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**Global strategic management: Case Study of Shih Chen Foods Company**

**全球策略管理：石城實業股份有限公司 個案研究**



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## Abstract

This paper via introduce the case of Shih Chen Foods Company to realize the whole instant drink industry. In this study, we apply nine analytic methods to understand Shih Chen Foods Company. If an instant drink company can open international market, it will have more chance to make profits. 3:15pm, a most successful brand in Shih Chen Foods Company, made it in a few brands which can internationalize. In forward sections we compare 3:15pm with the brands included international brands in Taiwan market, but in rear parts we will more concentrate on comparing 3:15pm with other domestic brands. In front, maybe we will infer the value of 3:15pm comes from R&D or quality, however, in latter parts the answer of value coming from is successful marketing and another aspect of quality. We also have a conclusion that not only in instant drink industry but also other different field industries that creation and customer trust are two critical factors of companies to survive.

**Keyword** : Shih Chen Foods Company, five force, Resource Based View, value chain, BCG, national diamond



本研究將透過石城實業股份有限公司之個案研究了解整個沖泡式飲品產業。本研究採用九種不同的策略分析了解石城實業股份有限公司。如果一間沖泡式飲品公司可以成功打開國際市場，那他就有更多機會賺取利潤。三點一刻是石城實業最成功的品牌，也是少數幾個國際化的國內品牌。本研究前部分將比較三點一刻與台灣市場中的其他品牌(包含國際品牌)，而後半段我們將會完全專注在三點一刻和其他國內品牌的比較。前半段中或許我們會推論出三點一刻的價值來自 R&D 或產品品質，但越往後面章節分析，我們發現三點一刻真正的價值來自於行銷及另一面向的產品品質。最終，我們得到了一個結論-"創新"及"顧客信任"是企業生存的兩個關鍵法則，而此法則不僅可以運用在沖泡式產業，亦可運用在其他不同領域的產業。

**關鍵字**: 石城實業股份有限公司、五力分析、資源基礎理論，價值鏈，BCG 矩陣，國家鑽石理論

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## Chapter 1 Introduction

### I. Why to select this case

Maybe lots of people in Taiwan haven't heard about Shih Chen Food Co., LTD. However, they must have heard about 3:15p.m. A popular milk tea in Taiwan. This brand has existed when I was a child. 3:15p.m. is also very famous in the world, such as Mainland China, America, South Asia, and so on. Why this milk tea is so special and popular? That is because it's not just a normal milk tea. Everyone ever drinks milk tea, maybe bought from a convenience store, teashop or even made by yourself. But can you imagine that you can buy a milk tea which is in a tea bag? Moreover, the special of 3:15p.m. is the real tea leaves and milk powder inside the tea bag, and you can make the milk tea twice with one tea bag. The characteristic of this kind of tea bag is it won't turn into bitter and astringent (澀味) and it can stimulate different flavors with time. This kind of technique is rare and it is impossible for normal milk tea powder.

One time I got an opportunity to visit this company and listened to their introduction about their brand, product, and farm. This is the key moment for us to choose this case. They have an experimental tea plantation and they plant tea there with a natural way. So far, you will say that this plantation is organic. No, they use pesticides. If it just organic, I think it is not special for you. They let the tea tree grow higher, in the same time the root of the tea tree will grow deeper in soil. Just grow like a mirror, upside and downside. That is to say if the tree grows high enough, the root can absorb groundwater directly, and the groundwater has minerals. After the tea tree absorbs groundwater, they will stimulate their resistance. That is to say, they can grow by themselves with enough water and don't need people to take care of them. In their experimental plantation, you can see lots of grass on the ground and still lots of insects inside the grass. Don't eliminate them away. They really make sense there. The grass there controls and maintains the temperature of the ground not too hot, cold, wet, and dry. Moreover, insects there make them form an ecosystem naturally. This kind of innovation makes their tea tree grow well and they can survive for a very long time. This creative way not only makes their tea tree survive by themselves to cut down the cost of taking care of them but is also ecofriendly.

To sum up why we choose this case. First, it is the honor of Taiwan. Second, special milk tea into tea bag. Third, plant the quality tea tree with a creative and ecofriendly way.

## II. Shih Chen Company

### A. About Shih Chen Company

Shih Chen insists on providing all quality, tasty and healthy foods to our consumers. Processes tea in conscientious attitude and keeps developing various products. Their products include casual drinks, top Taiwanese tea and natural healthy drink. The marketing policy is to develop products to suit local demand according foreign countries. In the sales volume, 52% is export to foreign countries, 30% is in domestic, 11% is OEM and 7% is the other. Already had 132 branded product, 25 tea gardens and 18 exporting countries.

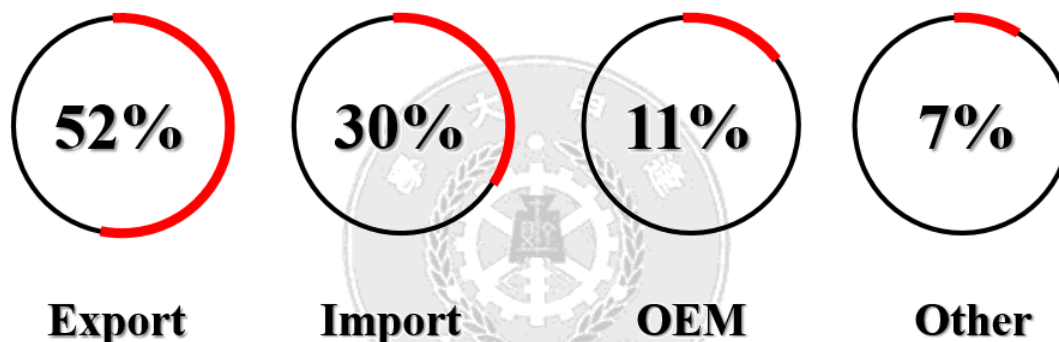


Figure 1. Business allocation 1

Source from: Shih Chen Foods Company



Figure 2. Business allocation 2

Source from: Shih Chen Foods Company



B. History

Justin Chu, the General Manager of Shih Chen Foods Company, was born of tea farmer family planting tea for three generations. Under influences from his families, he is well aware of difficult position for tea farmer. As per 100 years tea processing experiences, Mr. Justin Chu got wise to formulate tea leaves appropriately and created the best quality and aroma tea, even tea leaves are from different seasons. When he saw a lot of slow-selling oolong tea leaves, he decided to look for a solution for tea farmers. For this reason, Shih Chen Foods Company is established as well as 3:15PM Brand. Mr. Justin Chu is determined to spotlight Taiwan tea all over the world.

1991	Shih Chen Foods Company was established and launched 3:15PM milk tea.
2000	Attend “Counseling of Tea Planting, Processing and Selling Program” hold by Taiwan Tea Manufacturers Association.
2001	ISO 9001 quality management systems certificated
2002	Collaborate with Taiwan Agricultural Research Institute to absorb innovate skill and expert experiences.
2003	Attend “Factory-Garden Cooperation” Plan hold by Agriculture and Food Agency; Running health systems and traceability systems of tea garden.
2004	TAITRA- “Exporting Agriculture Food Brand Image and Packing Design” - “SHIH CHEN FOODS CO., LTD.” corporate identity logo design.
2005	TAITRA- “Exporting Agriculture Food Brand Image and Packing Design” – “Tea Master” brand identity logo design for Taiwan high mountain tea.
2006	HACCP International quality certificated
2007	“Making use of Tea leaves harvested in four seasons” program and was chosen as a counselor for the plan “ASSTD”.
2008	Taichung city to promote “New Tea Culture” by educational experience to all visitors.
2009	Due to Shih Chen Company insist on quality, all 3:15PM products can stand through the test.
2010	TAITRA introduced as a commendable company
2011	All products of 3:15PM are through the analysis test of not containing plasticizer.
2012	Taiwan oolong tea of Tea Master Brand is one of zero-tariff preferential goods of ECFA.

2013	The new movie queen “Shih Yin Hsieh” is the spokesperson for 3:15PM milk tea and white coffee.
2015	3:15PM Biotech Central-Natural Environment Conservation Station” established in Mingjian Township, Nantao City.

Table 1. History of Shih Chen Foods Company

Source from: Shih Chen Foods Company

### C. Vision

-Brewtiming

In this generation with fast steps, the beauty of life really takes time to cultivate. Mr. Chu realizes that in order to brew a pot of perfect tea, from the steps of seeding, planting, harvesting, baking, brewing and sipping, all steps have to match nature, timing and human perfectly.

-Taiwan Tea spotlights in the world

Shih Chen began from tea planting. They insist their traditional and conscientious attitude. The principle of the R&D is to make qualified Taiwan tea to spotlight all over the world. They enhance and develop new processing skills to produce tasty and healthy tea products. Hope people use tea to make friends in the world. In the future, they look forward their brand tea is be loved by oriental and western people.

### D. Honor and Approval

Shih Chen looks forward they can be the world first by presenting their best Taiwan tea.

1993	EXCELLENT FOOD AWARD-GOLD METAL, EXCELLENT FOOD AWARD-GOLD METAL
1994	EXCELLENT FOOD AWARD-BEST PACKAGING DESIGN, EXCELLENT FOOD AWARD-GOLD METAL
1999	GRAIN MASTER SERIES-BEST PACKAGING DESIGN
2000	TEA MASTER SERIES-BEST PACKAGING DESIGN
2001	ISO 9001 QUALITY MANAGEMENT SYSTEMS CERTIFICATED
2006	HACCP INTERNATIONAL QUALITY CERTIFICATED
2007	BEST COUNSELOR FOR THE PLAN “ASSTD”
2010	EXCELLENT MANUFACTURER RECOMMENDED BY TAITRA
2011	3:15PM MILK TEA IS ONE OF “TEN BEST BUY SNACKS, THE FOURTH AWARD-THE BRANDS CONSUMED THE MOST IN THE PAST YEAR-ALMANAC OF FOOD CONSUMPTION SURVEY IN TAIWAN
2013	THE CHAMPION FOOD OF TAIWAN INSTANT DRINK IN

	TAOBAO.COM
2014	THE CHAMPION FOOD OF TAIWAN INSTANT DRINK IN TAOBAO.COM, ONE OF 13 MUST BUY FOODS IN TAIWAN FOR KOREAN TOUR

Table 2. Honor and approval

Source from: Shih Chen Foods Company

### III. SBU-Brand

Shih Chen Food Co., LTD have three brands, including 3:15PM, TEA MASTER, and BREWTIMING.

#### A. Where can buy the product

- a. 3:15PM : Supermarket, Convenience store
- b. TEA MASTER : Internet store
- c. BREWTIMING : Airport duty free shops

#### B. Customer

- a. 3:15PM : young people
- b. TEA MASTER : middle class people
- c. BREWTIMING : middle class people

#### C. Price of the product

- a. 3:15PM : cheap
- b. TEA MASTER : middle
- c. BREWTIMING : expensive

## Chapter 2 Case Analysis

### I. Three Level Strategy

#### (I). Corporate-level

##### A. The goal of brand

###### a. 3:15PM

Meeting friends out of tea, can be in the "3:15PM" to find strength and joy, as "Taiwan tea farmers own brand, marketing global, entrepreneurial success" model.

###### b. TEA MASTER

Heritage family of centuries-old tea technology, aim to promoting Taiwan's high-quality oolong tea to the rest of the world

###### c. Brewtiming

Promoting and spreading "Brewtiming" tea widely on behalf of Taiwan Tea in the world.

