ARTICLE

Wuyutai Business Plan

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ABSTRACT

Wuyutai founded in 1887, it has been over 130 year’s history. As a Chinese tea brand, Wuyutai brand enters into Australia market is difficult. It has to keep Chinese traditional culture to make sure Australia consumer can accept this new brand and Chinese tea product. And Australia market have already fulfilled tea product from premium class product to lower price class product like T2 brand and Lipton brand. Those exist brands have stray in Australia market for long years. Especially Lipton brand, it also can buy it in China market. Wuyutai have to face powerful Competitor in Australia market. This article uses porter five forces to analysis Australia tea market, SWOT to analysis Wuyutai itself and use marketing 4P theory to make marketing strategies. It not only uses theory to analysis, the article uses Wuyutai existing financial data to ensure that the marketing plan can be implemented.

1. Situation Analysis

This section will identify both external and internal factors that can affect the marketing strategies of the company.

Remote environment consists of several factors such as economic, political, social, ecological and technological factors or forces that impact on decision-making abilities of the company.

1.1 External Environment (Remote)

1.1.1 Economic Factor

Sources: Reserve Bank of Australia 2015

Figure 1

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As the Figure 1 above, it can be seen that, the growth of Australia GDP has fluctuated in a small range of 1% to 4%. The Australia GDP growth rate experienced a quick recovery from the Global Financial Crisis in 2008 (the 2.0 percentage growth in GDP from 2009 to 2010 and then dropped slightly to 2.5% in 2013). To sum up, Australia GDP growth has remained on a stable trend and is expected to increase up to 3.0% in 2015.

1.1.2 Consumer Price Inflation

**Figure 2**

As the diagram shown above, the consumer price inflation in Australia increased sharply from 2009 to 2011. Nonetheless, the inflation has been cut by the Australia government after 2011, which aims to stable the price level of products and services. This action will cause buyers of Wuyutai have relative more credit to finance their purchases.

1.2 Industry Analysis—Porter Five Forces Analysis

Tea is a popular drink in Australia’s non-alcoholic beverages market. The demand of tea’s customers has been increased sharply in local market in last 5 years because of an increasing interest in health by public, as well as the Australian tea market achieves 4% off-trade value growth and make the category to $377 million Australian dollars in an industry (Tea in Australia, 2013). Hence, it is crucial for Wuyutai Tea Corporation to understand industry forces and to develop marketing strategies by analysing porter five forces model.

Sources: Alam, Azim & Islam, 2010

**Figure 3**

1.2.1 Threat of New Entrants

According to Australian Bureau of Statistics (2014), it can be seen that taking business in tea industry tends to have high threat. If the level of threat by other new entrants is high, the industry attractiveness will diminish and also can take advantages to keep some competitors out of the industry.

particularly, Wuyutai Tea Corporation requires significant set-up cost for various activities such as cost for vast number of tea product categories imported from China, advertising campaigns and building brand image and awareness. Hence, long-term investment is required when entrants want to enter into Australian tea industry, so this will discourage new entrants to participate in the market. Brand loyalty, besides, is another key factor can affect the threat from new entrants. Brand loyalty is challenging for new entrant to entry the market due to other established-brand like T2 tea, Lipton and Bushells (Alam,Azim & Islam, 2010). Additionally, new entrants must also be aware that customer demands tend to change and therefore be altered to meet the needs and wants of customers.

1.2.2 Threat of Substitutes

The main threat of substitutes for this industry is large numbers of established coffee shops and several milk tea or non-alcoholic beverage shops such as Starbucks Coffee and Chatime stores. Furthermore, if low switching cost for customers to switch easily to a substitute product that will poses greater threat. Thus, when customer can switch to
coffee or milk tea products with higher cost, the threat of substitute product for Wuyutai can be limited. Additionally, frequency of consumption is another factor that affects the threat of substitutes. It can be noted that frequency of tea drinking is high that will against other substitutes in daily life. The nature of tea is benefit for customers’ health, such as lowering blood sugar and reducing the risk of heart disease. So customers’ health claims will limit the threat of substitutes (Alam, Azim & Islam, 2010).

Nonetheless, tastes and habit of customers are not easy to change. According to Australian Bureau of Statistics (2014), Australians as one of the great lovers of coffee over the world, it was consumed by about half the population around 46% in Australia. Hence, the threat of substitute product is a little bit high.

1.2.3 Bargaining Power of Buyers

The bargaining power of buyer is high as they can substitute tea products of Wuyutai with other brands such as T2 tea and Lipton if they offer similar products with lower prices. In addition, the factor of purchase volume can influence the bargaining power of buyers. Normally, the buyers of Wuyutai purchase a small quantity of tea products at each time and consequently the buyers have lower bargaining power by lower level of bargaining leverage (Alam, Azim & Islam, 2010).

