

Sample H

Address: [redacted], [redacted], [redacted]
Tel: [redacted] - [redacted] - Fax: [redacted]
Email: [redacted]

LETTER OF AUTHENTICATION

8 March 2012

To whom it might concern,

This letter confirms that [redacted] has interviewed and discussed with me various aspects as detailed in this report regarding our company's possibility of setting up a new outlet in [redacted], the strategies that [redacted] may undertake, and potential of these strategies.

He has also researched on the financial performance as well as the marketing strategy of the company in the current market.

[redacted signature]

Executive Director

[redacted]

B&M Internal Assessment

Acknowledgement

I would like to thank [REDACTED], the owner executive director and [REDACTED]
[REDACTED], the head of marketing department of [REDACTED] for their assistance in providing
data and allowing me to do a research on the company. I would also like to thank of [REDACTED]
[REDACTED] and [REDACTED] from [REDACTED] and [REDACTED] to allow me to do a
field observation at their shops

Research proposal

Research question

Should [REDACTED] set up a new outlet in [REDACTED] in 2013?

*Answer to the
research question*

Rationale

Founded since 2003, [REDACTED] is a private limited company which sells furniture. It is currently having a factory and an outlet in [REDACTED], a province situated beside [REDACTED]. [REDACTED] is a stable market and the company has grown tremendously throughout the years. However, to foster growth even further, the management of this company is considering expanding to [REDACTED] market, a much larger market with a significantly higher demand. However, the nature of the market is highly competitive as there are many competitors. Therefore, whether to set up a new retail store in Hanoi is still a puzzle for Hoang Ha.

Theoretical framework

The report will discuss on advantages and disadvantages of setting up this new retail store in Hanoi. Both financial and non-financial considerations will be made to analyze how profitable the plan is. I will use tools such as Payback period and break-even analysis for financial analysis and SWOT, Lewin's Force Field Model and Product positioning map for non-financial analysis.

Key areas of syllabus

1.6 SWOT analysis

1.6 Lewin's Force Field Model

*could be
more
specifically
explained*

Problems anticipated and solutions:

Possible Problems	Solutions
Bias responses from interviewees with vested interest	Balance with use of company financial records and acknowledge in the conclusion.
Unwillingness of customer participating in the survey causes difficulty in getting truthful data	Improve on survey questions, multiple choice questions are easier to complete
Limited source of secondary information about the market and the company's competitions	Use primary data obtained from the interview instead
Geographical difference causes a delay in sending and receiving information.	Start the investigation early so the report can be done in time.

Timelines:

Dates	Activities	Modification
6/8/2011	Selection of Topic	-
10/11/2011	Confirmation of interview timing with interviewers, prepare interview questions and survey questions	-

Contents page

Acknowledgement.....	1
Executive summary	2
Research Proposal	3
Contents page.....	7
Introduction	8
Methodology	9
Main findings and analysis	10
1. [REDACTED] as a potential market for [REDACTED]	10
2. Location of the outlet	12
3. Financial analysis	13
3.1 Field Observation	13
3.2 Payback period	13
3.3 Break-even analysis.....	15
4. Non-financial analysis	17
4.1 Survey results.....	17
4.2 Product positioning map	21
4.3 Lewin's Force Field Model	22
Conclusion and recommendation.....	23
Bibliography	25

Methodology

Primary research involved an interview with [REDACTED], the executive director of [REDACTED] on her thoughts on the expansion, the current and the new market, strength, opportunity and threat of the plan. [REDACTED], the head of marketing department was also interviewed to gain a good understanding of the current marketing mix of the company. ✓

Field observation was conducted in several shops of different company that has already been in the market to predict the demand of the market. Surveys were also issued to customers who visited these shops to have an insight of the market, as well as the need and wants of the customers. 10 customers were surveyed in each shop which made up a sample size of 50.

For secondary research, the financial data of the company in the past together with rental prices of different possible location is assessed to estimate the cost of setting up a new outlet in [REDACTED].

Further research from internet websites will reveal more about the business environment in this market. ✓

B&M Internal Assessment

Wooden furniture is always a preferred furniture product for Vietnamese customer because it is associated to the traditional culture of the Vietnamese.⁷ Wooden furniture market in [REDACTED] is changing drastically in recent years. In the past, national furniture companies only focused on exporting their product to overseas market because the market within the country was not growing.⁸ However, there are more opportunities available for local company recently because the number of apartments, condominiums, hotels, resorts is growing significantly due to the increase of [REDACTED] in [REDACTED]. Thus, satisfying the growing demand of the interior market in Hanoi is a great opportunity for [REDACTED].