##### B. Why we selected "3:15PM" ?

###### a. Variety of options

"3:15PM" provide difference flavor tea bags including classical milk tea, coffee latte, tea latte and so on at least 15 kind of flavors.

###### b. Affordable price

Compare with other tea brands, the price of 3:15PM is more affordable than other brands.

###### c. The quality of product

Different from others brands, 3:15PM putting real tea leaves and milk powder in tea bag, instead of putting cheap and unhealthy tea powder in the tea bag.

###### d. Marketing Flexible

For example, 3:15PM in Taiwan is selling in the form of tea bags, however, when considering the Koreans preference of drinking, who do not like to spend too much time waiting, therefore 3:15PM also sell bottled milk tea, and let them directly took away.

###### e. New Tea Culture

New Tea Culture means Chinese-Western fusion.

In general, Chinese like to drink oolong tea and Westerners like to drink flower tea. Shih Chen Company mix two different flavors of tea together,

create new flavor tea- oolong flower tea. Let the New Tea Culture spread all over the world.

## **(II). Business Level**

### **A. Vision**

-Spotlight in The world

“I want to do the Porsche of the Tea industry” their manager Mr. Chu said. His face is written with confidence in his own brand 3:15PM. He describes the general instant tea as cheap car that it is normal to drive by everyone. But in 3:15PM, you must to have two brushes in order to successfully control. That is one of the reason they create a unique tea bag that tea leaves replace power and the “Chu’s fragrant baking”. Insisting on their quality, he wants to let 3:15PM spotlight in the world.

-Use tea to make friends

Shih Chen hope customers can find strength and joy in 3:15PM. To be the successful model which represents Taiwan tea farmers own brand to market globally. Regardless of the area, the people in the world can think tea as a daily favorite drinks. No matter people in Asia, Europe, America or another place, they can use tea to be the bridge to make friends.

### **B. Porter’s basic strategic**

A firm’s relative position within its industry determines whether a firm’s profitability is above or below the industry average. If in the long run still have above profitability means has competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost and differentiation. Then the two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them. So there cost leadership, differentiation and focus. The focus strategy has two variants, cost focus and differentiation focus.

However, 3:15PM’s strategy is differentiation. In this strategy, the firm will seek to be unique in its industry along some special that are widely valued by buyers. Such as they create different technology to grow tea and make tea. In order to meet people in needs, 3:15PM put attributions which be perceived as important in their brand. It rewarded for its uniqueness with a premium price.



Figure 3. Porter's basic strategy of Shih Chen Foods Company

### C. Customer, market, competitor

3:15PM's tea bag can be brewed twice. First milk incense for children and the second tea incense for adults to drink it. Although their customers may concentrated in young people but they also concern about younger or older group with different tastes. Moreover, they combine they Chinese and Western style. Milk Tea bag's tea flavor will not be strong but also have milk flavor. Hope all people will accept their different. After standing firm in Taiwan, 3:15PM started to sold overseas. They have a strategy is to focus on global Chinese supermarket distribution throughout the United States, Britain, Australia, Canada and so on. Their market gradually expanded that include Asia, America, and European countries.

We find some competitors which also produce instant milk tea or casual drinks as following:

**a. Lipton:**

This is Unilever's brand. Be seen as the world's leading tea brand with bright yellow symbol of light, vitality and natural beauty of fun. Their products include black tea, casual drinks, green tea, oolong tea, flower tea, milk tea.

**b. Royal Milk Tea**

This brand is from Japan. Their products include black tea, milk tea.

**c. Mr.Brown:**

Life starts from meeting Mr. Brown Coffee. This brand is from King Car industrial Co.,Ltd which is one of Taiwanese company. Their products include coffee bags,

coffee bean, milk tea and so on.

**d. MaxTea:**

This is Indonesia pull tea. Be seen as one of the best instant milk tea. Their products include lemon tea, milk tea.

**e. True Milk Tea:**

This brand is from OK TEA that is one of Taiwanese companies. Their products include milk tea, green tea, lots kinds of casual drinks, latte and coffee.

**f. Nestle:**

Nestle is from the world's largest food and beverage company. From the world famous brands to the most popular local products, we can see it frequently. Their products include milk, milk tea, coffee and casual drinks.

### **(III). Functional Level**

#### **A. Production & Operation**

As we know that, the owner of Shih Chen Food Company is a tea farmer lives in a village in Nantou where have a lot of tea plantation and his family have planted tea for three generation. Furthermore, his family ever be a biggest Xingnan tea (興南茶) wholesaler in Taiwan. However, the tea market is no longer excited. Lots of tea farmers face the same problems as the CEO- lots of tealeaves unsalable. That is a crisis and also an opportunity. These tea farmers, tea plantation and tealeaves will be a strong resource to become competitive advantage of Shih Chen Food Company.

He gather the tea farmer together to plant the tea tree systematically. Spraying pesticides, recoding the situation, and testing tealeaves regularly. These tea farmers have huge experience and knowledge of planting tea. Therefore, implanting new tea technology will be flexible and won't be too difficult for them to apply. Moreover, in traditional village, they have strong relationship between each other, you can put more confident and trust on them not like other manufacture outside that you have to spend lots of transaction cost to do evaluation and search relative information of them. These farmers help Shih Chen food company to achieve economic of scale.

#### **B. Marketing strategy**

3:15PM's marketing strategy is "meet each area's need", in Korea the milk tea will adapt sweeter. Let's see figure 4 below, Mainland China is the biggest foreign market



and its growth rate is very fast. Then the second grade is U.S. & Canada. In 2014, the newest foreign market Korea just in short 2 year that already occupied 10% in the total sales volume.

**Mainland China:** they found in leisure market, people love the food quick, convenient, portable. Furthermore, they have drinking fountain in public, so the convenient noodle is a hot-selling product there. For this market, 3:15PM develop Chowder series, which include corn, crab, mushroom and pumpkin chowder. In addition, China people love Sun moon lake black tea, so 3:15PM develop Sun moon lake milk tea.

**Korea:** the agent of 3:15PM to maintain young and fashion image of the brand, they also hire young idol to be their one day clerk, make a advertise video and in March 2017 they open their first teashop in gangnam-gu that is the most competitive and expensive area. Moreover, the shop is just between two the biggest coffee shop in the world-Starbuck. Their strategy of the teashop isn't sell the cup of milk tea, their target is to sell big bags of milk tea. The price of a cup of milk tea in the teashop is 1,500 Korean won (about 40 NTD) just one third of coffee of Starbuck, but they can create average consumption 10,000 Korean won per person. That is because the price is cheap and the shop also combine with Taiwan popular souvenir such as pineapple cake, Taiwan convenient noodle, cookie and so on. The customers there enjoy the atmosphere and then buy bags of convenient, portable and good taste milk tea. (陳彥淳，2017)

**U.S. & Canada:** in the beginning 3:15PM promote their milk tea to America, and that surprise America market. Because FDA said you can't put can eat and can't eat things together (can eat: milk, sugar, oil; can't eat: tea leaves). For that, SHIH CHEN make effort to explain that is special technology to combine tealeaves, milk, and sugar together. This investment bring America market excited about 3:15PM because they don't have any milk tea by tea bag with tealeaves inside. Also the package of tea bag is convenient for them to bring out, and have a leisure afternoon with freshly- made milk tea (現泡奶茶).

**Europe:** the CEO found that European have great interest in oolong tea, but due to the strong taste make them hard to accept it. What they favorite is still herbal tea. To meet European's need who like herbal tea, 3:15PM use NGO transplant technology to eliminate the bitter and acerbic (澀味) of oolong tea and replaced by rose, Peppermint, and lavender flavor.

In addition, nowadays people take care about their health, 3:15PM also provide healthy series product, such as brown sugar ginger tea, five grains nourishing tea. To meet each age customer, 3:15PM also develop roasted, rose fruity, earl grey, coffee and latte series. 3:15PM make a lot of effort to combine western and eastern tea flavor and emphasize on their tea is beyond different tea area, season and ethnicity to bring customer fashion "new tea culture" (非凡新聞周刊，2011)



## SALES VOLUME OF 3:15PM IN 2016

■ Taiwan ■ China ■ U.S. & Canada ■ Korea ■ Other

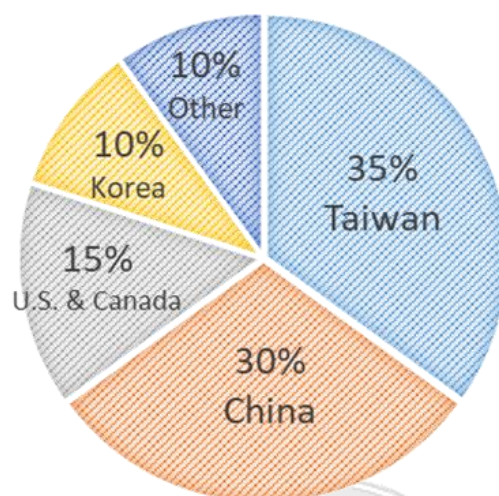


Figure 4. Sales volume of 3:15 pm in 2016

Source from: STEN.com

### C. Human Resource Management

For an enterprise, employee is a very important treasure. How to make your employee willing to hard work and stay in the company creating value? Shih Chen build a comfortable office and welfare system to encourage employee. As we know that, Shih Chen is an innovative company, it need creative idea all the time. Therefore, it provide lecture such as innovation, professional, and safety (Shih Chen Foods Co., Ltd).

### D. Research & Development

#### a. Milk tea

Taiwan oolong tea plus Uva black tea (烏巴紅茶) of Sri Lanka to creation the first milk tea of multi-serve tea bag.

Incompletely fermented oolong tea is very active, that is to say, with different time in water that will generate distinctive flavor. However, oolong tea leaves will easy to deteriorate and turn to smell bad, especially in moist weather like Taiwan or combined with something that is high moisture content such as sugar. Therefore, the R&D team utilize multilevel baking technology to integrate Taiwan oolong tea and Uva black tea in perfect combination, to let the flavor of tea gentler and can peacefully stay with high moist content-sugar (非凡新聞周刊, 2011).

### b. Jihuo (直火) Oolong Flower Tea

“Chu’s fragrant baking”(朱氏香焙)-endue the new for summer oolong tea.

Sparkle-out the first oolong-herbal tea in the world.

Customers will buy spring and winter-oolong tea because the fragrance and flavor will stronger and richer. Also, the price of spring and winter-oolong tea will be higher.

However, the fragrance and flavor of summer-oolong tea is weak and price is cheap.

For these reasons, most summer-oolong tea will sell in very cheap price or even stay in the warehouse until it go bad. But the owner can stand with wasting so many tea that won’t create value. When he tested the oolong-herbal tea, he found too strong fragrance tea can’t combine with flower because it will let the scent of flower disappear. That is to say is time and perfect stage for summer-oolong tea.

