

國立臺灣大學管理學院企業管理碩士專班

碩士論文

Global MBA

College of Management

National Taiwan University

Master Thesis



奢侈品品牌批發及零售商業計劃書

Luxury brand's products wholesale and retail business plan

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中華民國 112 年 7 月

July 2023



國立臺灣大學碩士學位論文  
口試委員會審定書

Master Thesis Certification by Oral Defense Committee  
National Taiwan University

奢飾品牌批發及零售商業計劃書

**Master Thesis Certification by Oral Defense Committee**

Luxury brand's product wholesale and retail business plan

本論文係薛瀚君 (R09749018) 在國立臺灣大學企業管理碩士專班完成之碩士學位論文，於民國 112 年 7 月 5 日承下列考試委員審查通過及口試及格，特此證明

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## **Acknowledgment**

Thank you, Professor Audrey, for making the GMBA program better and better. Thank you, Professor Chou, for his guidance and advise on my thesis. Thank you, Christy and Yvonne, for their help and support through the journey. Last but not least, thank you to my classmates, especially Peilin, for giving me such an excellent experience.



## **Abstract**

This thesis is a mixture of a case study of my existing luxury products wholesale and retail business and a business plan of new ideas adding to my existing business.

In this thesis, I use business model canvas and porter 5 forces to summarise and analyse my existing business.

I can put the researches and ideas of my thesis into practice in real life. This allows me to work on my thesis with more passion.



## Table of Contents

Master Thesis Certification by Oral Defense Committee	i
Acknowledgment	ii
Abstract	iii
Table of Contents	iv
List of Figures and Illustrations	vi
List of Tables	vii
1. Introduction	1
2. Existing Business	2
2.1. Overview of My Existing Company	2
2.2. Business Model Canvas	4
2.2.1. Key Partners	4
2.2.2. Key Activities	6
3. Customer Portfolio	21
3.1. Current Customers Portfolio	21
4. Expand the B2C Business by Opening a Flagship Shop	23
4.1. Background	23
4.3. Additional Features on the Flagship Shop	27
5. Other Recommendation to Improve Existing Business	31
5.1. Loyalty Strategies Plan	31
5.2. Introduce a Real-Time Online System	33
5.3. Inventory Management	34
6. Leadership in Organizations	36
6.1. Leadership Approaches Adopted by Managers within My Company	36
6.2. Organization's Structure and Culture	39
6.3. Reflection on My Own Leadership	43
7. Conclusion	45



8. References





## List of Figures and Illustrations

Figure 1 Hong Kong Office’s Conference Room.....	3
Figure 2 Hong Kong’s Warehouse .....	3
Figure 3 List of Coty’s Brands .....	5
Figure 4 List of Swatch Group’s Brands .....	5
Figure 5 Hong Kong Office’s Showroom .....	11
Figure 6 Some of Our Retail Chain Stores B2B Customers.....	12
Figure 7 Hong Kong self-owned E-shop - <a href="https://toppride.com.hk/">https://toppride.com.hk/</a> .....	25
Figure 8 Taiwan’s 3rd party platform E-shop: <a href="https://shopee.tw/peilin2365">https://shopee.tw/peilin2365</a> .....	26
Figure 9 My Rolex Daytona Black Face Steel Watch.....	29
Figure 10 2nd Hand Luxury Watches Global Estimated Revenue (Sabanoglu, 2022) .....	30
Figure 11 A Horizontal/Flat Organizational Structure of My Company.....	41
Figure 12 A Pyramid Hierarchical Organizational Structure of My Company .....	41

## List of Tables

Table 1 Break Down of Cost of Flagship Shop.....	27
Table 2 The Product Life Cycle of Cosmetics Inventory .....	35







## **1. Introduction**

This thesis is a mixture of a case study of my existing business and a business plan of new business ideas adding to my existing business. This thesis will start with introducing the background of my existing wholesale and online retail luxury brand products business in Hong Kong and Taiwan, then will analyze my existing business using the Business Model Canvas and the Porter 5 Forces, to summarize the problems in my company. This thesis will then introduce the concept of the main new business idea which is opening a luxury brand products flagship retail street shop in Hong Kong. The new business idea also includes adding more varieties of the existing products and adding the 2nd hand luxury products business. This thesis will then suggest more recommendations to improve my existing business. Finally, this thesis will discuss my company structure, culture and leadership style.

I decided to work on this topic as my NTU GMBA graduation thesis is because I would like to expand my existing business from luxury brand wholesale business to luxury brand retail business. This will allow me to use the case study and business plan practically in real life.

## 2. Existing Business



### 2.1. Overview of My Existing Company

I run a company in Hong Kong which sells premium brands of watches, leather goods, pens, makeup, perfume and skin Care. Our brands include Rolex, Omega, Cartier, Hermes, Prada, Gucci, Mont Blanc, Dior, Chanel, YSL, Le Labo, Byredo, Tom Ford, Estee Lauder, La Mer, SKII etc. My company purchase products from authorized distributors of these premium brands in many different countries such as Canada, US, UK, France, Italy, Switzerland, Dubai, Singapore, Japan, and Korea. My company then sell the products to online and offline wholesalers and retailers in Hong Kong and China. The business model of the company is straightforward but the demand for premium products is high, so the company has sizeable revenues. The revenues have been growing steadily for the past years; however, the gross profit margin has been reduced because the competition in the industry has increased a lot. The objective of the company is to maintain the traditional trading business but at the same time also develop our own luxury products. The goal of the company is to increase its profitability and to expand its market share, both in a sustainable way. I also run a company in Taiwan which sells premium brands of perfumes on 3<sup>rd</sup> party platforms such as Shopee and Momo. The main supplier of my Taiwan company is my Hong Kong company.



*Figure 1 Hong Kong Office's Conference Room*



*Figure 2 Hong Kong's Warehouse*

## 2.2. Business Model Canvas

### 2.2.1. Key Partners



Our key partner is our suppliers from all over the world which include Singapore, Korea, Japan, France, Italy, US, UK, and Dubai. Our suppliers also come with a different hierarchy. The most ideal type of supplier who can supply the most stable, genuine, and perhaps the lowest price will be the brand conglomerate. One of the largest groups that sells perfumes and cosmetics is the Coty Group. Coty owns approximately 77 brands which include Burberry, Calvin Klein, and Gucci. One of the largest groups that sells watches is the Swatch group. Swatch Group owns many famous watch brands such as Blancpain, Breguet, Omega, and Tissot. The second most ideal type of supplier are the dealers who are authorized by the abovementioned brand conglomerate. These dealers include duty free shops and exclusive brand stores. The largest duty-free shops, for example, are DFG Group, King Power, and Lotte Duty Free. The lowest hierarchy type of supplier are the trading companies who buy from the brand conglomerate or authorized dealer. These trading companies usually sell at a higher price than the previous 2 hierarchy types of suppliers. The biggest motivation for the first 2 tiers of suppliers to work with us is to support them to sustain outstanding performance in terms of meeting their target revenues and profits. Another motivation is our company always pay first before delivery.