1.2.4 Bargaining Power of Suppliers

Wuyutai Tea Corporation establishes their tea bases over many countries in China and also provides outstanding quality and origin assurance to customers. Thus, it is limit bargaining power of suppliers.

1.2.5 Competitive Rivalry

Currently, Australian market is comprised of several competitors such as Lipton in supermarket and T2 tea stores in shopping malls and other tea drink shops. Especially, the T2 tea stores and Bushells can take advantage of economies of scale as well as brand recognition to increase their market share. Even though Wuyutai face some rivalry, the firm also has opportunities to participate in the market due to product differentiation and low switching cost. Low switching cost in the market of tea can increases the competition rivalry. Besides, tea as a commodity product that is difficult for firms to differentiate their products. However, Wuyutai can take advantages by providing special traditional tea producing and high quality products and giving specific introduction for tea products in the stores of Wuyutai Tea Corporation.

1.3 Company Analysis

1.3.1 Company Background

Wuyutai co. is one of the most prominent and esteemed manufactures of tea food and beverage in China. It can be noted that it first established in 1887, Wuyutai enjoys fame as one of the “China time-honoured brand” and is well known for high-quality tea products and hospitable service. Wuyutai Tea house, which was renamed Beijing Wuyutai Tea Co in 2005 after development over a century. Now it has over 180 stores across the country and has been holding up its traditional tea producing methods and won high reputation and credibility among generations of tea lovers.

1.3.2 Financial Performance

Wuyutai Tea Corporation’s financial performance in recent years have shown an upward trend. According to their annual report, the annual growth rate of net revenues is about 25% each year. In 2005, as representative in the tea industry in China, Wuyutai’s total annual sales was near CNY ¥600 million. Hence, Wuyutai have achieved great long-term financial performance in recent 20 years.

1.3.3 SWOT Analysis

SWOT analysis will be used to illustrate effect of macro environment and internal capabilities; it combines the strength, weakness, opportunities and threat of company. In this case, the SWOT analysis is formalized based on the industry analysis and internal analysis.

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High brand equity in China</td>
<td>• Lack of development various product line</td>
</tr>
<tr>
<td>• Specialized in high quality tea product</td>
<td>• Low brand awareness in Australian</td>
</tr>
<tr>
<td>• Strong financial performance</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasing health conscious</td>
<td>• Heavily competition</td>
</tr>
<tr>
<td>• More western people interest in Chinese tea</td>
<td>• Many substitutes for tea</td>
</tr>
<tr>
<td>• Capital gain from function of exchange rate</td>
<td>• Customers are keep changing their taste</td>
</tr>
</tbody>
</table>

(1) Strength

High brand equity in China: As mentioned before, Wuyutai was established at 1887 which is over 100 year history and became China time-honoured brand. Those indicated that Wuyutai has excellent reputation and extraordinary production quality in China. The high brand equity may help Wuyutai be recognized widely in Australia faster (Tumbuan & Hudrasyah, 2015).

Specialized in tea products: the high quality of produc-
tion not only implied strong capability of internal performance but also enhance core product value, according to the Veblen theory, the product will be more desirable if it make customer feel luxury. Therefore, the high quality of its products allows Wuyutai increase price and profitability accordingly as the better good worth the higher price (Sarmah & Borah, 2015).

Strong financial performance: The expansion of Australian market should need a vast amount of capital effort that will include some sunk cost such as marketing research. Since the Wuyutai has earned high profit in the Chinese market, it may affordable for more and deeper research and explore. Hence, the more effort the higher probability to be succeed (Tumbuan & Hudrasyah, 2015).

(2) Weakness

Lack of various product line developments: The profit from the single product might be limited and restricted long run positioning for company expect marketer decide to be competed at niche position.

Low brand awareness in Australia: Due to the lack of exploration of the Australian market, the awareness will be extremely low. As a result, the company need to cost a lot on marketing activities such as advertising. In addition, it may have negative effect on the heavy competition.

(3) Opportunity

Increasing health conscious: As more and more people are willing to purchase health product, customers are likely to choice tea rather than other drinks such as coke since it is healthier (Dunchan, Shi and Tyer, 2004).

More western people interest in Chinese tea: Since the accelerated globalization, western people started to interest in the lifestyle of Asian country. Unlike the western for drinking tea (black tea with milk and sugar), Chinese tea contain some natural herbals that could good for physical (China daily, 2015). There are more and more Australian started to interest in and drink Chinese tea that increase market potential for Wuyutai.

