artificial flavoring or additives
 - All natural ingredients
- Currently produced in China, sold only in Hong Kong
 - Plan to expand regionally to other Asian countries
 - Test market first at high potential countries



OUR MARKETING PLAN

- Our objective
- Country selection
- Market segmentation
- Target market / customer base
- Core competence
- Market entry strategy
- Marketing mix
 - Product characteristics
 - Pricing strategy
 - Communications strategy
 - Distribution strategy



OUR OBJECTIVE

- Our brand is established in Hong Kong
- Expansion on a regional basis to increase sales and diversify source of revenue
- Select and expand to 3 or 4 high potential countries within the region
- Coordinate distribution and retail network, market our brand name, and accumulate customer base within six months
- Establish our brand name and break even within one year
- Evaluate expansion possibilities into other countries in the region or to other region(s)



COUNTRY SELECTION

- Our criteria for country selection starts at the macro level and ends at the local competitiveness level
- Factors to evaluate when determining countries for test marketing:
 - Political and legal environment
 - Economic and cultural factors
 - Existing or potential barrier to entry
 - State of existing beverage industry within the country
 - Historical and forecasted soft drink demand and its trend
 - Potential of the untapped market
- Our goal is to select 3 to 4 high potential countries for the first phase of our overseas expansion



COUNTRY SELECTION CRITERIA

- Political and legal environment
 - Political stability and receptiveness to foreign investments
 - Development and integrity of legal system
- Economic factors
 - Gross national income / annual household income
 - Population size between age 15 and 64
- Existing or potential barrier to entry
 - Import tariff
 - Delivery infrastructure
 - Access to wholesalers and retailers



COUNTRY SELECTION CRITERIA

- State of beverage industry within the country
 - Number of existing and potential competitors
 - Level of competitiveness within the beverage industry
- Demand conditions and cultural factors
 - Historical and forecasted soft drinks demand and its trends
 - Level and trend of consumption on soft drinks on a per capita or per household basis (historical and projected) + others if necessary
 - Level of untapped market potential
 - Soft drink consumption on a per capita basis
 - Cultural proximity facilitates switching from soft drinks to herbal drinks
 - Health expenditure as percentage of GDP for health awareness
 - Potential market size and our expected market penetration



COUNTRY SELECTION

Country	Political Legal	GNP Cap	Pop	Entry Barrier	Local Compet	Demand	Culture Proxim	Hlth Exp	Total
China	3	3	9	5	3	9	9	5	46
India	2	1	8	1	9	6	1	6	34
Indonesia	1	2	7	3	8	3	2	1	27
Japan	8	9	6	7	1	8	7	9	55
S Korea	7	7	3	8	2	7	6	7	47
Malaysia	5	6	2	4	7	2	5	2	33
Philippines	4	4	5	2	6	5	3	4	33
Singapore	9	8	1	9	4	1	8	3	43
Thailand	6	5	4	6	5	4	4	8	42



COUNTRY SELECTION

- Based on our evaluation criteria, we have selected the following countries for the first phase of our regional expansion
 - Japan
 - South Korea
 - China
- To further focus our efforts, we plan to select only the largest cities within our selected countries
 - Japan (127) - Tokyo (8.1), Yokohama (3.4), Osaka (2.6)
 - South Korea (48) - Seoul (10.2)
 - China (1,228) - Shanghai (13), Beijing (12), Tianjin (9), Qingdao (7), Guangzhou (6.7), Hangzhou (6.1), Jinan (5.5), Ningbo (5.3), Nanjing (5.3)



EXPECTED MARKET DEMAND

- Gap analysis is used to estimate our market share

	Japan	China	South Korea	Total
2003 Forecasted Soft Drink Consumption (million litres, Euromonitor 2002)	2,192 (100%)	5,390 (100%)	950 (100%)	8,532 (100%)
Less:				
Distribution Gap	1,315 (60%)	4,851 (90%)	665 (70%)	6,831 (80%)
Competitive Gap	767 (35%)	270 (5%)	238 (25%)	1,275 (15%)
Product Line Gap	99 (4.5%)	243 (4.5%)	38 (4%)	380 (4.5%)
Expected Market Share	11 mm litres (0.5%)	26 mm litres (0.5%)	9 mm litres (1%)	46 mm litres (0.54%)