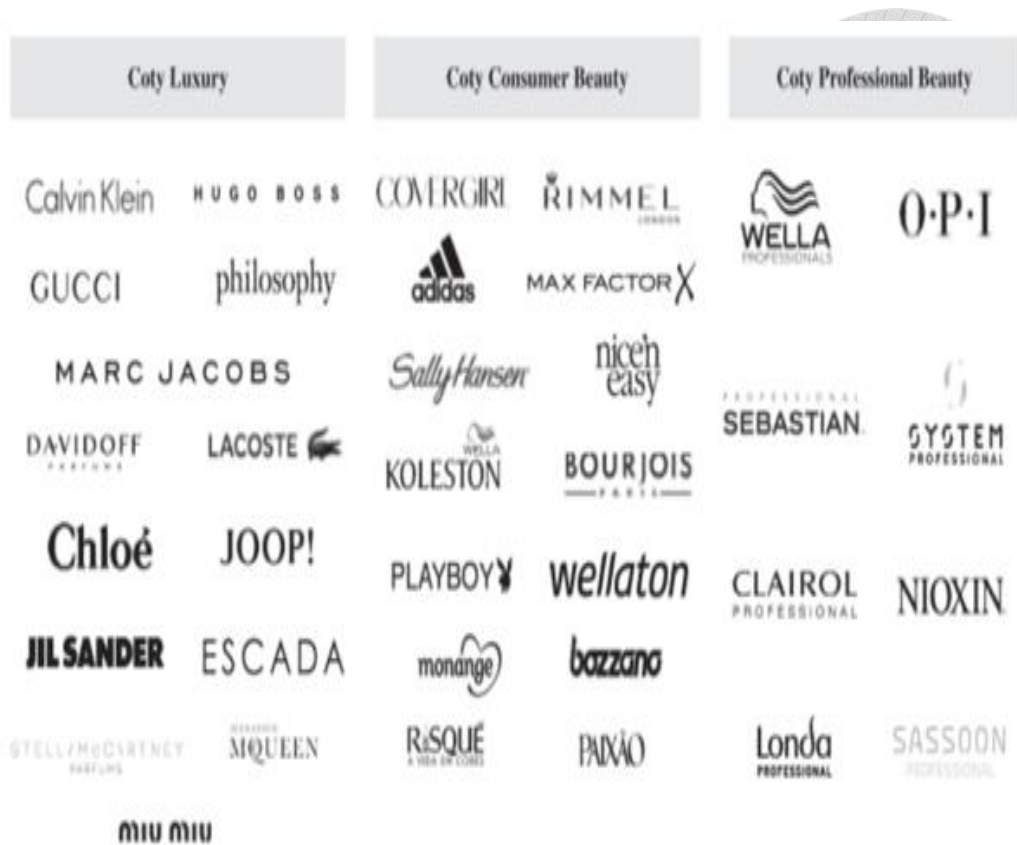
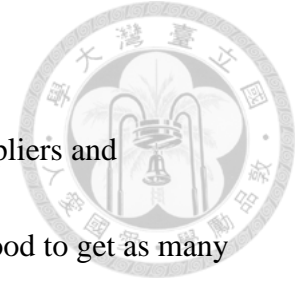


Figure 3 List of Coty's Brands



Figure 4 List of Swatch Group's Brands

### 2.2.2. Key Activities



One of the main key activities is to keep exploring new suppliers and customers. Since there are many participants in this industry it is good to get as many offers as possible from them to find the strongest partner. Some competitors leave and enter the industry frequently, so it is safe to have a large database of suppliers and customers in your database in case any of our close partners leave the business. We spend a lot of time doing due diligence for the new partners to ensure they can make payments on time and provide genuine products.

Bonding with existing suppliers and customers is also extremely important to our business since the success of our business highly depends on trust from both suppliers and customers. We arrange regular meetings and gatherings with our partners to make sure we maintain frequent, sincere and timely communication.

Another key activity is to understand and forecast the trend of the market. For instance, we need to analyze what brands and products are booming now. Our purchase team will then keep stock according to the trend prediction. We also need to predict the price of the products. We will buy more of the product now if we predict the price of that product will go up so we can sell slowly in the future. We will sell quickly or at a discount on the products in our inventory which we predict their price will go down.



### 2.2.3. Key Resources

Monetary capital resources are crucial to the success of our business. Since the barrier of entry of our industry is low, the competition is very high in the industry. To stand out among all the participants, higher monetary capital resources give a lot of advantages as you can purchase more products at a cheaper price and decide the market price as you own a large percentage of the stocks in the market. Higher monetary capital resources also let you to hire better managers and employees, invest more in marketing and advertisement, rent warehouse and shops in a better location, and make better decoration and renovation. Monetary capital requirements are usually met by shareholders' contributions and bank financing.

Human capital resources are important too since good communication with suppliers and customers is crucial. To have a better understanding of the market, we need to receive offers from hundreds of suppliers and send offers to hundreds of customers daily and therefore we have a huge database of suppliers and customers.

Labour is important to help to do the job.

Finally, we also need advanced technical systems to support the purchase, sales, inventory, HR, admin, accounting process.



#### **2.2.4. Value Propositions**

Our company provide a variety of brands and products for our customers and since we are selling luxury brands, our customers will look or feel good by using/wearing our products, producing an increase in power or status. We also increase usability and accessibility via our E-commerce website to let our customers purchase our product online, which creates time and effort savings. The biggest value that our company offers is to provide authentic luxury products with prices that are lower than department and specialty stores and to provide luxurious shopping experiences and after-sales service. The strengths and advantages of our company include the following.

- (i) All products sold are global, well-known brands and in high demand. Therefore, these products are very easy to sell, and the risk of slow-moving stocks is low. Also, the company does not need to invest in marketing and advertising as the brand will invest in itself.
- (ii) Since the company is buying in a very large quantity, the wholesale price that the company is buying from its suppliers is very attractive. The gap between the wholesale price the company is buying and the retail price the end-users are buying is large. This can make sure there are always profits to make in this

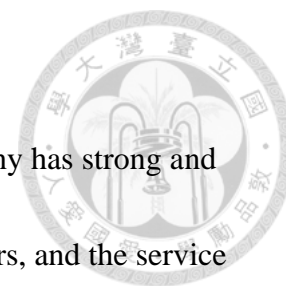


industry even when there are many competitors.

- (iii) Having been established for more than 20 years, the company has strong and stable relationships with hundreds of suppliers and customers, and the service provided by the company makes it challenging for them to switch to other competitors.

### **2.2.5. Customer Relations**

Our staff always try their best to treat the customers well and nicely. They communicate with the customers through phone, email, instant messaging software, and face-to-face meetings. Our company has some ways to improve the relationships with our customers. For instance, we always let out customers to hang up the phone first; we will pay for meals in advance before the bills arrive the table; we send greeting cards and small gifts in occasions such as Lunar New Year, Christmas, and Mid-autumn festival; we bring cakes to customers when we visit their offices. These little things may seem irrelevant to the business, but they actually give our customer to have better impression of our company in the long run if we continue to put in our effort into these little things.



### 2.2.6. Channels



Word of mouth is really important to succeed in our industry. Our company started with a few customers then to now hundreds of customers, many of the new customers are from referral from the existing customers. This is why we want to make sure we can always offer the best price, deliver the products on time, and provide exceptional after-sales service. To ensure there are more and more referrals, we often offer referral fees to introducers, but we do not have a fixed commission scheme on this. We also have a showroom in our office with a brilliant harbor view and remarkable renovation to attract new customers. This is especially important as we sell luxury goods. We also have our own e-shop, Instagram and Facebook to show to our customers. We started to invest in social media marketing and to hire KOL to promote our shop as we think this is the trend.



*Figure 5 Hong Kong Office's Showroom*

### 2.2.7. Customer Segments



Our company, the main market in Hong Kong and China, serves both Business to Business (“B2B”) and Business to Customer (“B2C”) customers. B2B customers include retail chain stores such as Sasa, Bonjour, Coloumix, and Poya; E-commerce shops on platforms such as JD, Tmall, Momo, and Shopee; trading companies who are in the same industry; corporate clients i.e., companies with over hundreds of employees. B2C customers include individual buyers who are offline or online shoppers. Group buyers of retail customers are also one of the customer segments.