Capital gain on fluctuation of exchange rate: According to the RBA (2015), the exchange rate of Australian to Chinese dollar dropped democratically, which from the highest point at 6.8 to 4.8 recently. To assume Wuyutai need to import tea from China and capital investment is from China, there is a noticeable reduces on expense due to the lower exchange rate of Australian dollar.

(4) Threat

Heavily competition: As mentioned in competition rivalry, this industry is completed heavily because it has many players provide various drinking to customer. Therefore, company may not obtain a large profit in this industry.

Many substitutes for tea: The category of non-alcoholic drink contain diversity product, as consumers are free to switch, it is difficult to gain loyalty customer in this industry. Additionally, coffee is still the most popular drink in the Australian market; it will be hard to take market share from coffee providers.

Changing taste of consumer: The tastes of customers are keeping change, therefore company need to explore new product line and improve R&D to fit the changing customer tastes.

2. Marketing Objectives

According to Peter (2006), if the objectives in marketing plan are specific and consistent with companies’ goals, the marketing plan is more likely to produce the expected performance. In this marketing plan, there are three main marketing objectives in the aspects of top line revenue objectives; profitability position and revenue mix strategies.

According to food and agricultural organization of the united state (2010), in 2000, Australia consumed 14,000 tons of tea annually. Tea consumption in Australia is tremendous. However, Tea production in Australia remains very small. Most tea produced in Australia is black tea, and there are small quantities of green tea produced. As a result, there is big proportion of black tea and green tea is imported from China. Australian customers are familiar to Chinese green tea and Chinese jasmine tea. Other than green tea, black tea and jasmine tea, Wuyutai also has much more Chinese traditional tea like oolong tea and herb tea. The tea products category of Wuyutai almost covers the all types of tea in the Australia tea market. As such a mature and strong Chinese tea corporation Wuyutai is able to achieve a big market share in Australia tea market. On the other hand, there are still some competitive tea corporations in Australia like T2 and Tonic. So Wuyutai could set a target market share about 5% in the first year. This proportion of market share is not difficult to Wuyutai to achieve in the first year entering Australia tea market.

To be more specific, according to Mike (2013), based the T2 sales statistics the top line revenue of Wuyutai could reach about 2 million. Beside high human resource cost, shop rent and advertisement fee, there is still a considerable profit for Wuyutai. As Australia has a relatively big consumption of tea, if Wuyutai could achieve its marketing top line revenue objectives, Australia would become a profitable target market.

In the aspect of profitability position, Wuyutai is able to maintain a high profitability position in the Australia tea market. According to Li (2013), China is the world’s largest tea producer. It produced 1.3 million tons tea in 2009, taking for 31 percent of the world total. Moreover,
China’s tea plantations have total area of 1.86 million hectares, which accounts for about half of the world’s total tea growing space. Such a tremendous production of tea makes China become the country with the lowest cost of tea production among major tea producing countries in the world. Moreover, low labour cost of the tea manufacture process in China also makes the cost of production much lower than other tea producing countries. On the other hand, as exchange rate between Australian dollar and Chinese Yuan is about 5 times, Wuyutai is able to set a higher price in Australia market than domestic market. As mentioned above, low cost of tea production in China and high price of tea sales in Australia finally result in a high profitability position of Wuyutai in Australia tea market.

In term of revenue mix strategies, the main source of revenue is from the sales of tealeaves. Other than popular tea bag products in Australia, main tea products of Wuyutai are tealeaves. Loose tealeaves have better taste and quality than tea bag, which is more suitable to Australians who pursue high quality of lives. There is 70% revenues from tea leaves sales about 1.05 million. The following 30% revenues come from tea sets sales about 0.45 million which apply to traditional Chinese tealeaves.

3. Marketing Strategies

3.1 Target Market Segments

Wuyutai tea has widely product line; it can cover every segment. The tea product includes instant tea, premium tea, tea food, tea products and the tea ceremony utensils. Our target market is from high-income group to school students, because we have different type products. For high income customers we are going to introduce our premium tea, it has utility quality and taste, keep to drink can improve body health, and it also can be good gift for friend. For office workers we are going to introduce our middle class tea and tea food, because tea is good for health, it can help office works to keep them health. For young students we are going to introduce our tea food, for young customers, Chinese tea is hard to accept because it tasted bitter, but our tea product improve our taste, incline bitter keep the tea taste and nutrition, it is easy to accept for young customers. For old customer, choose our tea product is not only can keep health but also can develop interests and hobbies about tea ceremony.