They utilize multilevel baking technology to let oolong tea and black tea ferment. Then, take advantage of NGO transplant technology to extract bitter and acerbic(澀味) of oolong tea and in the same time inject nature flower fragrance to make the dream of the first oolong-herbal tea come true. (非凡新聞周刊，2011: Shih Chen Foods Co., Ltd)

### E. Finance

About the aspect of finance, we can’t search this part, maybe it isn’t in public. We only find the relative information in **Ministry of Economic Affairs,R.O.C. of corporate information.**

<b>Total asset</b>		50,000,000 NTD
<b>Title</b>	<b>Name</b>	<b>Shareholding</b>
<b>Chairman</b>	朱俊宏	31,200
<b>Director</b>	張嘉美	13,000
<b>Director</b>	朱育瑩	1,700
<b>Supervisor</b>	蔡敬	2,500

Table 3. Financial information of Shih Chen Foods Company

Source from: Ministry of Economic Affairs, R.O.C. of corporate information

## II. Strategic Map

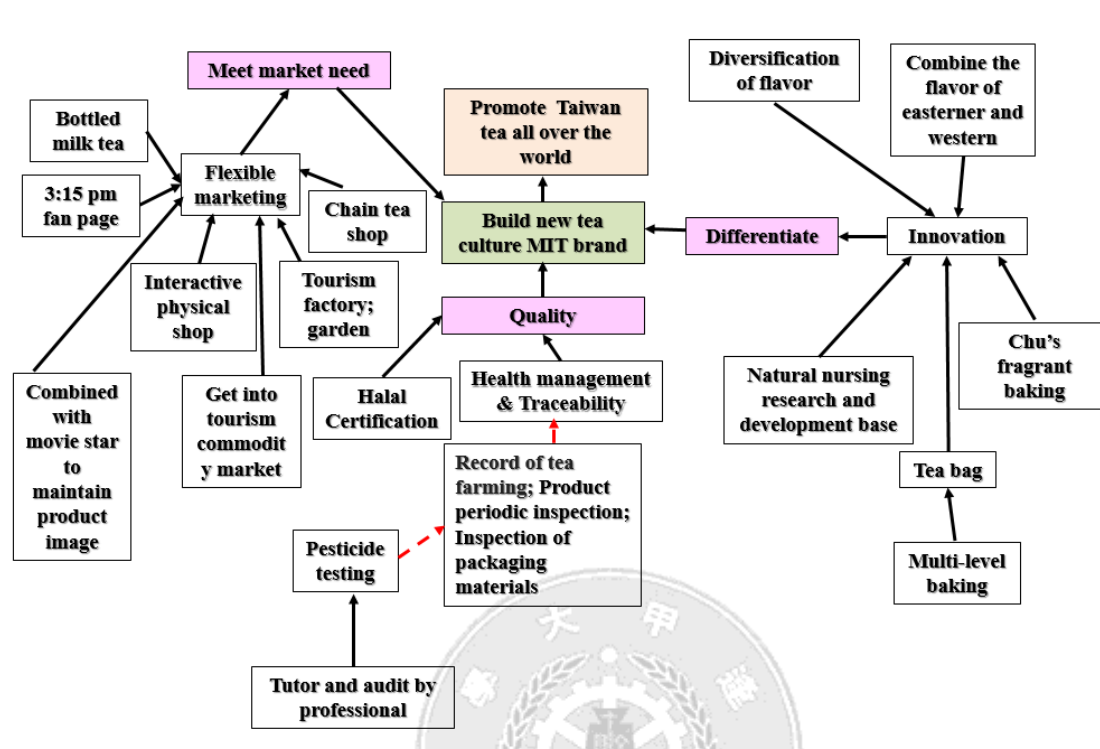


Figure 5. Strategic Map of Shih Chen Foods Company

Shih Chen Food Company devoted to be Porsche in the milk tea market, also yearn to promote quality and authentic Taiwan oolong tea to all over the world. Therefore, they want to build MIT new tea culture brand and adopt three main activities to achieve this big target, which separated into meet market target, quality, and differentiate.

### (I). Quality

To achieve the goal of promoting Taiwan tea all over the world, they use Taiwan oolong tea, and first must to meet the standard- quality. To meet this strict standard, the tea farmers are tutored and audited by professional and take pesticide testing regularly. Furthermore, they make the record of tea farming and inspection of product periodic and packaging materials to attain health management and traceability before their tea being final commodity. Thus, their efforts have been seen. They get lot of awards and in recent years, they get Halal Certification. With these awards and Halal Certification, they can get closer to the final goal. Due to Halal Certification, they can sell their product to Islam country, as we know that Islam country's market base is quite big. Therefore, it can help Shih Chen Food Company to get closer to their dream.

However, about the quality of their tea, some news showed that their oolong flower have been tested out contain DDT residue. Though health bureau of Taichung city government check upstream manufactory- Shih Chen Food Company found that their oolong tea is from Nantou tealeaves store and rose is from Tainan. However, Shih Chen Food Company don't have any proof about pesticide testing. In addition, health bureau of Tainan city found that the description on the box of flower said: "Flower herbaceous plants for spices, not edible", and they still found there are signature on it (Liberty times net, 2015). This news examined whether they implement their activity well or not. The company said that they do pesticide testing and product inspection before it turn into final commodity, but in fact maybe we will put more question on the quality of the product.

The second question of the quality is, the use summer oolong tea to make oolong flower tea. As we know about the product they said it is because the taste and flavor of summer oolong tea won't be too strong, it won't let the flower fragrance disappear. And this way can also give a new road for summer oolong tea, why it is a new road? As mentioned before, consumers will buy winter or spring oolong tea owing to the fragrance and flavor are strong and clever compare to summer oolong tea. Therefore, on the other side, the quality of summer tea is not good. From these two viewpoints, the basic question is how Shih Chen Food Company define the means of "quality".

## **(II). Differentiation**

Shih Chen's position is differentiation. This is one of the reasons why their profitability is above the industry average. In order to be different from the other milk tea brands, 3:15PM did lots innovation as following.

### **A. Innovation**

#### **a. Chu's fragrant baking(朱氏香焙)**

Endue the new for summer oolong tea. They create unique way of baking oolong tea to sparkle-out the first oolong tea in the world. Utilize multilevel technology to let oolong tea and black tea ferment.

#### **b. Diversification of taste**

In Shih Chen their total number of products already is 132. Not only produce tea kinds of production but also casual drinks. Included milk tea, coffee, healthy drink, soup, flower tea and so on. Moreover, in every kind of drinks has a series of different tastes.

**c. Chinese-Western fusion.**

In order to catch bigger markets, Shih Chen will mix two different flavors of tea together. For example, in general, Chinese like to drink oolong tea and Westerners like to drink flower tea. So they mix them and create new flavor tea-oolong flower tea which meets the need of Chinese and Western people in the world. It is called New Tea Culture.

**d. Tea bag**

They are the first to launch tea-bag kind of milk tea. It is different that their tea bag includes leaves but not all power. It can be used twice. Therefore, first milk incense will be stronger than second is tea incense.

**e. Natural nursing research and development base**

This main purpose is using natural wild way to cultivate the most-healthy wild tea. Mr. Chu think no matter how the world change, it is needed the natural and time to perfectly match to brew a pot of tea. However, the concept of breeding R&D base is from Yunnan Pu'er tea farm in order to return and develop nature tree garden.

**(III). Meet market need**

Shih Chen company in order to meet market need, they took flexible marketing strategy.

- A. Chain tea shop In the past, 3:15PM Observed more and more people in the world like to drink tea, Shih Chen company announced that it will cross the catering industry, with its own brand " 3:15PM " set up a chain teahouse. Through the agency or authorized way to flag the world's major cities, including Shanghai, Malaysia and other existing agents.
- B. Tourism factory; garden "3:15PM sightseeing factory" to provide teaching of experience, also promote Taiwan's "new tea culture", peace of mind to enjoy another kind of leisure style. In addition to providing kindergarten to the Institute of student knowledge learning trip, also provide foreign guests and the community to visit. Through tea experience and outdoor teaching, understanding of industrial culture, the tea to be passed on. The production line opens to visit, through the experience of goods and then establish a healthy consumer confidence in the cycle.
- C. Get into tourism commodity market In fact, getting into tourism commodity market will be subject to network blog and travel books recommend, and because of the effect of word of mouth in the Korean tourist group has a very high brand

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recognition and purchase of the name of the "3:15PM".

- D. Interactive physical shop This year Shih Chen company established the first store in Korea, and the store and sold well.
- E. Combined with movie star to maintain product image This year 3 : 15PM invited to receive the Golden Horse Award for best supporting actress Xie Jiaying as a brand representative.
- F. 3:15PM fan page In order to let more people know 3:15PM, Shih Chen company created a Facebook fan page. Shih Chen company not only update its status on news feed, but also answers questions in chat box.
- G. Bottled milk tea Considering the Koreans preference of drinking, who do not like to spend too much time waiting, therefore 3:15PM also sell bottled milk tea, and let them directly took away. From 2017, Bottled milk tea also sold in Taipei 101.



### III. Five Force Analysis

#### (I). Industry competitors

*In Taiwan the competitors of Instant drink industry are over 25 firms, and you can them buy in convenience stores, supermarket, shopping mall or internet.*

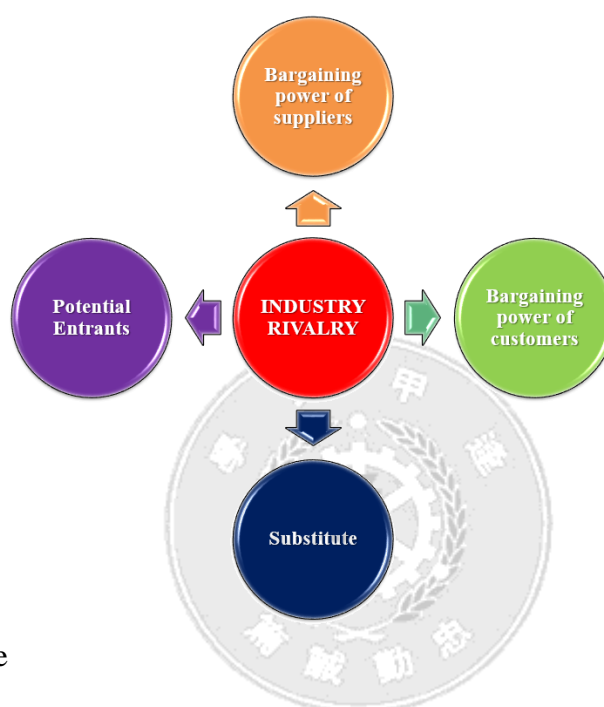


Figure 6. Five force

#### A. Competitors' concentration → low

The conception of competitors' concentration is how many competitors share the market in this industry. If there are only three companies share the market, they can control the market price. In other words, when competitors' concentration is high, the competitive degree of this industry will be low and they will control the whole market. In this case, 3:15PM in instant drink industry, as we all know there are many firms provide instant drink not only in Taiwan but also all over the world. Instant drink is very common, and also considered a kind of daily necessity. We can find more than 25 brands of instant drink in hypermarket easily, such as Carrefour, A-mart (愛買), etc. Furthermore, it is convenient to buy other foreign brands in online shop. From these viewpoints, we examine the industry is in a perfect competitive situation. Thus, the competitors' concentration is low.