*Figure 6 Some of Our Retail Chain Stores B2B Customers*

### **2.2.8. Revenue Streams**



The main revenue for the company is based on the sale of products. The company sells 6 main types of products to B2B and B2C customers: leather goods, pens, watches, makeup, perfume and skin care.

Another revenue stream for the company is currency gain. Since most of the time the company is using borrowings from the bank to buy stocks from all over the world, if the foreign currency's rate goes down in the future, the company may realize a currency gain since now the company needs less local currency to repay the bank's borrowing. However, if the foreign currency's rate goes up in the future, the company may realize a currency loss since now the company needs more local currency to repay the bank's borrowing.

### **2.2.9. Cost Structure**


The cost incurred by the company includes direct costs and indirect costs: Direct costs are related to the purchase of goods, consulting services, transportation, and staff that perform the functions of sourcing and selling. Most products are sourced overseas, and the transportation cost that relates to the imported products has a great impact on business profitability. Different seasons have different transportation pricing as demand varies greatly across the year (high demand during the e-commerce festival in China). Also, different transportation methods have different

costs i.e., freight versus ship. For expensive items, insurance may also be needed during the transportation process. Indirect costs are unrelated to the sale of goods or services. Under the current business model, this includes administrative staff i.e., human resources, legal and finance department, rent and other establishment related costs. As most products are sourced from overseas and sold to customers in Hong Kong and China, the FX is undoubtedly a huge cost to the company. The aim is to buy from a country with the lowest cost price and FX loss.

### **2.3. Porter 5 Forces**

#### **2.3.1. The Threat of New Entrants**

- Economies of scale: There is a decline in the average cost per product in the luxury goods market as the volumes have increased so there are some economies of scale in the industry.
- Customer loyalty: Customer loyalty is low as most of the customers do not mind buying goods from new entrants if the new entrants can provide cheaper and authentic products.
- Capital requirements: Capital requirements in this industry are moderate. However, in this digital age, a physical store is not necessarily needed, and companies can only buy stock when their customers order from them which makes them have a low inventory cost.

- 
- Cumulative experience: While the company's 20 years of cumulative relationships and expertise was a threat to new entrants in the past, this is no longer the case because the digital age results in increased competition from e-commerce and large brick-and-mortar businesses that operate in B2B market.
  - Government policies: Regulation on fake products is applied equally to both existing distributors and new entrants, hence new entrants are not disadvantaged by stricter governmental policies.
  - Access to distribution channels: access to distribution channels depends on the company's networks. Thus, the accumulative effects of relationships and networks could be more advantageous for the company.
  - Switching costs: switching costs for end-users/ customers are almost none. Customers care more about product authenticity and price competitiveness than the seller. This reduces customer loyalty.

In conclusion, the threat of new entrants is moderately high.

### **2.3.2. Rivalry Among Existing Competitors**

- The number of competitors: the number of existing competitors is high, leading to fierce competition in the current market.
- Diversity of competitors: the company is facing competition from diverse

competitors ranging from direct sales, wholesale, and online vendors to offline shops.



- Industry concentration: many participants range from small to large-size companies in the industry, thereby increasing competition.
- Industry growth: the industry has grown steadily in the past years but at a slower rate since company's products are not necessities, so it depends highly on the economic situation, and smartwatches have emerged as an alternative to luxury Swiss watches.
- Quality differences: as the company and its competitors procure the products from the same brands, there are almost no differences in the quality offered. However, the quality of customer experience could be deemed as a competitive advantage.
- Brand loyalty: brand loyalty or lack thereof affects the company and its competitors equally. However, the total size of the market has not shrunk, so it is concluded that brand loyalty has not deteriorated overall. Nevertheless, low switching costs for customers when selecting a seller affects the company negatively.
- Barriers to exit: the key barriers to exit include how to handle and dispose of outdated stock, and costs of store rents. These barriers are fewer for



competitors who operate online only, which disadvantages the company.

In conclusion, the rivalry among existing competitors is moderately high.



### **2.3.3. Bargaining Power of Suppliers**

- Number and size of suppliers: the bargaining power of suppliers is medium-to-strong because there are many suppliers in the market; as the supply chain gets close to the end-users, the negotiating power of the buyer is weaker.
- The uniqueness of each supplier's product: each of the company's suppliers, such as OMEGA, and Dior have unique brand images and products. When the products are exclusively supplied to the company, competition is lower because of a monopoly advantage.
- Supplier's threat of forward integration: as suppliers now use their own websites to sell online, this threat appears to be current and indicates a potential future trend.
- Industry threat of integration: the industry selling model traditionally used to be Business-to-Business (B2B). Currently, two newer models, Business-to-Customer (B2C) and Customer-to-Customer (C2C) have also emerged.

In conclusion, the bargaining power of suppliers is moderately high.

#### **2.3.4. Bargaining Power of Buyers**



- Size of each customer order: customers now tend to own just one digital watch.

With a reduced customer order size, competition is higher.

- Differences between competitors: competitors in the market for selling luxury

Swiss are not differentiated because the watches are the same. On the other

hand, there are significant differences between digital watches and Swiss

watches.

- Price sensitivity: buyers are highly price-sensitive, and they are empowered

with information that enables them to easily search for the best prices.

- Buyer's ability and information availability: buyers can substitute the products

for other types and have easy access to the internet.

- Switching costs: switching costs for buyers are low – they can easily compare

and shop at different shops.

- The number of customers: the number of customers is reducing, as more and

more customers tend to buy digital watches over traditional Swiss watches.

In conclusion, the bargaining power of buyers is moderately high.

#### **2.3.5. Threat of Substitutes**

- The number of substitute products available: the number of substitutes for

perfumes is high as there are more and more cosmetics products developed

with a similar function, such as lotion, body butter, and perfume sprays.

Substitutes for luxury watches are also high – for example, Apple has a

Hermes collection.

- Buyer propensity to substitute: buyers have a higher propensity to substitute the company's luxury products which are worn for prestige and cosmetic reasons.
- The relative price performance of substitutes: less luxurious products may provide the same or a higher number of functions at a lower price – for example, digital watches provide more functions than Swiss watches at a lower price.
- Perceived level of product differentiation: the perceived level of product differentiation is low.
- Switching costs: Customers can easily access the internet to compare and shop for different brands, with low switching costs.

In conclusion, the threat of substitutes is moderately high.

#### **2.4. Main Problems of the Existing Business**

From the analyze is the porter 5 forces, we realize our industry faces a lot of difficulties. Below is a summary of the main problems our company is facing.

(1) The business model is easy to replicate, and entry barriers to the industry are low.



More new entrants increase competition and lead to price wars. The company's gross profit margin has suffered as a result.



- (2) Information is now more transparent. This empowers customers to have access to prices for comparative purposes. As such, the company cannot set high prices compared to other competitors. As a result, the gross profit margin decreases.
- (3) Brands now sell directly on e-commerce platforms and prohibit other merchants from selling the same products on their platforms.
- (4) Staff may acquire information about the company's suppliers and clients and start their own business.
- (5) The young generation mainly prefers smartwatches to traditional Swiss-made watches, and in the Asian market, prefer Korean and Japanese cosmetic brands to traditional European brands.
- (6) The company holds old stock of perfumes and cosmetics and recognizes a loss when they expire. The stock of old watches may be outdated and hard to sell on the market.



### **3. Customer Portfolio**

#### **3.1. Current Customers Portfolio**

Wholesale customers (B2B) such as retail shops, resellers, trading companies, distributors and online shops have always been our primary customers. The advantages of dealing with wholesale customers include but not limited to higher sales amount per transaction, less marketing expenses and less administration expenses whereas the disadvantages of picking wholesale customers as our primary customers include but not limited to low gross profit margin, business is less sustainable and easy to replicate.