   (1) Premium Teas
(2) Middle Class Teas

Figure 7. Longjing tea

(3) Low Class Teas (instant tea)

Figure 10. Jasmine tea

Figure 11. Green tea

Figure 9. Biluochun tea

Figure 12. Barley tea
(4) Tea Products

Figure 13. Tea moon cake

3.2 Brand Positioning

Wuyutai tea has high class, middle class and low class product. We are going to cover entire instant drink market. About our high class product, we set our position is compare with premium class coffee drink such as blue mountain coffee, we also want to make our high class tea to compete to Australian coffee traders association members. For our middle class tea product, we are going to compete to Starbucks’s coffee drink and Gloria Jeans’ coffee drink, we want to let Australia’s consumer know there has an alternative choice can buy that is our Wuyutai tea drink, our tea drink is not only can refresh oneself but also can keep health by drink tea, it is a good alternative for coffee drink. About our low class product-instant tea, we are planning to compete with Lipton’s instant tea ball, because we are standard for the best Chinese tea quality in the world.

3.3 Product Strategies

Wuyutai tea is Chinese traditional brand; it has more than 100 years’ history, it represents mysterious Chinese culture. In 2008, Wuyutai is official Olympic sponsor; we have shown our excellent quality to entire world during the 2008 Beijing Olympic Games, therefore we are not only a Chinese traditional brand without energy. We are going to use our brands’ history to develop Australia’s new market.

For our high class products, we will show our brands’ history and excellent quality to consumers, we will let entire Australia know we are stand for premium life quality, choose our brand means hope to experience high taste eastern culture and choose Chinese healthy way. For middle class consumers, we are going to introduce our healthy drink concept. Tea is Chinese traditional healthy drink, drinking tea can be refreshing, and it can help office works improve work efficiency. Some office workers would like to smoke to refresh them, Tea can precipitate nicotine, and it can help them to clean nicotine by urine. For our low class product-instant tea, we want let consumer know we are making reasonable price and good quality tea product that makes everyone can have opportunity to drink traditional Chinese tea, everyone can by this way to feel Chinese culture and help themselves to keep health.

3.4 Pricing Strategies

Pricing objective: Product-quality leadership.

Wuyutai tea has three classes of products: high, middle and low class.

Product line pricing: For high class tea is super premium in drinks market, so the price is can compare to the best coffee in the Australia. We are hoping that Wuyutai high-class tea can be seen as luxury gifts.

For middle class tea, we are going to make it become affordable luxuries, premium level tea with high-level quality but with acceptable price. It can be seen as BMW in automobile industry.

For low class tea, we hope everyone can affordable, consumer can find Wuyutai tea in supermarket, which means we can provide everyone acceptable price with good quality, make everyone lives in Australia can have chance to experience Wuyutai traditional Chinese tea. We hope to make Wuyutai tea drinks become Australians’ normal drink like coffee to everyone.

3.5 Distribution Strategies

We are going to choose exclusive distribution, first year we will set an independent store in Chadstone shopping mall to sell our full series product, included high class, middle class and low class, also has some other products about tea can be found in our unique Wuyutai tea shops.

After first year we are planning to set a flagship store in Collins Street that can make Australian know our brands and corporate strength. We are also choosing intensive distribution to sell our middle class and low class tea. We will set independent counter in different shopping mall to sell our middle and low class shop, such as Emporium. After our brand has become a famous brand in Melbourne, we will also plan to distribute our low class tea to supermarket; include Coles, Woolworth, it will appear in 7-11 and any other convenience shops. We want make our consumers and potential consumers can easily purchase our Wuyutai tea product.

We will operate Wuyutai online stores. All products
can be ordered online. All products will be shipped directly from China origin to Australia. We will ensure that the quality of all products imported from China.

3.6 Integrated Marketing Communication Strategies

Wuyutai tea is stranger to Australian; therefore advertising for Australia market is very important. We will choose multiple ways to advertise our tea product.