#### B. Product differentiation → become lower

Just as we mentioned above, the products in this industry is very similar, maybe just a little bit different on their flavor. It is in a perfect competitive situation. As far, there are some questions about the tea bag milk tea, a series of 3:15pm milk tea using milk



powder rather than oil, and their special technology of oolong flower tea, etc. Therefore, perhaps we can make a conclusion that Shih Chen Food Company have differentiation from other brands, and also we can attract more attention from customers. However, the era for only one tea bag milk tea is pass. A brand, Taiwan brand, called Chatime (日出茶太), they develop tea bag milk tea. Furthermore, they have same ability to make the milk tea twice with one tea bag. 3:15pm developed a kind of milk tea with milk power, at that time it is creation. But now lots of competitor adopt milk power in their milk tea such as OK TEA(歐可), GREENMAX(馬玉山), MR. BROWN(伯朗), GINO(基諾). How about oolong flower tea? Shih Chen Food Company said they utilized NGO technology- Chu's fragrance baking to make oolong flower tea. However, there are some firm also have oolong/ black flower tea, such as Wang De Chuan (王德傳), Herdoor (禾多). The different between them is the price of 3:15 pm is cheaper.

To sum up, in this industry, two strategies are in low level. Low concentration and differentiation between competitors become lower. Therefore, from these two perspectives, their rivals in this industry are very strong.

## **(II). Bargaining power of suppliers**

Because there are many companies in Taiwan are selling brewed tea bags, therefore companies import similar raw materials. Compared with other larger companies, Shih Chen Food Company's purchasing power is relatively small, and Shih Chen Food Company requires high quality on the raw materials, therefore the Bargaining power of suppliers is low.

## **(III). Bargaining power of customers**

*The Bargaining power of customers is high due to low switching cost of buyers, buyer's price sensitivity is high and information availability is high too.*

### **A. Why buyer's switching cost is low and price sensitivity is high?**

In recent years, customers become caring about their health so that many instant drink companies began to follow the footsteps of 3:15pm to sell tea bag milk tea that put true tea leaves inside rather than some chemical additives, such as IMEI, Chatime, etc. Owing to diversity choices for customers, instant drink industry in Taiwan is in hyper competitive. To sum up, buyer's switching cost is low and price sensitivity is high.



## **B. Why information availability is high?**

Nowadays, due to develop of the Internet as well as online shopping trend, consumers can access a lot of information including brands, comments, ranking via internet. Thus, information availability of buyer is high.

## **(IV). Potential entrants**

In the threat of potential entrants include economies of scale, product differentiation, capital needs, exit barriers, access to the distribution channel, switching costs and so on... In the instant drink industry, they can reach to economies of scale easily. In the limited resource, if produce and sell more they will get higher economic scale. Their product differentiation is low because all products are similar just a little different in flavor but we can't deny their product diversification. The companies don't need too much capital needs. Then their exit barrier is low. If your product is good or popular, it is easy to access the distribution channel. The switching cost of buyers becomes low. It is less chance to see price competition so that retaliation is low. Therefore, in this industry of barrier to entry of firm is low. And the entrants will also increase.

## **(V). Substitutes**

3:15PM produce the instant drinks. Separated two parts of customers, when you just want to drink something indoor, the substitutes include mineral water, tea drink, carbonated or sports drink, coffee, juice, milk and so on... The threat of Substitute is high. In addition to instant drinks, it also has different choices when customers want to drink something. The other parts is when you want to drink outdoor, the substitutes also include hand-shake drink and any kinds drink which can be bought outside.

## **(VI). Summary / Conclusion: Industrial profitability**

Over all, this industry is in a perfect competitive situation, their profit will be very low theoretically, but why lots of firms engage in this industry. Due to few entry barrier, the market is easy to access in. For bargain power of buyers and suppliers, there are many kinds of drinks in the market, and you can buy it everywhere, the products are so similar. The switching cost is very low, the consumer will choose the commodity by cheaper, good taste, fashion or other reasons. Moreover, consumers' taste will change very quickly, maybe they change by their mood, weather, or superstar affect them to pursue it. Furthermore, the price gap between each other are small. Thus, buyers' bargain power is very strong. About the suppliers, the suppliers of Shih Chen Food Company is from CEO's village, so maybe the bargain power of supplier is not very big. Furthermore, there are many tea farmers in Taiwan, it is easy for Shih Chen

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Food Company to find lots of tealeaves suppliers. Why in this part we focus on “Taiwan”, due to they address to promote Taiwan tea. But, owing to they want to create something new to catch consumers’ eyes, such as oolong flower tea, they need to rely on import goods to support their creation. Furthermore, Shih Chen Food Company is not a big company and their sales volume not as big as some listed companies are, so they don’t have sufficient power to against big suppliers outside. However, Shih Chen Food Company have power of brand, and this power become stronger. Therefore, we argue the bargain power of suppliers will become lower. There are many potential competitors in this industry provide diversify drinks, not only instant drinks but also many tea shops, so there is no denying that there are many substitutes in the market. Although the market for Shih Chen Food Company is good now, due to the increase of growth rate, but the situation of the market is very competitive. Thus, firms in this industry are so called survive in a fissure; they have to keep creating new product to catch customers taste, and then they will have opportunity to sustainable survive.



## IV.Strategic Group

We apply innovation and geographic scope two variables to analysis strategic group of instant drink industry.

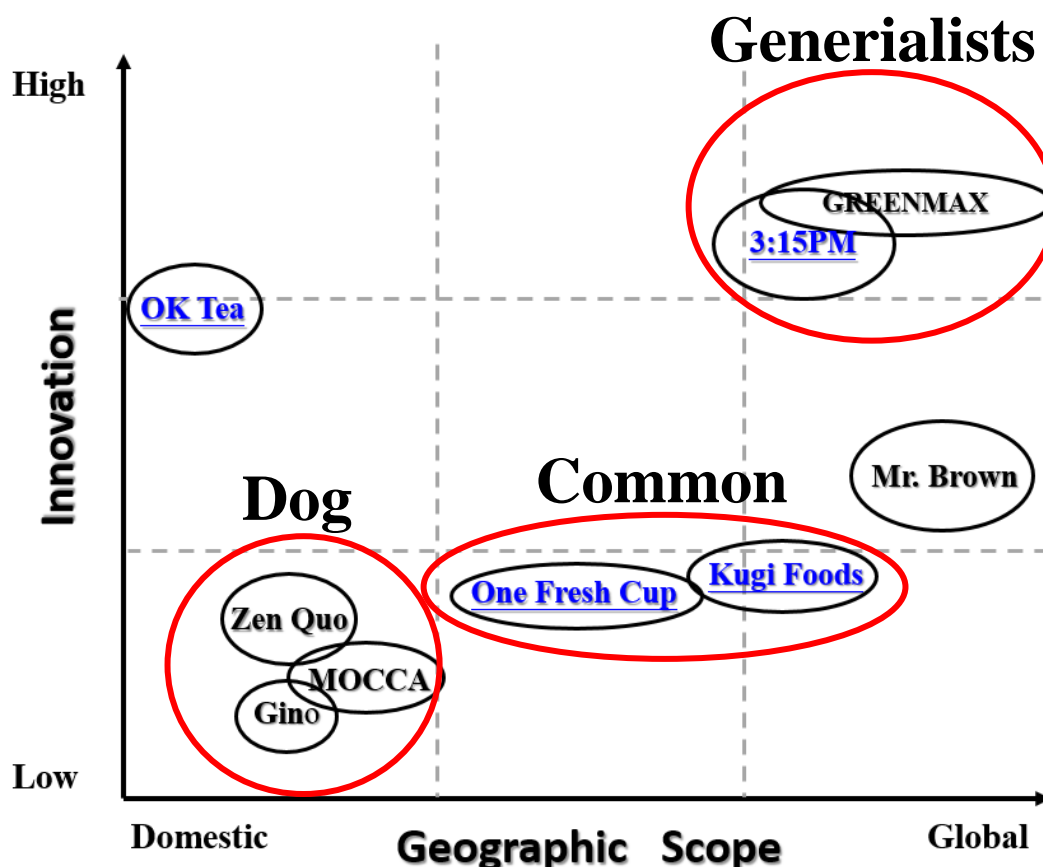


Figure 7. Strategic group of Shih Chen Foods Company

### (I).Competitors' innovation and geographic scope

#### A. OK Tea (歐可)

OK Tea was founded in 2010 by a steel factory worker. One time he got an opportunity to see tea making process and he found that tea farmers made tea directly without washing tealeaves. Therefore, he made up his mind to make cleanest tea which is the meaning if their brand name- OK Tea.

#### **Innovation:**

With sufficient knowledge and experience of iron products, OK Tea create a package-bag stick tea (袋棒茶), made by special aluminum foil which can resist 121 degree. There are 550 small holes in one tea bag, let concentration of tea evenly. Follow the

trend of health, they also designed sugar control package let consumers can adapt sweetness by themselves.

**Geographic scope:**

They were built for seven years and only focus on domestic. But now their business has ride high, they consider to expend oversea in the near future. (OK Tea)

**B. Kugi Foods (廣吉食品-台灣茶品集)**

Kugi Foods was set up in 1987. Kugi Foods was a professional food processing, manufacture and food agent.

**Innovation:**

Their objective is to make nature food, so they use milk powder to make tea bag mike tea. Using technology to keep food origin flavor.

**Geographic scope:**

Kugi Foods has exported their products to U.S., Canada, Hong Kong, Macao, Mainland China, England, Malaysia, Singapore, Australia, and Japan, etc. (Kugi Foods)

**C. One Fresh Cup (鮮一杯)**

Kenjohn Trading Co., Ltd reinvested and set up Lariat partners limited in 1999. Promote drip bag coffee (濾掛式咖啡) to every department stores in Taiwan and U.S., Australia, New Zealand, and Hong Kong High consumption market. In 2011 they applied the brand name “ One Fresh Cup”.

**Innovation:**

Lariat is the first company that import drip bag coffee from UCC Japan. They also add dietary fiber- acacia(膳食纖維-阿拉伯膠) in their coffee powder. This kind of dietary fiber is natural and healthy which can also improve bowel movement.

**Geographic scope:**

Their markets include Taiwan, U.S., Australia, New Zealand, Hong Kong, Philippines, and Turkey. (One Fresh Cup)

**D. GREENMAX (馬玉山)**

Ma Yu Shan Foods Co., Ltd was established in 1965;From the early discovery, it is testified to say the remarkable contribution of cereal products to the health of human being can't be easily detectable by their general outlook, therefore, Ma Yu Shan has being fully devoted herself in the area of natural cereal products for 30 years.

**Innovation:**

GREENMAX has rigorous and professional testing of raw materials, semi-finished products, finished product with advanced technical support. They have many kinds of goods such as flaxseed & Nuts cereal, nuts cereal, enzyme, organic foods, milk oatmeal, almond powder, multi grains porridge, mixed cereal powder, seeds & seeds powder, multi grains rice, rice powder & soy beans powder, milk tea, snack foods, tea, coffee, gift pack. And every series also have different taste.

**Geographic Scope:**

GREENMAX sold their products to more than 20 countries, including: Japan, China, Taiwan, Hong Kong, Macao, Malaysia, Indonesia, Singapore, Brunei, Australia, New Zealand, Canada, United States, South Africa, Germany, France Netherlands, United Kingdom... (GreenMax)

**E. Mr. Brown (伯朗)**

Kingcar company was founded in 1979. Then in 1982 the first jug of Mr. Brown coffee was launched in 1982. Then start to export to the world.

**Innovation:**

Their product is only one series. The main is Coffee. Then launched out different taste of instant coffee or beans. It is worth mentioning is their drip' coffee which is different from the original powder.