⁷ Appondix 2: Interview transcript with [REDACTED] head of marketing department of [REDACTED]
⁸ Chiếm lĩnh thị trường đồ gỗ nội địa: Nhiều câu hỏi lớn <http://www.tjnkintc.com/cong-nghiep/go-noi-that/chiem-linh-thi-truong-noi-dia-nhieu-cau-hoi-lon.nd5-dt.132583.136148.htm> Last accessed 14/5/2012

3. FINANCIAL ANALYSIS

3.1 Field observation

Two shops chosen for field observation are [REDACTED] ([REDACTED]) and [REDACTED] ([REDACTED]). The number of customers visiting the shop and number of the customers who made a purchase in a period of 3 days are kept track. The data collected is presented as below:

	Wooden Furniture [REDACTED]	Wooden furniture [REDACTED]
Total number of customer visited the shop in 3 days of observation	71	45
Number of customer purchased product from the shop	21	11

The average number of customers who purchase a product in 3 days is: $\frac{21+11}{2} = 16$

Thus, the average number of unit sold per month can be estimated to be: $16 \times 10 = 160$ units

3.2 Payback period

Initial investment¹¹ : 2,000,000,000 VND

Fixed cost:

- Rental¹² : 33,312,000 VND
- Working salary¹³: 3,000,000 VND \times 3 employees = 9,000,000 VND

¹¹ Appendix 1: Interview transcript with [REDACTED], executive director of [REDACTED] – the initial investment is assumed to be the same with initial investment in setting up the outlet in year 2007.

¹² Rental price taken from: House for rent in [REDACTED], 93 m² at \$1600 (33,312,000 VND with the exchange rate as of 14/5/2012) [REDACTED] Last accessed 14/5/2012.

B&M Internal Assessment

Total revenues per month: $14,751,213 \times 160 = 2,360,194,080 \text{ VND}$

Payback period¹⁸:

$$\begin{aligned}
 \text{Payback period} &= \frac{\text{Initial investment}}{\text{Contribution per month}} \\
 &= \frac{\text{Initial investment}}{\text{Revenue} - \text{Fixed cost} - \text{Variable cost}} \\
 &= \frac{2,023,000,000}{2,360,194,080 - 857,181,750 - 1,213,980,200} = 6.92 \text{ months}
 \end{aligned}$$

¹⁸ [REDACTED]. Business & Management. 2008. Victoria, Australia. IBID Press, pg 350

B&M Internal Assessment

Payback period calculation shows that the cost of initial investment will be repaid in 6.92 months. Considering the large initial investment, it is a short payback period and it would mean the company should make this investment. Break-even chart shows that margin of safety is relatively large, which means demand has far exceeds the break-even quantity. Hence it is safe for the company to invest in this project.

██████████ B&M Internal Assessment

presence of the shop. This can be achieved by several ways such as designing lighting, arranging furniture or using cologne to create a distinct smell of the shop.

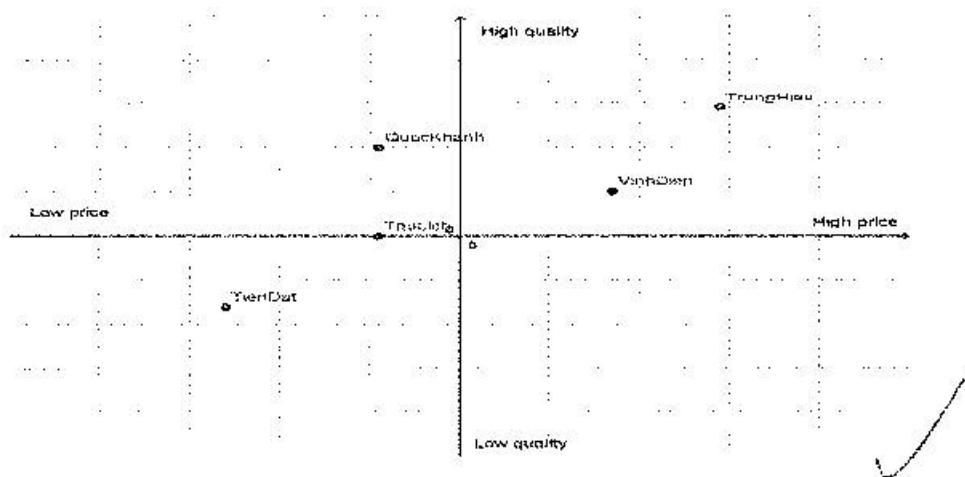


Price and endurance of the products are the two most influential factors that make customer make a purchase. This show that after all customers in Vietnam wooden furniture market care about economical factor the most, they want products at reasonable price that can last for a long time. This seems to be a competitive advantage for ██████████ since the products of the company in its current market is famous for good endurance and relatively low price²².