#### **3.2. Reason to Propose a Change in Our Current Customer Portfolio**

##### **3.2.1. Low Margin and Less Sustainability of B2B Customers**

The information was less transparent back then, so the reputation of your company was the key factor to survive in the industry. Participants in the markets tend to do business with a company which has a long history and high reputation as they want to make sure they do not buy products which are fake or are in a bad condition. Furthermore, the demand was less price sensitive as the pricing information was hard to access. However, the information nowadays is exploding on the internet. Price becomes the most important factor when negotiating with our suppliers and customers i.e., suppliers will sell to the buyer who can pay the highest price and customers will

buy from the seller who can offer the lowest price. Therefore, the gross profit margin of the wholesale business of our industry became extremely thin.



### **3.2.2. Some Existing B2B Customers are Not Cost-effective**

The most important resource to close a deal with our wholesale customers is time. Our sales staff spend enormous time negotiating terms such as price, shipment term, payment term, origin, and packaging with our wholesale customers. However, most of the time, the time spent is not proportional to the profits generated.

### **3.3. Benefits of a Combination of B2B and B2C Customers**

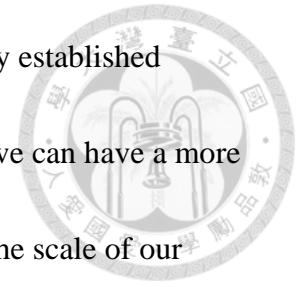
#### **3.3.1. Diversified Risk**

By having both types of customers, we can always adjust the allocation of resources to B2B and B2C customers. When something goes wrong with the B2B customer, we can devote more resources to B2C customer and vice versa. Also, as the best we can do is to predict the profitability of the new project, we can never know how it goes until the website is launched and operated. Therefore, if the project does not work well as expected, we can always go back to our original tradition B2B business.

#### **3.3.2. Synergies**

Synergies exist when we pick both types of customers. Since our company already has existing expertise, inventories, and sales network of this industry, it is

much easier for us to start to B2C business compared to other newly established company. Also, inventories can be sold on 2 different channels so we can have a more aggressive way in terms of purchasing goods and is good to make the scale of our business larger.



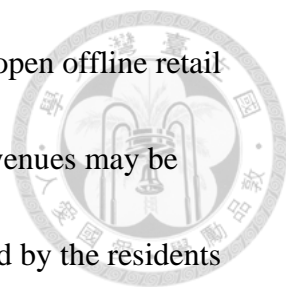
### **3.3.3. Matching Resources in Different Stages**

It takes time for the B2C business to grow. At the start of the B2C business, its cash outflow will be higher than its cash inflow. Therefore, we need to maintain our B2B business to make sure there is sufficient company's cashflow to support the investment. The B2C business will grow as we build the reputation and accumulate loyal customers. We can then devote more resources to the B2C business and hope it grows even larger.

## **4. Expand the B2C Business by Opening a Flagship Shop**

### **4.1. Background**

Since 2020, our company has started a self-run online shop which allow us to sell our products directly to the end user through internet. Our company has also started to open online shops in some well-known 3<sup>rd</sup> party platforms such as Shopee, Momo, and HKTV mall. However, except the showroom located on 33<sup>rd</sup> floor in our office building in Hong Kong, we do not have any offline retail shop to sell our



products. The most traditional method to do the B2C business is to open offline retail stores. However, the rent in Hong Kong is extremely high so the revenues may be difficult to cover the expenses. Also, traffic is usually only generated by the residents in the area where the company opens stores. In such a case, exposure to end-users is much smaller compared to the internet world. Nevertheless, we believe that the company should have at least one flagship street shop to increase confidence in customers purchasing the products through online channels. This is especially important as the price of the company's products is quite high so customers might want to see or try the products in person before they make a purchase online. The company already has a shop which is located in the same place as our office, but only regular customers come over since it is located on the 33rd floor. The new retail shop should be a street shop rather than an upstairs shop to attract new potential customers. By launching a street shop, the company's reputation and credibility to both end-users and B2B customers will increase. We think this is a good time to launch a flagship store because the rent in Hong Kong has been decreasing due to Covid-19 and political activities in the past few years. As for the location, we are considering opening a shop in a well-known shopping district with lots of local and tourist shoppers. Causeway Bay is an ideal location for our flagship shop as it is one of the busiest shopping districts in Hong Kong. Another reason to choose Causeway Bay is



that it is within 10 minutes walking distance from our office so we can save cost in terms of logistic and administration perspective.