**Geographic Scope:**

They already export to Asia, European, Middle East, Africa countries. About thirty countries. (Mr. Brown)

**F. ZenQuo (真鍋)**

ZenQuo company founded in 1991. Their main products and service are café shop, instant drink.

**Innovation:**

Their product include milk tea, coffee with different tastes.

**Geographic Scope:**

They mainly sold in Taiwan. There are some shops that located in Taipei, Taichung, Puli. (ZenQuo)

**G. 3:15PM (三點一刻)**

In 1990, Shih Chen Foods Company was launched 3:15PM milk tea. Mr. Justin Chu,

the general manager of Shih Chen Company, creates the brand “3:15PM” to spotlight Taiwan tea all over the world. He wishes hard working tea farmers and qualified Taiwan tea can find love in 3:15PM brand. Nowadays, 3:15PM has more than 15 kinds of tea bag flavors.

**Innovation:**

In 1990, Shih Chen Foods Company launched 3:15PM milk tea and the first company to use tea leaves in tea bag. In 1991, invent series of "GrainMaster" and "vitality 100", these products provide high fiber, high calcium, zero cholesterol, etc. In 2006, Shih Chen Foods Company proposed a concept of Chinese-Western fusion, and launched new product “Oolong Flower Tea” that a brand of Oolong Tea in the world.

**Geographic Scope:**

3:15PM tea bags promote to 18 countries, including Korea, USA, Canada, Australia, China etc. (3:15PM)

## **H. MOCCA (摩卡)**

Founded in 1974, MOCCA brand has been registered in Taiwan for over 40 years. MOCCA has become a professional coffee manufacturing company. "Loyal to the original flavor" is the company's consistent demand for coffee taste. It hopes to produce aromatic coffee to satisfy consumers' taste and thus be the leader in the professional field of Taiwan's coffee market.

**Innovation:**

In 1974, the first introduction of freeze-dried granulation made of granular coffee manufacturers in Taiwan, there is no commercially available condensed coke flavor thick coffee.

**Geographic Scope:**

Today MOCCA establish factory and Office building in China. (MOCCA)

## **(II).Cluster**

Separated three parts, first cluster is dogs included ZenQuo, MOCCA and Gino. The reason why they put here is they only stay in Taiwan without sell to the other countries. And they have few innovations. Second, Common included One Fresh Cup and Kugi Foods. Compared with other brands, they are put in middle in our strategic group. Among them, Kugi Foods said their innovation is keep food’s original taste but this means they didn’t do any innovation. The meaning is just be same as their cluster named “Common” nothing special. Third, Generalists included GreenMax and 3:15PM because they have bigger geographic scope and more innovations so that we

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called them generalists means they can do everything. However, if Dogs want to grow up to Common Generalists, it need to put more money and cost to do their innovation and also need international marketing to sell to other countries. And some brands such as OK they don't have lots ability of producing so that if they move to high geographic scope they need to have more outputs. If the brand want to be generalists, it must need to have some sacrifices.



## V. RBV & VRIS

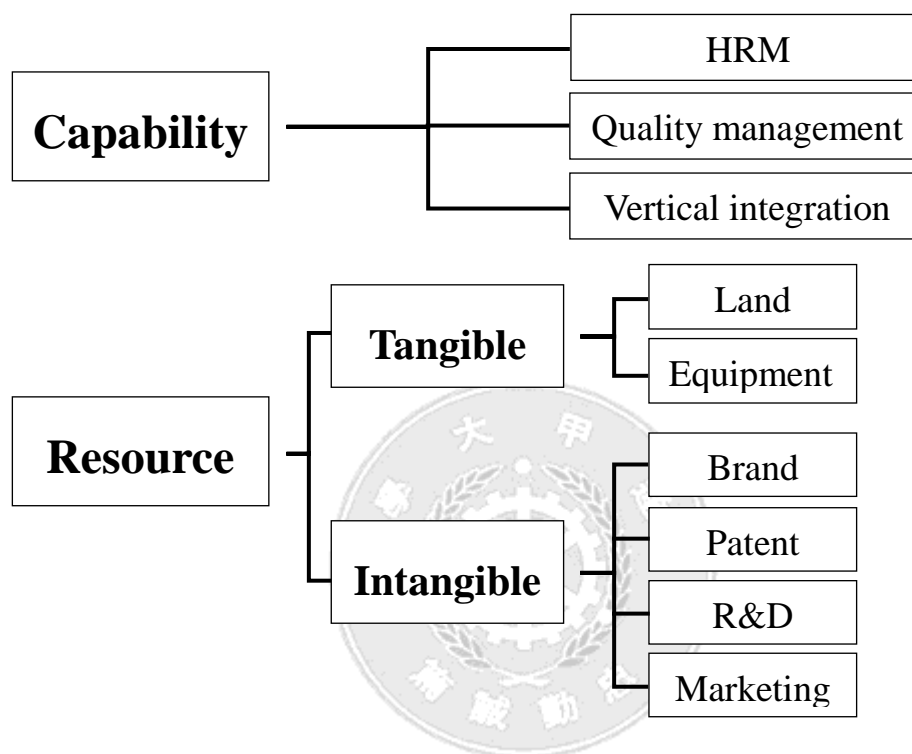


Figure 8. RBV for Shih Chen Foods Company

### (I). Definition

#### A. HRM

In the company of 3:15PM, Shih Chen has a good human resource management. Separated into two parts, first is their employee training. The company thinks it is important that their employees should always update knowledge. Through the inside training and other speeches of professional advisors, they can get more power to reach new goals which include R&D innovation, production differentiation, talent specialization and safety of manufacture. Second, Shih Chen keeps that benefit sharing, share weal and woe in mind. Viewing employees as family members. Employees are their biggest assets. Therefore, they have perfect welfare system include health insurance, allowance, health check, gifts and travel. Different from other companies in Taiwan, their power distance is lower, they encourage employees



to provide personal opinion and get along as families.

## **B. Quality management**

To achieve the goal of promoting Taiwan all over the world, most of the material is from own produce and must to meet the standard-quality. First is their tea leaves. Their farms need to be checked about environment pollution and use record of pesticide, time control of spraying pesticide. Then in good time pick tea leaves by specialized people. Second, they make the record of product periodic and packaging materials to attain health management and traceability before their tea being final commodity. The biggest purpose of those strict managements is making sure their consumers have good production.

## **C. Vertical integration**

Different from other tea brand companies, Shih Chen have vertical integration capability. From the material to the final product are totally by themselves. They have their own raw material manufacturer, own brand and tea shop. Although they still need some retailer to help them sell product, compare to another tea company their capability of vertical integration is higher.

## **D. Land**

Along with increasing international markets, Shih Chen Food Company establishes a long-term reliable relationship with tea farmers to stabilize our source and quality of tea leaves. Currently, Shih Chen Food Company has more than forty tea farmers to provide an adequate source of tea leaves. For European and American Pesticide Regulations and our tea plantation health management, we regularly send the experts to counsel, educate, and audit our tea farmers. Although our management is in strict compliance, we ensure that we can purchase tea leaves all seasons. In addition, we purchase at a higher price than the market price to protect our farmers' rights and livelihood, therefore raise their willingness to cooperate with us. This establishment of tea safety management brings the guarantee for our consumers. The supports of our excellent farmers assure us to pass down our traditional tea making technique and promote Taiwan's high-quality Oolong tea to worldwide.

## **E. Equipment**

In order to let foreigners to slowly adapt to the taste of Oolong tea, the first one step is a combination of European and American people who love to drink flower tea. To make the perfect combination of fragrance of flowers and tea rhyme, R & D team spent a full four years of hard work, and finally, 3:15PM team relying on many years

of professional production technique and hard work, biotechnology in the "NGO transplanting technology" will pull away bitter Oolong tea, implanted fragrance of flowers, creating Oolong tea that only one in the world.

In equipment Shih Chen Food Company, in addition to have a general system of tea and packaging equipment, because of its Oolong flower tea is the use of biotechnology in the "NGO transplanting technology," so the device is also customized for this series of products a set of equipment, which is currently Shih Chen Food Company's most advanced equipment.

## **F. Brand**

Milk tea, and bubble teas, have been around for decades in various forms. The most popular style of milk tea originated in Taiwan back in the 1980s and it is a simple blend of black tea, creamer and sugar. Since then, however, this one simple drink has turned into a revolutionary tea culture that has allowed tea lovers to pair their favorite teas with a myriad of creamers, flavors and sweeteners. But that is not even the best part. It's also incredibly popular and provides phenomenal profit margins for tea retailers.

Since 2006, China has ranked No.1 in tea consumption for nine years. From the above information we can see that the Brand awareness at 3:15PM is high in the Chinese market.

From 1994 3:15PM start sold their products to China. In 2017, 3:15PM ranked fourth on tea drink list in China, it is synonymous with afternoon tea in Taiwan and the tea market spokesman, the sales tentacles even more to Europe. 3:15PM milk tea emphasizes "four-dimensional space three-dimensional taste," milk tea will have different flavors due to the length of immersion, you can adjust the immersion time according to personal preference to meet different tastes.

## **G. Patent**

With 100-year experience of planting tea, Shih Chen Food master tealeaves in high accuracy. Therefore, they created the first patented tea-bag milk tea in the world.

## **H. R&D**

As mentioned before, they have a 100-year experience of planting tea, so they can master tea leaves in high accuracy. Furthermore, they have plentiful tea knowledge. Thus, they can combine black tea, unfermented Oolong tea with high water-contented sugar. Making the first tea-bag milk tea successfully. This kind of milk tea is different from other milk tea. Its tea flavors are stronger. Furthermore, they use unfermented Oolong tea leaves inside, its tea flavor will change with time and can re-brew it twice.

In addition, to meet European needs, they developed nature Oolong flower tea with different flavors. The nature flower Oolong tea is made by unique NGO bio-tech to eliminate the bitter of Oolong tea and transfer into flower fragrance. Besides, to keep the trend of health, they also developed life cultivation series.

## **I. Marketing**

Their marketing strategy is to meet each area's needs, so in Taiwan, 3:15pm invite a new idol drama actress-Hsin-Ying Hsieh(謝欣穎) to be the brand representative. In Mainland China, they create Chowder series that let the people there can have their meals conveniently. Chinese people love Sun Moon Lake black tea, so they apply Sun Moon Lake black tea to make milk tea. In Europe, they European love herbal tea, so they combine herbal tea and oolong tea to make oolong flower tea. In Korea, they want to maintain young and fashion image of the brand, they also hire young idol to be their one day clerk, make an advertisement video and in March 2017 they open their first teashop in gangnam-gu(江南). In addition, they create bottle milk tea to meet "fast" culture in Korea. So far, we know the ambition of 3:15pm that they want to be international. However, there are some questions that they want to be international, but they adopt the strategy "meet each area's needs". This strategy makes their reputation won't be high. Because in Taiwan, some people still don't know who is Hsin-Ying Hsieh, let alone in foreign countries. Take Lipton for example, Lipton is an international brand and its reputation is very high, it adopts super star Lee-hom Wang(王力宏) to be their brand representative.

## (II). The framework for appraising resources and capabilities



Figure 9. The framework for appraising resources and capabilities

### A. Key strengths:

#### a. Vertical Integration:

Because they have their own manufacturer, they can maintain their produce quality, produce schedule, assigns key resources. Use own brand to spotlight in the world. Although spend more costs to coordinate but also get more benefit.