Table 2. Integrated marketing communication strategies

<table>
<thead>
<tr>
<th>Integrated marketing communication strategies</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Wuyutai tea will run print ads in variety of fashionable magazines. Our advertising will appear in a variety of social networking sites, such as Facebook, Twitter, and YouTube.</td>
</tr>
<tr>
<td>Sales promotion</td>
<td>In the first year we used gift vouchers ways to attract customers. The future we will use the membership discount system, like footlocker membership discount system.</td>
</tr>
<tr>
<td>Public relation and publicity</td>
<td>Sponsorship of schools, make young people know about the tea culture. Organize activities to help elderly people, provide free tea to the older people for keep healthy like Chinese way.</td>
</tr>
<tr>
<td>Events and experiences</td>
<td>Our brand can sponsor all have activities related to Chinese culture, so that the Australian customers understand Chinese culture and tea culture.</td>
</tr>
<tr>
<td>Direct and interactive with marketing</td>
<td>Providing free tea drink or free tea sample in public occasion like casino, shopping mall. By this way to get contract way from potential consumer, and send them messages or email to advertise our new product.</td>
</tr>
<tr>
<td>Work of mouth marketing</td>
<td>Looking for celebrity endorsements.</td>
</tr>
<tr>
<td>Personal selling</td>
<td>The company provides the basis for the sales staff to sell the course.</td>
</tr>
</tbody>
</table>

4. Budgets

Table 3. Wuyutai Tea Corporation Income Statement for the year ending 31 December 2015

<table>
<thead>
<tr>
<th>Incomes</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2000,000</td>
</tr>
<tr>
<td>Costs of goods sold</td>
<td>750,000</td>
</tr>
<tr>
<td>Costs of equipment</td>
<td>3,000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1247,000</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
</tr>
<tr>
<td>Advertising Expense</td>
<td>400,000</td>
</tr>
</tbody>
</table>

5. Marketing Program

The first act for Wuyutai is to have a teashop in the Australian shopping mall like Chadstone. As this is the first entering for Wuyutai in Australia market, the location of the first tea shop should in the most prosperous city area. The rent of the teashop in the shopping mall of city area is about 450 dollars per square per month. In order to establish a high-grade tea brand from China, the area of this first shop could not be too small. The first Wuyutai teashop that has 100 square meters area needs at least
2 salesmen and 1 manager. Based on Australia average salesman wages level are about 4000 dollars per month and the shop manager is about 5000 dollars per month, the labour cost of Wuyutai is about 0.16 million taking into 8 percent of the total line revenue. However, this labour cost is not ties to sales but rather the minimum staff required to run the store. Wuyutai needs these people on the floor of the teashop whether there is $300 in sales or $1,000 in sales. Here is the risk that if the sales could not achieve the revenue objective, Wuyutai still bear the labour cost. On the other hand, the teashop rent cost is also the biggest expenditures of Wuyutai. Wuyutai should have a control in the rent cost and there are still some other expenditures needed to be considered, as a result, rent cost should under 25% of the top line revenue. Assuming that the area of the first tea top of Wuyutai is 100 squares, the number of rent cost will be 0.54 million which account into about 27% of total top line revenues. Besides the teashop, online sales are also an important distribution channel. Wuyutai could also post up their tea products on the EBay and Amazon these E-commerce platforms to sell. The cost of online sales is so small and online sales are also an efficient advertisement channel to attract more online shoppers to pay attention to this new strong Chinese tea brand.

In the end, advertisement is the indispensable factor in the implementation process. The Wuyutai should not only wait for the customers to visit its tea shop. There must have advertisement in the early years of operation in order to increase the brand awareness and establish the first group of royal Australian customers. In the first year, Wuyutai could choose use newspaper, magazine and the internet as the advertisement channels, because these channels have relatively low cost and also a widely spread range. As this is the first time Wuyutai entering the Australia tea market, advertisement cost could be relatively higher than the following years, but the advertisement cost should still in the reasonable range. In the end, the expected proportion of advertisement cost will be 20% of total top line revenue that is about 0.4 million dollars.

6. Evaluation and Control

The marketing budget is the most important factor needs to be evaluation and control. The marketing budget is a balance between the cost in the implementation process and the revenue created by the marketing plan. There are several controls in place that can be used to monitor a marketing budget, including printing advertising expenses, internal personnel costs shows and rent cost contracts. All of these costs need to be closely monitored to minimize spending and maximize profitability. By examining expenses, Wuyutai is able to maintain budget and realize exactly where spending increases come from.

Moreover, this Wuyutai marketing plan has determines the top line revenue objectives and target segmentation. So the Actual sales in the target market could be compared to the marketing plan objectives to see if any changes need to be made. Wuyutai has different customer segmentation, and then the target segmentation sales reports would monitor sales made to that group. If some specific segmentation sales are down, then further market research needs to be done to see why the target audience is not interested in tea products of Wuyutai.

Another control could be applied in this marketing plan is the monitoring of customer feedback through polls and surveys. Wuyutai can reach customers indirectly by hosting online polls on the Internet that ask specific questions about customers’ satisfaction with tea products and marketing promotion. Moreover, doing surveys is a more direct method to reach customers by interviewing marketing groups or individual through phone or in person.

References