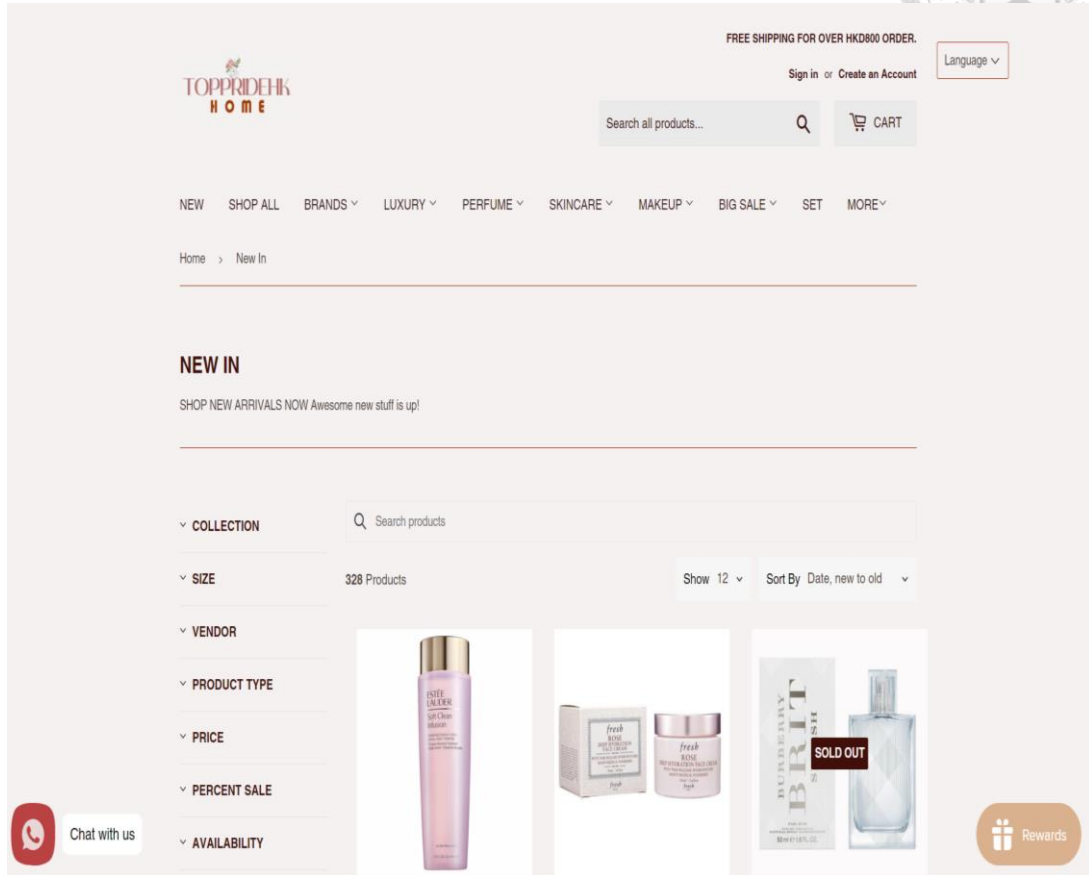


Figure 7 Hong Kong self-owned E-shop - <https://toppride.com.hk/>

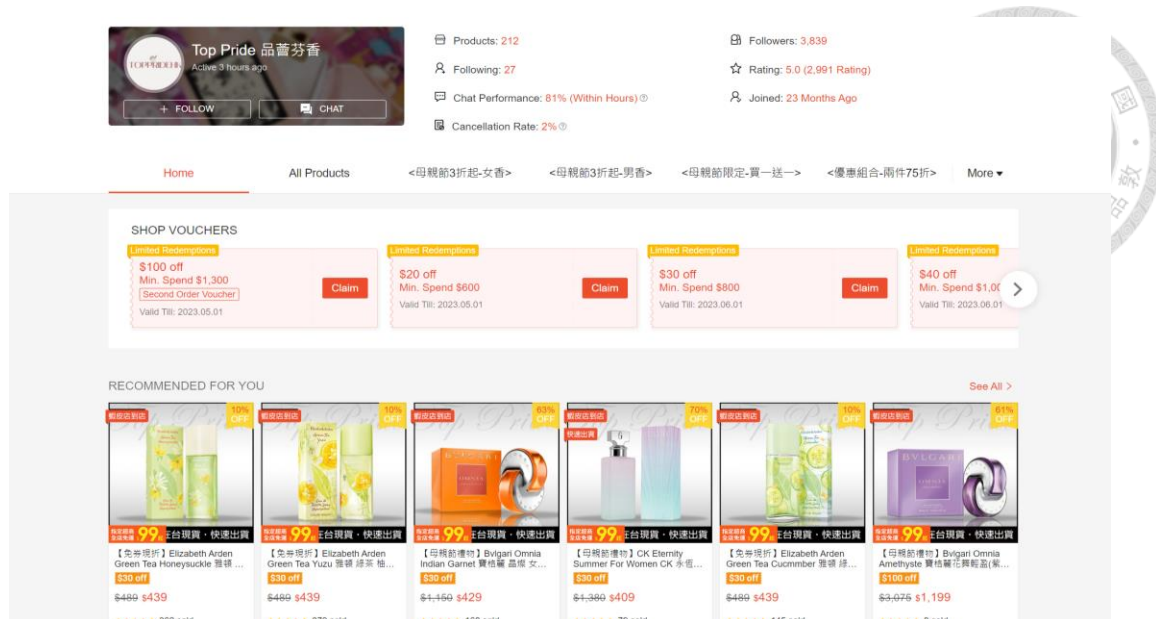


Figure 8 Taiwan's 3rd party platform E-shop: <https://shopee.tw/peilin2365>

## 4.2. Financial Breakdown

I expect the size of the shop to be around 1000 square feet, with an expected investment of 2 million HKD, broken down as follows:

Type of Cost	Cost	Amount
Sunk Cost	Design and decoration	500k HKD
Variable Cost	Products	8 million HKD
Fixed Cost	Rent	170k HKD
	Staff salaries	100k HKD
	Marketing	30k HKD
	Utility	30k HKD

	Miscellaneous	20k HKD
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*Table 1 Break Down of Cost of Flagship Shop*

The total fixed cost is 350,000 HKD. The expected average gross profit margin is 30%, so the breakeven revenue is estimated to be approximately 1.17 million HKD ( $350,000 / 30\%$ ). The company's target is 1.5million HKD in sales per month which represents gross profit of 450,000 ( $1.5\text{million} \times 30\%$ ) and profit before tax of 100,000 ( $450,000 - 350,000$ ). By this assumption, it will take around 5 months to cover the initial design decoration cost.

### **4.3. Additional Features on the Flagship Shop**

#### **4.3.1. Membership System**

A key success to B2C business is to increase and maintain loyalty of the B2C customers to make them revisit the company's shop regularly. My company does not have a membership system to record the details of the customers, send promotions to the customers, and let the customers accumulate points to enjoy more discount on the products. A membership system is extremely important to increase customer engagement and stickiness. I also suggest my company encourage our B2C customers to share the company's sales channels and products with their friends and families to earn more membership points and get more discounts. Eventually, these B2C customers may even behave more like B2B customers.

### **4.3.2. Expand the Product Lines**

We consider expanding the product lines to furniture, porcelain, clothing, fine jewelry, and shoes but at the same time the company will stick to the original strategy of – “only premium brands”

For instance, the most luxurious brands for furniture include Boca do Lobo, Essential Home and DelightFULL; the most luxurious brands for porcelain include Bernardaud, Rosenthal, and Herend; the most luxurious brands for clothing include Louis Vuitton, Versace, and Giorgio Armani; the most luxurious brands for fine jewelry include Harry Winston, Van Cleef & Arpels, and Tiffany & Co; the most luxurious brands for shoes include Christian Louboutin, Jimmy Choo, Alexander McQueen.

### **4.3.3. 2<sup>nd</sup> Hand Trading Services**

Similar to real estate, cars, machines, and IT products, we believe the 2<sup>nd</sup> market for our products is huge and may even be larger than the 1<sup>st</sup> hand market in the future. In fact, the luxury secondhand market is growing four times faster than the primary luxury market, at 12 percent per year versus 3 percent. Luxury resale already represents a \$24 billion market today (Beauloye, 2023). This is especially true for our products like watches. My dad bought me a Rolex Daytona black face steel watch 10 years ago as my college graduation present. It was worth around 100k HKD at that

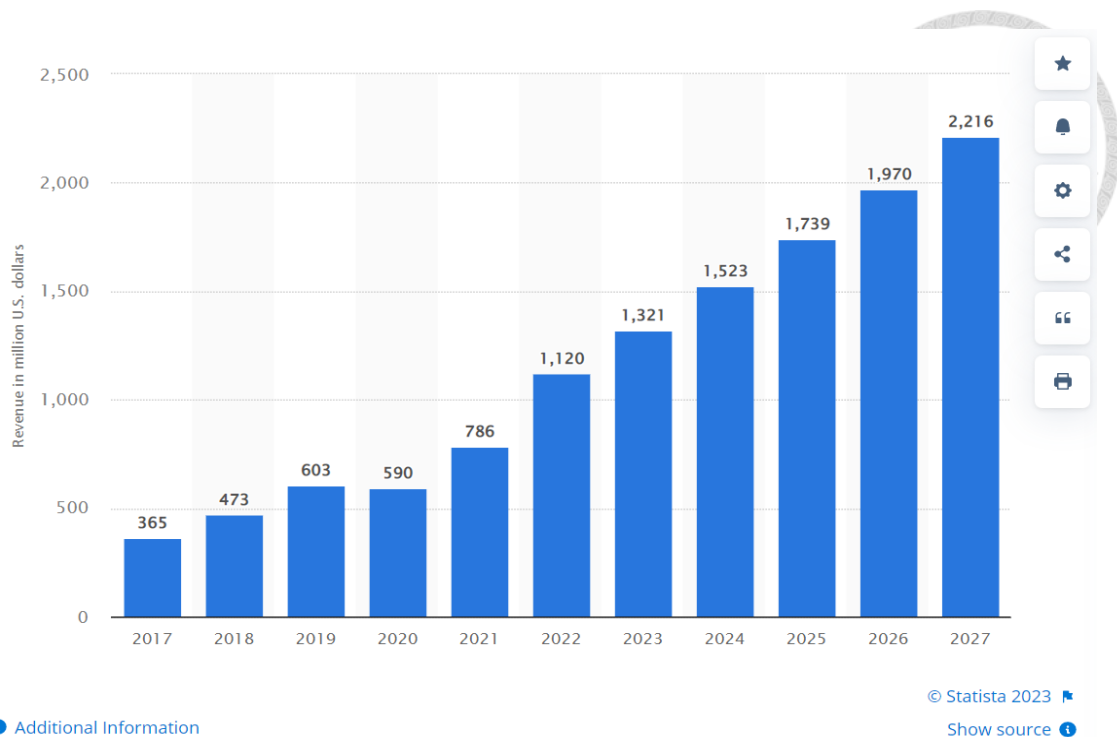


time. Today, I can sell my watch in the 2<sup>nd</sup> market at a price of around 200k HKD.