#### b. Quality management

Shih Chen also put many efforts on their quality management. We can see relative information on their website. So that we can ensure we can use their products with peace of mind.

#### c. Land

Shih Chen Food Company establish a long-term reliable relationship with tea farmers to stabilize our source and quality for tea leaves.

**d. Equipment**

Shih Chen Food Company have the most advanced equipment of "NGO transplanting technology" and no others company have the equipment.

**e. Patent:**

Their patented tea-bag milk tea not only help them open the market, but also bring them go into internationalization.

**f. Marketing:**

There is no denying that they made a lot of efforts on their products, including “meet each area’s needs” so that they created and developed many different series of products. However, we know Shih Chen Food Company’s target is to promote Taiwan tea all over the world, so their goal is international market. In this case, their advertisement of “meet each area’s needs” strategy may run counter to build international brand. Who they invite are all local young idols, maybe they can maintain the young and fashion image but most people don’t know them. In addition, most of their videos are in Chinese. That will make their efficiency lower. Therefore, we think their marketing is their weakness. But we can not erase their success on instant drink market. They are one of the few instant drink which open international market successful. Thus, we classify marketing in their key strength.

**B. Key weaknesses:**

**a. Brand**

The brand of 3:15PM is famous in Taiwan, China, and Korea, but compared with other brands such as Unilever or Twining, 3:15PM at a disadvantage position.

**C. Superfluous strengths:**

**(a). HRM**

In recent years, more and more companies pay attention to the rights of personnel. It is good to let them have more motivations to work for company. Shih Chen did this one but this kind of thing is thought as basic by public.

**(b). R&D:**

Owing to plentiful tealeaves experience and knowledge background, so they have strong power to support their R&D. Their two famous R&Ds in Shih Chen Food Company is tea-bag milk tea and NGO bio-tech oolong flower tea. The first one help

them open the markets and go into internationalization. The second one help them open Europe market and increase their reputation in foreign countries. However, what consumers care about is not a firm's R&D skills, what they care is taste and price. As a result, we think R&D is their superfluous.

### (III). VRIS

Capability						
	V	R	I	S	Competitive consequences	Performance implication
HRM	√	x	x	x	competitive parity	Average returns
Quality management	√	√	x	x	competitive parity	Average returns
Vertical integration	√	√	√	√	Sustainable competitive advantage	Above average returns
Resource						
	V	R	I	S	Competitive consequences	Performance implication
Tangible- land	√	√	√	x	Temporary competitive advantage	Above average returns
Tangible- equipment	√	√	√	√	Temporary competitive advantage	Average returns
Intangible-brand	√	x	x	x	Temporary competitive advantage	Average returns
Intangible-patent	√	√	√	√	Sustainable competitive advantage	Above average returns
Intangible-R&D	√	√	√	√	Sustainable competitive advantage	Above average returns
Intangible-marketing	√	x	x	x	competitive parity	Average returns

Table 4. VRIS of Shih Chen Foods Company

- A. **HRM:** In HRM, although it has value, but we think it doesn't have rareness, imperfect imitability and substitutability. It can easy to be substituted and be imitated and each company also have good human resource management. It was seen as the basic thing in companies.
- B. **Quality management:** In quality management, it have value and rareness, it is seldom to see those kinds companies will put lots dedication on it. But it is easy to imitate and be substituted. Therefore, HRM and quality management only are competitive parity and average returns.
- C. **Vertical management:** Be different with other company, their vertical integration have value, rareness, imperfect imitability and substitution. It is seldom to one-stop company to sell instant drinks so that in this industry 3:15PM have sustainable competitive advantage and above average returns.
- D. **Tangible-land:** The value of Shih Chen Food Company's land is they establish a long-term reliable relationship with tea farmers to stabilize our source and quality of tea leaves.  
The rareness and imperfect imitability of Shih Chen Food Company's land is more than forty tea farmers to provide an adequate source of tea leaves in all season.  
Shih Chen Food Company's land doesn't have substitutability because they don't have too many own land to control.(3:15PM)
- E. **Tangible-equipment:** Shih Chen Food Company's equipment have biotechnology in the "NGO transplanting technology" will pull away bitter Oolong tea, implanted fragrance of flowers, creating Oolong tea that only one in the world. Though their equipment is hard to replace until now.
- F. **Intangible-brand:** The value of Shih Chen Food Company's brand has ranked No.1 in tea consumption for nine years in China.  
But 3:15PM has many competitors in milk tea powder industry, compare with them 3:15PM doesn't have substitutability, rareness and imperfect imitability.
- G. **Intangible-patent:** It meets all criteria so it is a sustainable competitive advantage. However, it is a little bit contradictory for us, a study talked about business model (Teece, 2010), in his study, he explained: once a new business model be started, it will be imitated in the near future. Even if it is a patent, it

will also be substituted in the future. We also found some evidences that the tea-bag milk tea of 3:15pm it is a patented package, however, it has been imitated by many brands, such as Chatime, Kugi Foods, and so on. Therefore, in here we cannot say that patent is not rare, value, imperfect imitate and unsubstitutability even sustainable competitive advantage. But in this case, patent here is not a complete sustainable competitive advantage.

- H. **Intangible-R&D:** we also classified it into sustainable competitive advantage. About R&D it rely on their employee and company construct supported by plentiful making tea experience background. This background is a big energy database to support their R&D. Obviously, this kind of R&D is hard to imitate, substituted, also it is rare and value with no denying.
- I. **Intangible-marketing:** in this case, marketing just meets one criteria-value. Although in the rule of VRIS, marketing is not a sustainable competitive advantage, its contribution is not less than the other two intangible resources. Patent and R&D are energy to support their product developed. But the most important role is marketing to carry Shih Chen to international market. Even though it not rare, can be imitated, substituted. A good marketing manner can help a company successful.



## VI. Value chain

### (I). Primary activity

#### A. Inbound:

In Shih Chen, most materials are from own produced which have meet the standard-quality. Materials will be sent to their manufactory and wait for delivery. So they can control materials by themselves. Separated two parts, cost and quality management. Although they have their own land to produce leaves, sometime the yield of leaves is not enough for their output. Therefore, they turn to find small farmers for contracting so that they can control their cost. In quality management, they have experience of growing tea leave, it is easy to decide their quality of each output.

#### B. Operator:

Before growing tea leaves, they will do tea garden environmental assessment and check whether the garden is suitable. They have own wild-natural garden to grow leaves. If the garden is contracting with other, they will control pesticide products which should be in standard. In order to avoid the herbicide hurt the quality of leaves, Shih Chen use artificial weeding and choose the safe time to harvest. Each harvest will be recorded for consumer viewing. The other process of tea production include sunlight withering, indoor withering, wave cyanine, static fermentation, frying, ball rolling and baking drying. Finally package it and deliver to consumers.

#### C. Outbound:

In part of outbound, we infer from 3:15pm story that they are good at warehousing management. When facing full warehouse of tealeaves and the tealeaves is unsalable. Their CEO came up with a good idea-combining tealeaves with milk powder and made it into milk tea. This is an evidence that their ability of warehousing management is good. Mr. Chu, their CEO ever said that: I won't give as many as sellers want. They want to protect their sellers from excessive competition and fluctuate price. CEO of Taifoods (台湖食品開發股份有限公司) said that 3:15pm pay attention on their market management, and control the price between different sellers. This is the key to hold the lead. Furthermore, Shih Chen Food Company have a special strategy- focusing on global Chinese supermarket which include U.S., England, Australia and Canada. That let domestic consumers in foreign countries can feel the warm form home country.

## **D. Marketing**

3:15 pm is classified experiential marketing, they want to let their customer try their milk tea first and experience the difference from other brand of milk tea.

Their marketing strategy separate into domestic and foreign market, and their common point is meet each area's needs. In domestic country they focus on promote city image milk tea, such as Kinmen army (金門軍), Taipei 101. In foreign market, taking Korea for example. The dealer in Korea concentrate on convenient store as their marketing channel and develop bottle milk tea, this way not only increase reputation of the brand but also meet "fast culture" of Korea. As we mentioned in prior presentation that consumer trust is a critical factor for a firm's or a brand's success. Therefore, they built a physical teashop, let consumers experience fresh milk tea at cheap price and see the process of making a cup of milk tea. After their consumers trying milk tea and trusting them, the consumers will buy their products. In addition, keeping the pace of Taiwan trend, 3:15pm also export many Taiwan product to attract Korean's eye. As we mentioned in other presentation, they open Europe market by oolong flower tea, U.S. market by tea-bag milk tea, Chinese market by chowder series. It seems that they are audacious corporate, they adapt different ways and products to meet the market need and we know that R&D is very burning up money (燒錢). However, their CEO ever said that we will develop the products depend on what we have, and it doesn't matter for something not done, but something we done, maybe the enterprise will collapse. Thus we can infer that their strategies are remain in the middle.

## **E. Service**

Shih Chen Food Company established the website of 3:15PM, Facebook fan page, and provided their email and toll-free phone numbers for consumers.

Customer Service Department of Shih Chen provide efficiently and courteously service, for example, when you call their toll-free phone numbers you do not wait for long time, and their customer service specialists are friendly, patient and they deal with things efficiently.

## **(II). Support activity**

### **A. HRM**

Shih Chen has a good and complete human resource management. For example, their employee training is important to their employees should always update knowledge. Through the inside training and other speeches of professional advisors, they can get more power to provide experiential marketing to consumers and have knowledge to

answer questions. Second is viewing employees as family members. Also, they have a perfect welfare system include health insurance, allowance, health check, gifts and travel. Different from other companies in Taiwan, their power distance is lower, they encourage employees to provide personal opinion and get along as families.

## **B. R&D**

Product Design : In the beginning, Shih Chen food Company wants to help tea farmers resolve the rest of tea, and they observed lots of people like to drink milk tea and lots of milk tea bags are mixed tea powder and milk powder. Through observing the fact, Shih Chen food Company decided to sell milk tea bag that put tea leaves. The idea for product design not only deal with farms product much more tea leave, but also let customer drink more high quality milk tea powder than other brands.

Testing : In order to put tea leaves in a tea bag, Shih Chen food Company through several testing to eliminate the bitter and acerbic(澀味) of tea

Market Research : Shih Chen food Company want to market Taiwan tea to others country, they researched new flavor tea, Oolong flower tea, that mix two different flavors of tea together which meets the need of Chinese and Western people in the world.

## **C. Procurement**

Shih Chen Food Company establishes a long-term reliable relationship with tea farmers to stabilize our source and quality of tea leaves.

Nowadays, Shih Chen Food Company has more than forty tea farmers to provide an adequate source of tea leaves.

Although our management is in strict compliance, we ensure that we can purchase tea leaves all seasons. In addition, we purchase at a higher price than the market price to protect our farmers' rights and livelihood, therefore raise their willingness to cooperate with us.

This establishment of tea safety management brings the guarantee for our consumers. Through these ways to keep in right vender, right quality, the right quantity, and right price.