²² Appendix 1: Interview transcript with ██████████, executive director of ██████████

4.2 Product positioning map

Using the results obtained from question 6 and 7 of the survey form²⁴, we can construct a product positioning map as below²⁵:



The product positioning map shows that there is not much gap for [REDACTED] to position its product in the market. The company's products will most likely lie on the section of medium quality and low price, which is already occupied by a few companies in the market such as [REDACTED], [REDACTED] and [REDACTED]. If the company still insists on positioning its products in this section, it will face a high degree of competition and it will no longer have its competitive advantage of pricing. Alternatively, the company can target to make higher end goods and sell them with high price. However, this would mean shifting of its core competency (which is making cheap products thanks to low-cost production²⁶). Additionally, positioning at high quality- high price for a newly entered company is a very risky option.

²⁴ Appendix 3: Survey transcript for customers who visited the shops.

²⁵ Appendix 4: Detailed survey results from customers who visited the shops

²⁶ Appendix 1: Interview transcript with [REDACTED], executive director of [REDACTED]

Conclusion and recommendation

The paper has shown that the plan of expanding the market to [REDACTED] has both strengths and weaknesses. Firstly, market research shows that there is large customer base and a high demand of wooden furniture in the market, which is a great opportunity for [REDACTED] to grow. Additionally, break-even analysis and calculation of payback period shows that the company will make profit in just a short period of time and the risk of failure is relatively low since the investment has a high margin of safety. Nonetheless, product positioning map indicates that there are a large number of competitors which has already filled up most of the gap in the market. Therefore, pricing, which is considered as the greatest competitive edge of [REDACTED], will no longer be effective in gaining market share in this new market. However, after putting these factors together in a SWOT analysis and Lewin's Force Field Model, it seems that driving forces are stronger than restraining force. Hence we come to the conclusion that company should undertake the project of setting up a new outlet in [REDACTED].

Nevertheless, there are several limitations that need to be noted in this paper. Firstly, there are several assumptions that have been made in order to simplify the process of data analysis. For example, for the calculation of payback period and break-even, I assumed that the number of units sold per months to be the average of the two shops in the market. This might not be true because once [REDACTED] entered the market, the demand will be diluted; therefore, the unit sold per month will be lower than the estimated figure. Additionally, the sources of are mostly internet websites. Although they are established sources like newspaper and journals, the reliability is still questionable. Lastly, the survey result might not reflect correctly the market that

Bibliography

Written source:

- [REDACTED]. Business & Management. 2008. Victoria, Australia. IBID Press.

Online sources

- Chiếm lĩnh thị trường đồ gỗ nội địa: Nhiều câu hỏi lớn <http://www.tinkinhte.com/cong-nghiep/go-noi-that/chiem-linh-thi-truong-noi-dia-nhieu-cau-hoi-lon.nd5-dt.132583.136148.html> Last accessed 14/5/2012
- Rental price taken from: House for rent in [REDACTED], 93 m2 at \$1600 (33,312,000 VND with the exchange rate as of 14/5/2012)
[REDACTED]
[REDACTED] Last accessed 14/5/2012.
- Average labor income surges 19.6% in 2011
[REDACTED]/newsdetail.asp?NewsId=22395&CatId=51b
Last accessed 14/5/2012
- Vietnam Asia Asia's Next Economic Frontier: In front of the Franchise wave
<http://www.austrade.gov.au/ArticleDocuments/1418/JP-James-Myers-Franchise-Presentation.pdf.aspx> Last accessed 14/5/2012.

B&M Internal Assessment

affordable price so that everyone of this group is able to afford it. Also, we had a reliable supplier which supplies good qualities woods at a good price. Therefore, the products that we made are very durable and have long lifetime. Hence, for economical reason, our products are the best available in the market.

Me: How do you manage to produce products with good qualities und at the same time keep the price low?

█: Like what I said, the company has a good relationship with supplier; therefore we were able to trade at a very good deal. And additionally, since the scale of production was improved in 2007, we have been able to utilize economy of scale in our production. Hence, the average costs of production significantly dropped.

Me: Has the company had any plan of growing the organization even further, after all the initial successes that you have achieved?