Look how crazy is the 2<sup>nd</sup> hand watch market.



*Figure 9 My Rolex Daytona Black Face Steel Watch*



*Figure 10 2nd Hand Luxury Watches Global Estimated Revenue (Sabanoglu, 2022)*

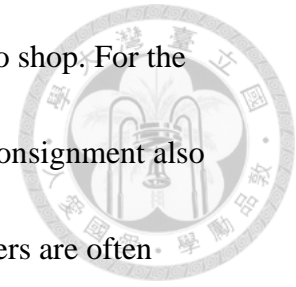
We can see that 2nd hand luxury watches are expected to grow strongly in the next few years. The 2<sup>nd</sup> hand luxury market allows luxury products to be affordable to a lot more people. Luxury is no longer only for the rich people, but it can also become the lifestyle of ordinary people. Also, in this generation, people care more about the environmental and sustainable factors in a society which also explains the rise of the 2<sup>nd</sup> hand luxury market.

#### **4.3.4. Consignment**

Consignment is often a win-win situation for both the business owners and the consignor. This business model often makes buyers and sellers do transactions faster.

For us, as a consignment retail shop owner, we will pay much less on inventory cost

but can still keep a large inventory in our shops for our customers to shop. For the consignor, they save cost to set up retail shops to sell their items. Consignment also seems better to work in the 2<sup>nd</sup> hand market as 2<sup>nd</sup> hand market sellers are often amateurs and do not have channels to get rid of their 2<sup>nd</sup> hand product. To make our shop even faster to attract more consignment products, we can offer to pay a certain deposit to the consignor before the products are actually sold.

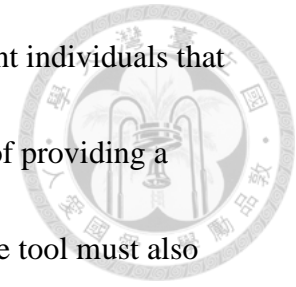


## **5. Other Recommendation to Improve Existing Business**

### **5.1. Loyalty Strategies Plan**

The company operates in the luxury goods market where customer experience is paramount. Our company has many competitors in the B2B market, and the existing margins are very low. Hence, our company should offer a unique and distinct customer experience. Adopting a differentiation strategy would help improve customer retention and purchasing decisions. Our company should review our transactional relationship with B2B customers and introduce a loyalty program that will help improve our understanding of B2B relationships and then provide our customers with unique and distinct services according to customer needs. We note that B2B customers can be characterized differently. Their needs may not be harmonious either. Hence, the company must carefully decide which B2B customers

it should target. Should it be the entire B2B company or the different individuals that make purchasing decisions. Moreover, the differentiation strategy of providing a unique customer experience using customer loyalty as a competitive tool must also align with the business goals of the customer. The customer loyalty strategy will improve customer retention, lifetime value, and brand awareness.



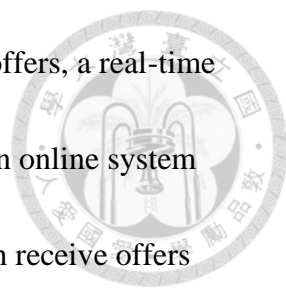
To develop a purposeful B2B customer loyalty program, we should describe the process of using customer data and continuously enhancing customer relationships. The B2B customer market is relatively smaller than the B2C market, which allows the company to carefully analyze the buying habits of the customer and create a bespoke loyalty program strategy. The plan should identify surplus generating customers, define and understand the strategic goal of B2B growth by differentiation strategy and then tailor loyalty programs respectively, analyze and assess each customer's business model and develop a set of bespoke, value-driven loyalty programs, monitor all customer interactions with the company at all touch points, classify the customer in different segments, develop a mechanism around scoring and ranking the most valued B2B customer, collect customer feedback and encourage a dialogue.



## 5.2. Introduce a Real-Time Online System



My company has utilized the MULTIBLE software system for more than 10 years. The system is used for inputting purchases and sales. One staff member records purchases, while each sales representative inputs sales from their portfolio. Three staff in the accounting department generate summary reports from the system – these reports feed into weekly meetings to discuss purchases and sales. However, the system is not linked to an analytics tool and is not used to generate dashboards for executive consumption. Moreover, suppliers send offers on products to the company through email. The offers are received in multiple email addresses since communications are handled by marketing personnel within their own portfolios. Each offer contains product details and corresponding costs. While I advised staff to maintain a master offer list, this has not been achieved due to the high volumes of offers received and the challenge of maintaining a master offer list manually. As a result, this practice was not sustained, and the lists are no longer maintained. Similarly, my staff also sends offers to clients through email. This too is a disaggregated process, from the perspective of data management. The current method of using email communications with suppliers and buyers limits the extent to which the firm can harvest data and glean business intelligence from it efficiently.



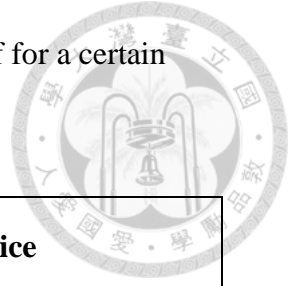
I recommend we introduce a software system for receiving offers, a real-time online system to which external partners would have access. Such an online system can also be utilized to facilitate price negotiations. The company can receive offers online – the online system can then analyze offers by product type and extract the best offers. This can allow the company to select the best offers by product. Thus, it would be possible to mix and match, if possible, i.e., get one product from supplier A and another from supplier B, for example.

In place of siloed email communication channels with suppliers and buyers, we should implement a real-time online system for receiving and sending offers for products purchased and sold respectively. We should use the system in an integrated way – it should be linked to real-time dynamic dashboards and analytics that display the best prices. Overall, the system should be leveraged as a decision-making tool for purchasing and selling decisions.

### **5.3. Inventory Management**

Products like leather goods may become old fashioned if brands release new collections. The price of the previous season's products may drop a lot since people tend to buy products released in the newest season. Products like cosmetics are even

worse in this scenario as cosmetic are not for use if they are on shelf for a certain period of time.




<b>Inventory</b>	<b>Period</b>	<b>Selling price</b>
Active	Between 1 to 18 months	Original
Aged	Between 19 to 36 months	Initial discount
Expired	Over 36 months	Big discount

*Table 2 The Product Life Cycle of Cosmetics Inventory*

As we can see, if we do not sell the cosmetics product fast enough, the stock will become old stock and may cause a huge loss to the company. Therefore, we should utilize inventory management software (IMS) that gives alerts on inventory movements and levels. The software may incorporate forecasting capabilities that use machine learning to analyze past data on movements and levels. Furthermore, the IMS could benefit from the decision-making around seasonal variations in the cost of sales. We should track and identify slow-moving inventory to proactively prevent obsolescence. We may consider bundling fast-moving products with slow-moving products. Shoppers who are interested in buying top-selling items could view bundles as a bargain.