MARKET SEGMENTATION

- Segmentation based on a consumer profile across countries
 - range from young kids (8+) to the elderly (60+)
 - Frequent consumption of soft drinks or other specialty drinks
 - Inclination to a more healthy lifestyle orientation
- Market segment is similar across our target countries, so some elements (like our health orientation focus) can be standardized
- Other marketing elements (like distribution channel and price points) might be localized to adapt to local conditions



COMPETITIVE STRATEGY

- Using Michael Porter's model to evaluate our competitive position
 - Soft drink market itself is extremely competitive
 - Use our high quality product, the current health conscious mindset of consumers, and our high benefit to ease-of-use ratio to maintain a captive group of brand loyal consumers
- Competitive advantage
 - High quality image and corresponding pricing strategy
 - Focused marketing message as a healthy drink for daily consumption or as a healthy alternative to soft drinks



ENTRY STRATEGY

- Direct exporting will be adopted as the entry strategy into Japan, China and South Korea
 - Possible local production if demand justify investment
- Products will be sold in convenience stores, grocery stores and supermarkets
- Japan and South Korea
 - Secure wholesalers and their distribution channel to the retail network
 - Cost higher but necessary as the distribution channel is restrictive
- China
 - Approach major wholesalers and retail outlets directly
- Plan appropriate local promotional events and advertisements that coordinate with the launch of the product

PRODUCT CHARACTERISTICS

- Branding: Yang He Tang (? ? ?)
 - Position as a healthy alternative to soft drinks for daily consumption
 - Retain Chinese name to emphasize 'Chinese-ness'
 - Use the 3 Chinese red characters as registered trademark and logo
 - Chinese characters are not unfamiliar to the target countries
- Product line:

*Canton love-
pes vine*



*Common
selfheal
fruit-spike*

*Hawthorn
fruit with
honey*



*Chrysanthemum
with honey*

*American
ginseng with
honey*





PRODUCT CHARACTERISTICS

- Packaging
 - Plastic bottles
 - Three sizes: 375 ml, 700 ml, 1.5 litre (family size)
- Labeling
 - Product descriptions, ingredients, and health benefits in Chinese and English
 - Descriptions and ingredients in local language will be shown using stick-on labels in the short term
- Standardized product attributes - brand name, flavor availability, packaging design for cost savings and faster diffusion



PRICING STRATEGY

- Position as a healthy alternative to soft drinks
- Premium pricing: slightly above the average local price of soft drinks (about 5%)
- Cost structure:
 - Ex-factory gross margin - ~45%
 - Administrative and selling expenses – 10%
 - Shipment and insurance cost - ~2-3% (~US\$400 per container)
 - Tariff – 0.3%-4.5%
 - Channel members' margin – 15%
 - Estimated net margin – 25%
- May consider differential pricing according to higher local purchasing power (e.g. Japan)



PRICING STRATEGY

- Soft drinks market very competitive
 - Major soft drink producers like Coke and Pepsi are market and price leaders
 - Lack of power to set product price
 - Slight premium of 5% to market soft drink prices
 - High margin for drinks to account for advertising and promotions
- Price escalation – especially in Japan and South Korea
 - Must be considered as distribution network restrictive
- Foreign exchange movements
 - Japan, South Korea and China relatively stable politically
 - Leave short term revenue unhedged until track record established



COMMUNICATIONS STRATEGY

- Theme
 - healthy drink for daily consumption, all natural ingredients, no artificial additives
- Advertising
 - basically standardized using regional celebrities (preferably new, young, healthy TV 'stars' from Japan and S Korea)
 - limited customization e.g. in language
- Media
 - mass advertising through newspapers, specialized magazines, posters in popular areas such as bus and train stations
 - TV might be employed in the mainland where cost is relatively low and target cities are dispersed
- Sales promotion
 - trial drinks in large scale department stores
 - price discounts (limited period)



DISTRIBUTION STRATEGY

- Drinks will be produced in our existing production facilities in China
 - If future demand justifies direct investment, will produce locally
- Physical distribution of our drinks to the various supermarkets, grocery stores and convenience stores will be handled through the wholesaler networks
 - Our core competence is in the marketing of high quality health oriented Chinese herbal drinks
 - Despite price escalation, can avoid huge initial investments in capital equipment, time and efforts
 - Using existing wholesaler networks is the most effective and efficient access method on a local basis



CONCLUSION

- Health oriented Chinese herbal drink as alternative to soft drink
- Expand to major cities in Japan, Korea and China
- Premium strategy in terms of perceived quality and pricing
- Target market of a wide age range, health-conscious, current soft drink consumers
- Promotions and advertisement consistent with our product characteristics