█: Definitely. Our marketing department lately has been working on the plan of entering █ wooden furniture market. This is because █ market has started to be saturated recently due to a large number of competitors who has just entered. Especially, last year the well-established company █ just opened a new retail store only half a mile away from us. Although they target a different market segment from us, it is, to some extent, still a great threat that we will lose a significant amount of market share in the future.

Thus, expansion to █ market will not only foster growth but also help the company to diversify and spread risks into different markets.

Me: Why do you choose █ but not any other market such as █ █?

██████████ B&M Internal Assessment

rental cost which is about 30 – 40 million VND, salaries for employees at about 3 million VND for one and cost of electricity and water etc which is not much either.

Me: Thank you very much for your time. All the best for any plans ahead.

██████████: Thank you.

B&M Internal Assessment

123 different wooden furniture companies. The main demand of the city is centered around this street because everyone goes here when they want to purchase wooden furniture.

However, whether to enter this highly competitive market is still a great puzzle for [REDACTED] private limited. This is because for a relatively new organization like [REDACTED], it is a tough challenge to compete with companies that have already been established in the market.

Me: What are the SWOT (Strengths, Weaknesses, Opportunities and Threats) of the expansion to [REDACTED] market?

[REDACTED]: I guess our strength is still in the competitive price that we charge for our products. Also, our organization has proven itself to be a success in the current [REDACTED] market, therefore, we are confident that we can do the same thing in [REDACTED] Market. Our weakness, however, is that the market is totally new to us, and for a relatively young company like [REDACTED], maybe the lack in experience will be a great obstacle. Nonetheless, there are many opportunities for us in this new market, such as the growing demand of furniture products. Wooden furniture is always the favorite of every Vietnamese household because it is associated to the traditional culture. It is also an opportunity for us to develop a new product lines specially catering to the group of high income customer in [REDACTED], which is growing in number. Lastly, our greatest threat is still to be unable to compete with the intense level of competition within the market.

Me: Thank you. Have a good day.

[REDACTED]: You are welcome.

B&M Internal Assessment

5/ How much do you think is the reasonable prize for this particular design of wooden bed ?



- a. <3,000,00 VND
- b. 3,000,000 – 8,000,000 VND
- c. 8,000,000 – 15,000,000 VND
- d. 15,000,000 – 25,000,000 VND
- e. >25,000,000 VND

6/ On the scale of 10 (1 is the lowest and 10 is the highest), what would you give to the quality of wooden products of this shop?

1 2 3 4 5 6 7 8 9 10

7/ On the scale of 10 (1 is the lowest and 10 is the highest), how would you rate the price of wooden products of this shop?

1 2 3 4 5 6 7 8 9 10

Thank you for your participation and have a pleasant day ahead

B&M Internal Assessment

5/ How much do you think is the reasonable prize for this particular design of wooden bed?

Response	Number of responses	Percentage of responses/%
<3,000,000 VND	6	12
3,000,000 - 8,000,000 VND	30	60
8,000,000 - 15,000,000 VND	8	16
15,000,000 - 25,000,000 VND	4	8
>25,000,000 VND	2	4

Question 6 and 7: Average point that different shops get for their qualities and price:

Name of the shop	Average point for level of price	Average point for level of qualities
██████████	2.4	3.4
██████████	4.1	5.0
██████████	7.9	6.9
██████████	4.1	7
██████████	6.7	6.0

Appendix 6: SWOT Analysis of [REDACTED] entering [REDACTED] Market

Strengths:

- [REDACTED] was able to grow steadily in its original market, [REDACTED], which proves the efficiency of the management of this company
- Low cost of production due to reliable and cheap supply from the supplier as well as labour force is relatively low. This enables the company to charge lower price than its competitors.
- Its products are perceived by the customers to have low price and medium well quality.
- The new outlet is relatively near to its manufacturing point.

Weaknesses:

- The management of the company is, however, unfamiliar with the new market.
- Relatively young organization
- Raising capital to carry out this business plan might be a problem for the company.

Opportunities:

- The market size is relatively bigger as Hanoi has a huge population.
- Wooden furniture products are well-liked by the Vietnamese because they are associated to many traditional values of Vietnam.
- The demand for wooden furniture products is significantly high because there is a growing of apartments, condominiums, hotels, restaurants.
- The income of people in Hanoi increases tremendously in recent year, therefore, more people can afford to build houses, and in turn, the need for furniture products rises.

Threats:

- High barrier for entry as the market is saturated with a large number of furniture shops all over the city.
- Tough competition with the existing companies in the market, especially the well-recognized one.
- New customers' taste and preference might be completely different from its existing customers.