#### **5.4. Increase Expenditure on Marketing and Advertising in B2C**

##### **Business**

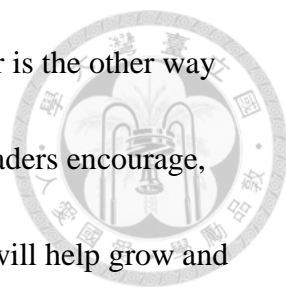


B2B business does not require substantial resources in marketing and advertising because it depends on close relationships that the company has built up with B2B customers over the years. On the other hand, the B2C business requires relatively large investments in marketing and advertising which are crucial to the business's success. I realize that my company's marketing and advertising expenditure has been insufficient. In response, my company intends to promote its online shop more and increase advertising expenditure on third-party online sales platforms. It is recommended that we focus on digital marketing such as social media marketing and email marketing rather than traditional marketing such as television and phone.

## **6. Leadership in Organizations**

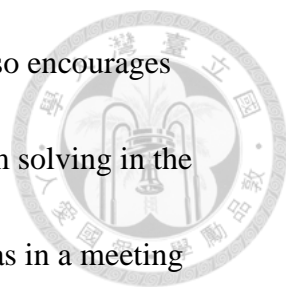
### **6.1. Leadership Approaches Adopted by Managers within My Company**

The company was founded by my father more than 20 years ago and I joined the company 6 years ago. In 2018, my father transferred all the shares of the company to me. Since then, my father has resigned all his positions in the company, and I have become the CEO of the company until now. Me and my father lead the company quite differently due to different personalities and experiences. Speaking of the leadership approach, I think I adopt more on a contingent reward transactional leadership



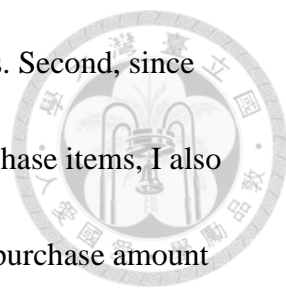
approach than a transformational leadership approach, but my father is the other way round. Transformational leadership is a leadership style in which leaders encourage, inspire and motivate employees to innovate and create change that will help grow and shape the future success of the company. There are four factors to transformational leadership, (also known as the "four I's"): idealized influence, inspirational motivation, intellectual stimulation, and individual consideration (Bass B. M., 1985). On the other hand, contingent reward transactional leadership is a leadership style where the executive relies on rewards and punishments to achieve optimal job performance from his or her subordinates (Pratt, 2017). Transactional leaders view the relationship between managers and subordinates as an exchange – you give me something for something in return (Cherry, 2020).

My father is a role model for me and other colleagues. He is trusted and respected by us because of his experience, intelligence, diligence, and confidence. For instance, he shows charisma to me that makes me want to be more like him. My passion has always been ignited by watching my father in his work as a successful entrepreneur. My father also frequently motivates us to commit to the vision of the organization and encourages team spirit to reach the goals of the organization. For instance, he hosts internal meetings regularly to talk about the vision of the company in an enthusiasm manner. During these meetings, the morale and spirit of the



employees are boosted by the spiritual talks from him. My father also encourages innovation and creativity. He promotes critical thinking and problem solving in the organization. For instance, he advocates everyone to share their ideas in a meeting regardless of their experiences and positions in the company. He enjoys challenging us with difficult questions and enjoys being challenged by us at the same time. My father also acts as a coach and advisor to the colleagues. He helps them to develop their strengths and listens to their needs and concerns. For instance, he invites employees and their families to have dinner together occasionally. During the dinner, he will discuss things beyond work such as personal interests, relationship status, religions, politics, and health issues, with them. He will then provide appropriate assistance to them if needed. Based on the above characteristics, I consider my father adopts more on a transformational leadership style.

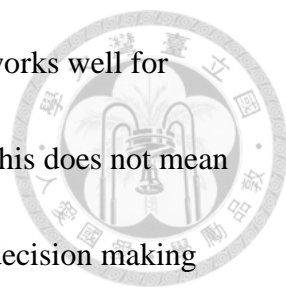
After I started managing the company, I implement several policies that was never used before. First, I implement a commission policy to reward salesperson 1% of the revenue generated by him/her. This will increase the incentive and motivation for him/her to make interactions with our clients, hence more likely to create higher sales. However, a disadvantage of this policy is that salesperson may also have higher incentives to give larger discounts to our clients to earn more commissions. Even though our revenue may be higher, our gross profit can be lower. To avoid this, I set a



maximum limit on the discount that can be granted to our customers. Second, since our business also highly depends on the quality and quantity of purchase items, I also implement a commission policy to reward buyer staffs 0.5% of the purchase amount purchased by him/her. This will also increase the motivation for buyer staff to make interactions with our suppliers, hence they will be more likely to purchase better and more products. However, a disadvantage of this policy is that buyer staff may also have higher incentives to purchase items casually to earn more commissions. The consequence may be higher unsold inventories in our warehouse. To avoid this, I also implement a penalty policy to claw back the commissions and salaries of the buyer staff if goods are not sold within a certain period of time. Third, I have implemented a policy to distribute 20% of the entire net profit to the employees. The decision of how much to each employee is based on a performance evaluation mechanism. The above policies illustrate that I adopt more on a contingent reward transactional leadership style.

## **6.2. Organization's Structure and Culture**

My company has 50 employees with a horizontal/flat organizational structure. A horizontal organizational structure means that an organization has few levels of management between the workforce and the highest-level managers (Gordon, 2021). We do not have many levels of middle management. This enables employees to make



decisions quickly and independently. A flat organization structure works well for small companies like mine because work is relatively transparent. This does not mean that employees don't have superiors and people to report. Just that decision making power is shared and employees are held accountable for their decisions (Nishadha, 2021). Before I joined my family business, I worked in a financial institution, Hong Kong listed company, with over 200 employees. That financial institution adopts a pyramid-shaped hierarchical organizational structure. I tried to adopt the same in my company because I think that hierarchical structure better defines levels of responsibility and motivates employees with chances for promotion. However, I switched it back to a horizontal structure not long later because most employees claim a hierarchical structure is less efficient than a flat structure. They often spent too much time making reports to the line managers and they could actually use that time to generate more revenue for the company. In conclusion, I realized each organization has its own suitable organization structure and it depends on the number of employees, the average age of the employees, the culture of the company, and the industry of the company.