## **(III). Where is the value come from?**

We think the value comes from marketing and quality, maybe in their website, we will infer that their value come from R&D. But customers don't matter the part of R&D, not the quality itself. Few customers know the real quality of tea. What they consider is favor and trend. Therefore, marketing is a critical factor. They invite idol drama

actress to be their brand representative, using city image, meeting the different culture habits and so on, to attract customers. Furthermore, few companies can expand their foreign market, but Shih Chen Food make it. They adopt different products and series to catch different group's interest. We also want to explain the importance of another aspect of quality here. It seems a slap in our face(打臉) that we ever mentioned what customers matter not "quality" itself, because few consumers know the real quality it is. But we also said that we want to describe "another aspect" of quality. Nowadays, people pay lots of attention on food safety. Furthermore, it is easy to acquire many relative information. Shih Chen have a good system to get information of food safety management in public. They have their own tea farm and also have long contract with some Taiwanese tea farmers and control it with quality management systematically, such as farm chemical testing regularly. With this kind of system, they can get customer's trust, as we mentioned before, customer's trust is very important, once company get trust from customers, they can increase their selling. To sum up, the value of Shih Chen Foods Company comes from marketing and quality.

#### **(IV). Differentiation or low cost strategy**

At the first sight of any products of Shih Chen, you can see 3:15pm on it or when you search one of Shih Chen's brand, you must can see 3:15pm is the part of topic. It is obviously that 3:15pm is a very successful brand in Shih Chen. Therefore, when promote other brands, they will use 3:15pm to increase other's visibility. About 3:15pm, as we mentioned in previous content, they have 6 product lines and over 20 kinds of commodities. These products are developed with the trend or taste change of consumers, such as Sun Moon lake milk tea, flower oolong tea and so on. Furthermore, they are not satisfied with their success of 3:15pm, they want to catch consumers' eyes in other levels. Therefore, they create tea master and brewing, enhancing the quality and price of products to touch the customers of middle and higher levels. As far, we can make a conclusion that the strategy of Shih Chen is differentiation.

## VII. BCG

*Due to Shih Chen doesn't have branches yet, we apply their brands as their SBUs.*

### (I). BCG analysis

#### A. 3:15PM

Ten years ago, their CEO found this brand. After standing stable in Taiwan, they went to the other countries included China, Japan, United States and so on. Right now, the brand's earnings and cash flow are stable. It is one of the main incomes to Shih Chen. We can buy it in shop store, retailed store, supermarket or online. However, 3:15PM has an obvious growth in Korea in recent years. Because their series marketing in Korea, their young people really like and pay for it so they also has the growth over there. They create a business opportunity in recession.

#### B. Tea Master

Shih Chen has a lot of experience of growing tea leaves. It is mainly for Taiwan oolong tea. This brand is created for overproduction tea leaves. In order to solve Taiwan small farmers' problem of overproduction, they also cooperate with them. Hope use Taiwan tea leaves to stand out and let people know us in the world. We can buy it online. Compared with 3:15PM, the earnings and cash flow are less and less stable. But it is their second brand, hope in the future, it will have growth rate.

#### C. Brewing

The main production of this brand also is Taiwan tea. Their concept is no matter how the world changes, it always needs time, people and nature to cooperate perfectly. This is why they create this brand. Compared with 3:15PM and Tea Master, it is the newest brand to Shih Chen. Right now people pay more attention on slow living. Although it is not very famous now, as people's idea change they will like this brand.

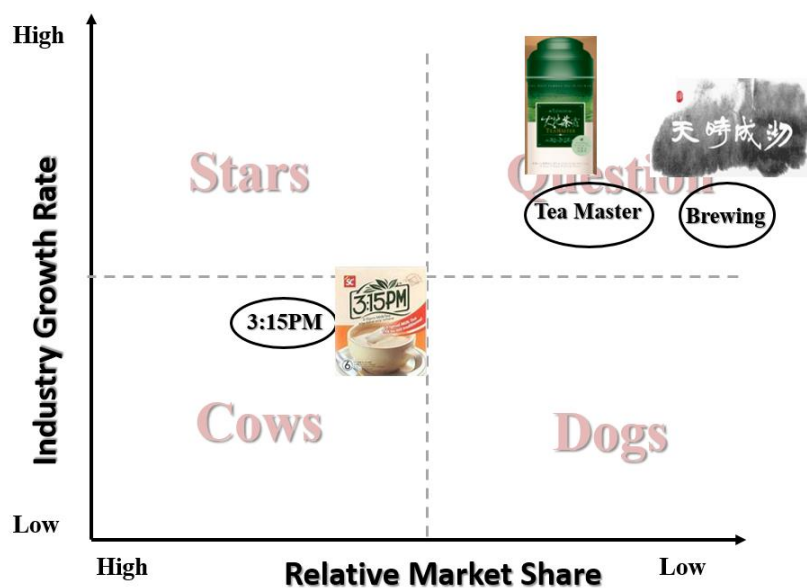


Figure 10. BCG of Shih Chen Foods Company

## (II). Synergy

Due to Shih Chen Food Company don't have SBUs, in here we apply brand SBUs to analysis. Focusing on the brand-3:15pm.

### A. Operating synergy

Shih Chen Food Company establishes a long-term reliable relationship with tea farmers to stabilize our source and quality of tea leaves.

Nowadays, Shih Chen Food Company has more than forty tea farmers to provide an adequate source of tea leaves.

Although our management is in strict compliance, we ensure that we can purchase tea leaves all seasons.

### B. Marketing synergy

#### a. Domestic Market

##### (a). Tourism factory

Tourism factory in Dali Taichung city was built in 2008 in order to promote "New Tea Culture" and provide educational experience to students and other corporate organization to visit. Furthermore, this is an Industry-academic Cooperate factory focus on students from elementary school to master degree. As we know that the consumers of milk tea is teenagers. Therefore, 3:15pm's target customers is also concentrate on young people. This kind of factory can help their target market know

more about them and increase their reputation in their target customers' mind. In addition, their marketing is classified experience marketing, in the factory, visitors can realize tea making process, knowledge of tea, how to brew tea and most important of all is trying their products. As long as consumers understand their products and leave an impress on their customers' mind, these would be a good situation. When they know this brand that will increase their attention on this brand in daily life.

**(b).CSR**

Shih Chen Foods Co., Ltd. joins charities, such as Lohas bear Carnival and Taiwan Action Buddha Society, not only let more people know 3:15pm but also promote their brand.

**b. Foreign Market**

**(c).3:15pm Taiwan café**

They are not satisfied only success in 7-11, they want to catch more eyes. They bravely open a 3:15 Taiwan café in most expensive district- Jiangnan (江南). Why we will say that this should be brave. There are two reasons: first, the district is really expensive; second, they just open the cafeteria in the middle of two STARBUCKS. How can they survive? But, they success ! They combine all the products that Koreans will buy when they come to Taiwan, such as pineapple cake, snuggle(熊寶貝), nougat(牛軋糖), apple cider, mango and most surprising thing is scallion pancake (蔥油餅). Korean say that the most fantastic combination is scallion pancake with a cup of milk tea.

**C.Financial synergy**

**a.Eliminate Risk**

Shih Chen Food Company not only sell the product of 3:15PM in Taiwan, but also promote their products to other countries.



## VIII. Vertical integration & Diversification

### (I). Introduction

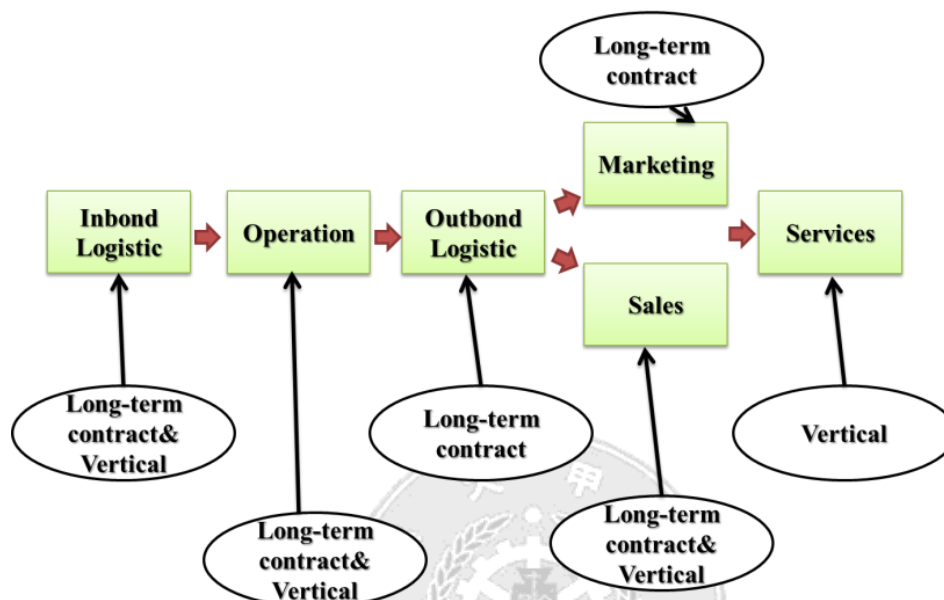


Figure 11. The value chain of 3:15 pm production

#### A. Inbond Logistic

With lots experience of plating tea leaves, most tea leaves are produced by themselves. From the process of growing it, handling the leaves, processing to final product are totally manufactured by them.

In Shih-Chin, they have some outsourcing contracts with other farmers or companies in order to get the material which they can't produce. First, their small farmers included Guohui Ji, Meiyi Wu, Zengzhu Ji, Lian Ji who will provide different kinds of tea leaves. Second, one of their packages that foil wrapping paper is from Sui Rong company. The package jars are from GUANG HUA METAL INDUSTRIAL. The cotton tea bag is produced by CHUNG RHY SPECIALTY PAPER MFG. CO., LTD. And also have some material such as coffee bean, flower tea leaves, casual drinks materials are not produced from own. All of them are contracted with other in order to save some cost.

#### B. Operation

Needless to say, Shih Chen is familiar with the tea making skills. Also they have own R&D. The operation of the tea bag's contents is made by their company.



However, they still need some long-term contracts with others. Such as the operation of making any kinds of packages, all of them are from other company so that Shih Chen doesn't need to buy lots machine or learn different skill.

### **C. Sales**

In addition to selling product online by 3:15PM, they have the cooperation pathway. They also contracted with Taipei 101, Korea and so on. For example, right now they cooperate with Korea agent to help them management their brand so that Shih Chen can focus on R&D.

### **D. Outbound logistics**

Long-term contract

CEO of Taifoods (台湖食品開發股份有限公司) said that 3:15pm pay attention on their market management, and control the price between different sellers and Mr. Chu, their CEO ever said that: I won't give as many as sellers want.

As mentioned above we can know Shih Chen Food Company keep their promise to protect their sellers from excessive competition, fluctuate price and maintain long-term cooperation with seller.

### **E. Marketing**

Shih Chen Food Company establishes a long-term reliable relationship with their marketing strategy, separating into the domestic and foreign market. 3:15PM series of products have been keeping continuous innovation and providing variety of flavor tea powder. Shih Chen Food Company also export 3:15PM series of products to many countries such as China, Korea, and Europe etc. The Shih Chen Food Company adapt different ways and products to react to the rapid demand in the market.

### **F. Service**

Shih Chen Food Company not only provide good tea products to customers also establish friendly service customers.

Shih Chen Food Company through separate ways to service customers like established the website of 3:15PM, Facebook fan page, provided their email and toll-free phone numbers. Hope customers can receive the latest news from their he website of 3:15PM or Facebook fan page, and if customers have any question, feel free to contact Shih Chen Food Company.