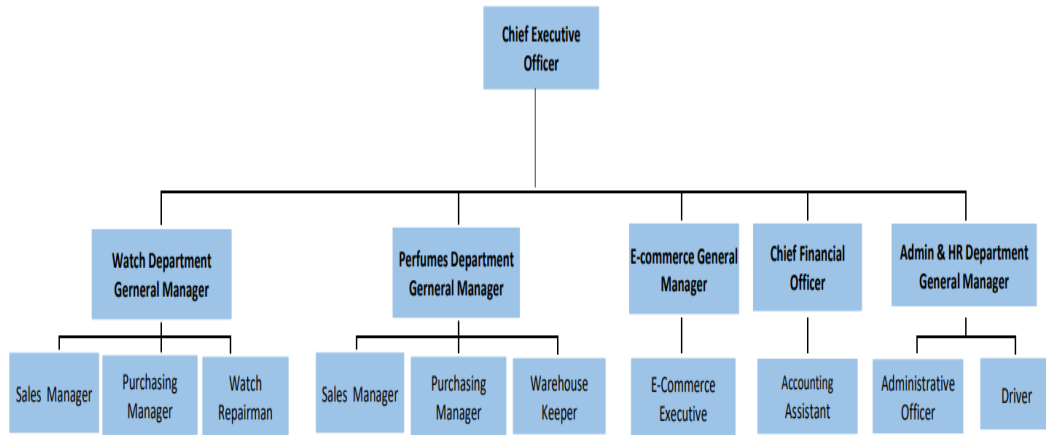


Figure 11 A Horizontal/Flat Organizational Structure of My Company

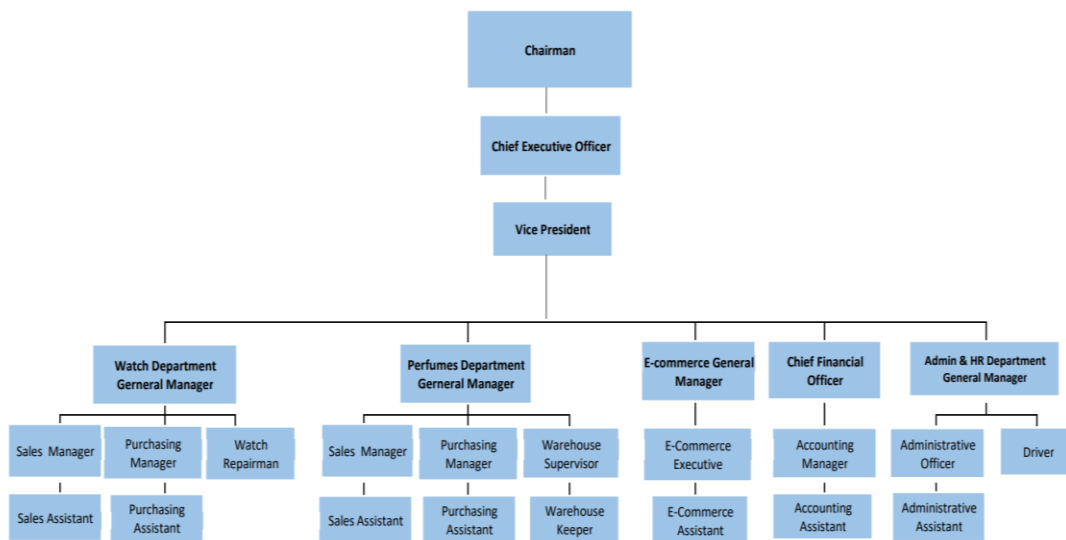
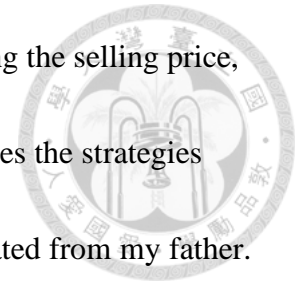


Figure 12 A Pyramid Hierarchical Organizational Structure of My Company

Organizational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization (Cancialosi, 2017). The primary goal of our company has always been making profits and hence the primary goal of each employee is also to hold his/her position to generate profits for the company. There are many strategies to increase profits such as increase the revenue by expanding the market share or

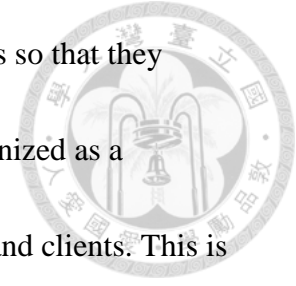
lowering the selling price, increase the gross profit margin by raising the selling price, decrease the operating expenses, and increase the manpower. Besides the strategies above, our company also has a set of beliefs and values that originated from my father.



These set of beliefs and values have been practiced until now and they are derived by the leadership style of my father. Below are some examples.

1. Since my father cares about each employee's needs and desires, most of our colleagues are also impacted by this spirit and hence they care about each other too. One culture of our company is that we treat each other not only as colleagues, but also as friends and families. This creates a sense of belonging and makes employees feel more at home when they are at work. This may lead to higher efficiency and motivation for the staff.
2. Since my father requests employees to host more internal meetings and to express more ideas during these meetings, one culture of our company is that everyone is encouraged to exchange views freely in meetings. New employees are often afraid to speak their thoughts as they often try to avoid conflicts with colleagues who have longer years of service, but they usually get used to this environment shortly. This kind of environment brings innovation and creativity to our company.
3. My father has always been known as a trustworthy and honest businessman in the

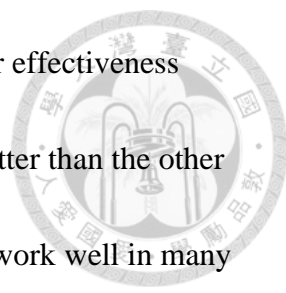
commercial world. This has impacted on most of our employees so that they become people with high ethics too. Our company is also recognized as a company with a good reputation by our competitors, suppliers and clients. This is essentially important as we are selling luxury goods. One culture of our company is we treat all stakeholders of the companies sincerely.



The organization's culture develops in large part from its leadership while the culture of an organization can also affects the development of its leadership (Bass & Avolio, 1993). As mentioned, I consider myself more as a contingent reward transactional leader. However, my leadership style is also impacted by the cultures that my father brought to the company during the time of his management. For instance, I slowly develop some transformational leader characteristics as I start to recognize the needs of each employee, start to solicit ideas from colleagues and start to speak more about the vision of our company. The above are all actions that I have taken because of being impacted by the culture of the company.

### **6.3. Reflection on My Own Leadership**

Research has shown that both transformational leadership and contingent reward transactional leadership have positive relationships with leadership criteria such as follower job satisfaction, follower leader satisfaction, follower motivation,

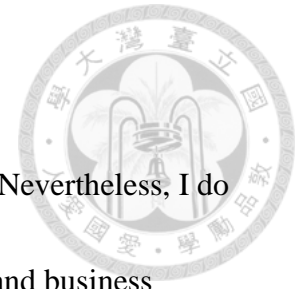


leader job performance, organization performances, and rated leader effectiveness (Judge & Piccolo, 2004). It is not easy to say which leadership is better than the other but adopting both leadership approaches at the same time seems to work well in many organizations. As mentioned, I am more of a transactional leader so after learning this module, I hope I can train myself more into a transformational leader. First, I will think of and implement the “four Is” in transformational leadership more frequently in my work. Second, I will attend leadership training classes and apply leadership concepts in daily life. The goal is to equip myself with more leader attributes. Number of studies published support the importance of leader attributes for a variety of leadership outcomes (Zaccaro, Kemp, & Bader, 2003). The key leader attributes include the followings:

1. Cognitive ability: general intelligence, creative thinking capacities
2. Personality: extroversion, conscientiousness, emotional stability, openness  
agreeableness, MBTI preferences for extroversion, intuition, thinking, and judging
3. Motives and needs: need for power, need for achievement, motivation to lead
4. Social capacities: self-monitoring, social intelligence, emotional intelligence
5. Problem-solving skills: problem construction, solution generation, metacognition

## 6. Tacit knowledge

It is true that some people are born with innate leadership abilities. Nevertheless, I do believe that many leaders are made through various psychological and business practices.



## 7. Conclusion

In this business plan, I have summarized some problems of my existing business and have suggested some recommendations to improve my existing business. I have also included some new business plans to add to my existing business and in the very near future, I will start to execute the plan. The first step is to look for an ideal location for my flagship shop. It should have a lot of traffic and with an attractive price exception. Once we have chosen the location of the shops, we will negotiate for a better term with the owners and sign rental contracts with them. Then I need to hire interior designers and construction workers to help us to do the decorations of the shops. During the renovation period, I should start contacting the media to promote the shop. I should also start inviting celebrities and VIP guests to join the opening day of the shop. I need to make sure that the opening scene is extremely busy and lively to catch people's attention, which I think is very crucial to the success of our shop. Having enough inventories to display and sell at our shop is

important too, so we have to purchase a wider variety of goods and to solicit more  
consignment goods before the shop is launched. After the shop is launched, we need  
to keep consulting advice from our members and customers to improve their shopping  
experiences and to add more features to our shop.



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