## (II). Different Types of Vertical Relationship

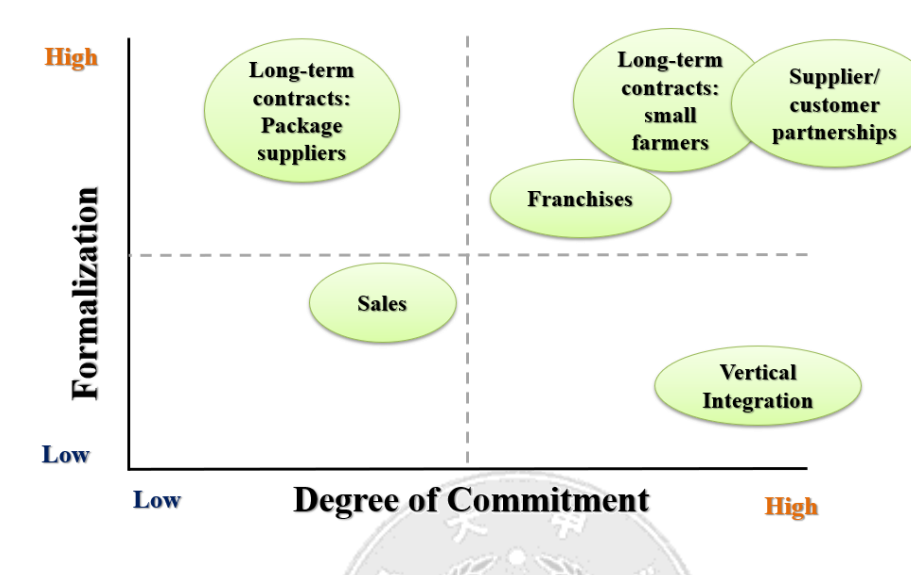


Figure 12. Different types of vertical relationship

For Shih Chin, the Long-term contracts of package suppliers are higher formalization and less degree of commitment. But they have higher degree of commitment because compared with other small farmers Shih Chen have ability to sell tea leaves by their own brand. Their franchises' formalization and degree of commitment are also higher. Sales are less. Then the vertical integration has higher degree of commitment, because they can control it by themselves.

## (III). Diversification Strategy

When talk about diversification, there are three brands for Shih Chen Food Company- 3:15pm; tea master, brewtiming. And these three brands are in different levels, 3:15pm is in lower level, its price is cheap that everyone can buy it easily and their target customers are focus on teenagers or young people; the price of tea master is in middle high, it can be bought from internet store only, and their target customers are different from 3:15pm. Focusing on people who love to drink original oolong tea, and their age are older than 3:15pm. When it comes to brewtiming, it belong to high level, its price is highest compared to the other two brands. And it can be bought in airport duty free store. They focus on the consumers who have picky mouth and their age are older than 3:15pm, too. In diversification strategy, we will also analyze two aspects-related, unrelated. As we knew that, this three brands are all tea brand, therefore we

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can easily infer that they are all related. However, there are some exceptions. As we knew that the most famous product of 3:15pm is milk tea, but they still have oolong flower series, coffee, chowder series, life cultivation series. There are nine series which included more than twenty commodities of this brand, as for product line, it is diversification. How about the problem of relatedness and unrelatedness. Shih Chen Food Company is a tea company, it is no denying they have plentiful experience on planting tea, thus the related one is milk tea and oolong flower tea. For this, we have economics of scope on operational relatedness. That everyone know Shih Chen Food Company plant tea in Nantou, but they don't plant coffee, plum, corn, and so on. They also don't have experience on it. Therefore, these kind of products classified as unrelatedness.



Figure 13. Diversification of Shih Chen Foods Company



Figure 14. Relatedness and unrelatedness products of Shih Chen Foods Company



## **IX. National Diamond**

### **(I). Factor endowments**

#### **A. Taiwanese Climate 、 Location 、 Land 、 Natural resource**

The distribution of tea tree is mainly dominated by the natural environment such as temperature, rainfall, light, wind and soil. It can be cultivated from 40 degrees north latitude to 30 degrees south latitude. The most suitable temperature for growing the tea tree is between 18 and 25 °C. When the temperature is below 5 °C, the tea tree will stop growing. When the temperature is above 40 °C, the tea tree will die easily. Tea tree likes to be wet, the annual rainfall of 1,800 to 3,000 mm, relative humidity of 75 to 80%, an elevation of tens of meters to 2,000 meters; where the atmosphere of the higher relative humidity mountain tea, and more suitable for tea tree growth.

The Taiwan natural environment is suitable for growing high mountain tea. In the area of about 36,000 square kilometers across the island, it occupies 68.7% of the area beyond the contour of the 100-meter contour and about 45.2% of the mountainous area above the 500-meter contour. Taiwan's highland tea plantations, mostly contains a large amount of organic matter, suitable for tea development. If it is enough sunshine duration, the average rainfall area, is the best planting tea place.

Located in the subtropical region of Taiwan, high temperature and rainy weather patterns produce a suitable acid soil for the production of tea trees, which can produce various kinds of green tea, sowing tea, Oolong tea and black tea, making Taiwan the only non-fermented tea, Part of fermented tea and whole fermented tea production areas; as the tea soil quality, climate, elevation and manufacturing methods are different, the quality of tea produced, aroma, taste, throat rhyme varies, the formation of the flavor of Taiwan's tea district Different characteristics of tea, is the world famous tea production areas.

#### **B. Technological know-how**

Though most people don't realize it, all types of true tea come from the exact same plant. Everything, from the most robust black tea to the delicate white varieties, starts with the same leaves; the vast differences between tea types reveal themselves during processing.

Although the tea production system in Taiwan originates from Fujian in mainland China, it has become one of the best in the field in recent years after studying and improving the related units in this field. It has gained international reputation in the field of professional production technology of some fermented tea

After two years of research and development, the tea industry has successfully developed the pie cake processing technology. This technique can not only make the various specialty tea in Taiwan into a cake, but also retain the original characteristics of the tea leaf and further enhance the flavor and value of the tea leaves.

### **C. Skill labor**

In order to promote the "safety, health, heritage and development" of Taiwan's tea industry, the Agriculture Commission of the Executive Yuan promotes the quality of tea and enhances the market competitiveness of Taiwan's tea industry. At the Taitung Sub-division of the Tea Industry Reform Branch, Competition ", inviting all the tea districts in the country to select excellent tea chefs (Tea master) for a total of 41 participants in the tea technology competition. Through tea plantation players learning from each other and learning from the experience of making tea, they hoped to be inherited the success of the tea industry.

## **(II). Demand**

"Firewood, rice, oil, salt, soy sauce, vinegar, and tea" are the 7 items considered essential for daily living according to the Chinese. In the previous generation, like grandpa, grandma, dad and mom, they drink tea every day. Tea is a daily drink for people in Taiwan, every household have tea set. People drink tea when they talk business, and this situation focus in central and south of Taiwan. Nowadays, tea still occupy an important position. However, as we know that young people don't like "tea" as the people like in past time except for whose family still maintain the habit of drinking tea. They don't like bitter and acerbic(澀味) of tea, so tea with sugar in tea shop is popular. Also, because the introducing of coffee culture, people like to have a cup of coffee in tea time. Therefore, everyone used to have a cup or a bottle of drink a day, it is now form a drink culture. We all know there are many tea shops in Taiwan and they are in hyper competition. Furthermore, Taiwanese love diversified drinks, so there are developed various drinks in beverage market. Although we have many tea shops everywhere, it is a common phenomenon that people are lazy. In addition, this situation become more and more serious. Therefore, it bring instant drink become more and more popular. In 2015 Carrefour statistic, instant drink occupy more than 40% in total performance and the selling of instant drink will increase in winter obviously. And why people love instant drink, the reasons already showed on 2016 big data. There are three reasons: eutrophic(營養豐富), tasty, and easily make. Surprisingly, female around 40-49 is the major consumers. According to the first reason- eutrophic, maybe we can infer that this data is focus on healthy instant drink.

Base on collected data of Carrefour, there are 3 billions of business opportunity of instant drink. Some studies showed that few people can classified the quality of instant drink, so what they want are taste. Furthermore, as mentioned here, Taiwanese love diversification. That make various flavors and types of instant drink in the market. Therefore, to meet multi-variated tastes of consumers that Taiwan instant drink industry always make effort on creating new instant drinks.

### **(III). Firm strategy, structure, and rivalry**

#### **A. Strategy**

Be confronted with lots kind of brands, how to overcome is a big question. First they need to strengthen themselves. First, they set up their own unique culture. Adhere to have natural producing and launch out different series to customers. Choosing differentiation strategy and then they insist on one thing “Just in time”. It means they will evaluate how much their dealer can sell and then decided to produce how much output in order to have lots unsalable products.

#### **B. Structure**

Because this entry obstacle and costs are lower than other industry. Also you don't need lots capital so that everyone want to join then their competition is fierce. But if want to live in this kind industry, we need to continue to innovate or it is easy and fast to be eliminate here.

#### **C. Rivalry**

200 years ago, the ancients brought tea species from Fujian. We are already became a famous area of producing tea leaves. Included black tea, green tea, oolong tea, oriental beauty tea and so on... According to statistical information, the markets still keep growing and the output or consumption increase gradually. Each area in Taiwan have their different environment or skills, they provide many kinds of tea related products. Brands emerged constantly like mushrooms. Especially Taiwanese pursue convenience so that instant drinks are very popular. Exceed thousands choices we can choose. Therefore, business men think they have market in instant drink industry they come fast and result to fierce competition.



## **(IV). Related and Supporting industries**

### **A. Upstream - The unique skill of manufacturing and producing tea leaves.**

From the cultivating, researching, planting to picking tea leaves, all need to rely on professionals or special machine. However, compared with other, Taiwanese tea skills and machines are better.

### **B. Midstream – Small and medium-size tea factory.**

It refers to all manufacturers that related to tea processing, tea packing. Those economic benefits will help them to save the market profit and improve the additional value of tea leaves. It also can provide experiences to upstream factories so that improve R&D and product to meet the market demand.

### **C. Downstream – Tea shop and related retail stores**

Now we already have lots paths of shopping such as retail stores, online and so on. There are some competitions so that traditional tea store will have less economic benefits. If the tea brand dedicated to all streams, they can get more permanent business.





## Chapter 3 Conclusion

This study is the case of Shih Chen Foods Company, in this study we apply many managerial theories to analysis the strategy of Shih Chen Foods Company. That help us deeply know the strategies of real business operation. Same strategy and same situation will develop different result because of firm heterogeneity. The idiosyncrasy comes from company culture and structure. Just like Shih Chen treat their employee as friends and family so that can make their employee have higher motivation on their work also increase their creation. Creation become more and more important nowadays. In addition, we found that “taste” is a critical factor that influence customers’ decision, moreover our customers tend to diversified flavors. Therefore, Taiwan have a lot of instant drink flavors and because of these “picky” consumers and many familiar competitors that make Taiwan instant dink industry really strong. In this case we also found that the value comes from of a company is not their R&D, their quality or their management skill, these are not what customers care about. These cannot deliver value to customers and yield profits. What can make profits are marketing and quality management which is in public. The quality management here focus on it is in public that customers pay many attention on food safety. If company can let their quality information transparent that will increase customers’ trust then increase profits.

This case through an instant drink company-Shih Chen and many analyzed methods to realize whole instant drink company. Therefore, other researchers can via this study to understand whole instant drink industry.

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