

Proposal for the Global Enterprise Experience 2007

Biodegradable bags producer -
The DEBAG LTD. Corporation

com'on, let's deBAG the
world!!!

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Executive Summary

The DEBAG LTD. Corporation aims to foster the sustainable environment by manufacturing the biodegradable bags with a productive headquarter in Macau, China. This product is easy to decompose and it will not produce pollution to the environment. DEBAG LTD. is financed by China Century Venture Capital, and it supplies the biodegradable bags to the major supermarket in Macau through various promotional strategy.

Objectives

- Enhance the awareness of environmental issue
- Reduce the usage of plastic bag
- Seeking out financial funds from different organizations

Introduction

The Macau Special Administrative Region (MSAR) is a part of China's territory. It is located on the Southeast coast of China to the western bank of the Pearl River Delta. Bordering on Guangdong Province, it locates 60km from Hong Kong and 145km from the city of Guangzhou. Macau had become a major entrepot for trade between China, Japan, India and Europe.

Environmental background Analysis

From 1998 to 2004, Macao's waste generation increased by 16%, higher than the growth rate of population but much lower than that of GDP. During the period,

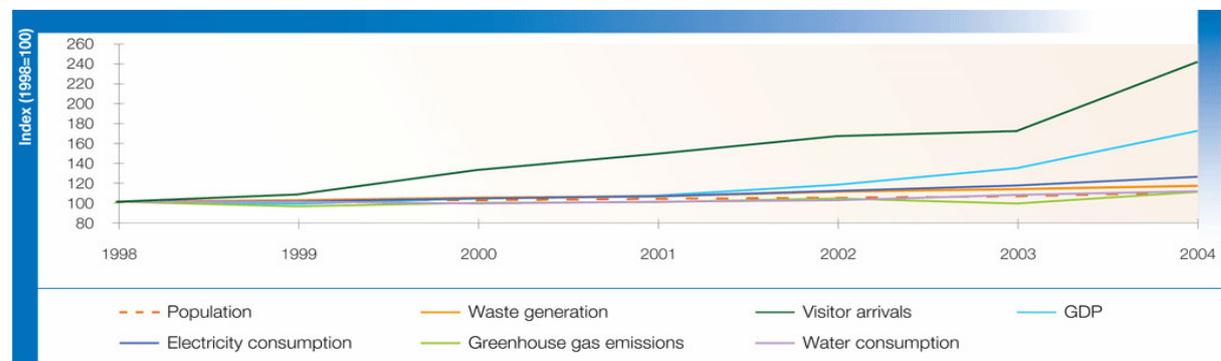


Figure 1.2

Evolution of Macao's socio-economic and environmental indices
(Data source: DSEC and GDI, 2005)

electricity consumption increased by 25%, while water consumption and greenhouse gas emissions both increased by 10% due to the continued growth in population. Greenhouse gas emissions showed a downward trend at the end of 2003 but increased again in 2004.

Since the pollution and waste problem is increasing consistently, environmental issues must be concerned, our company is going to base on those issues to provide some service and product (biodegradable bags) to mass customers.

Company Overview

The DEBAG LTD. Corporation start-up is the brain child of collaboration between Italian and Chinese investors. It has its productive headquarters in Macau, China. Because of a continuous rise in environmental problems, the DEBAG LTD. has decided to focus on a product with low environmental impact. This product is a biodegradable bag.

After its establishment, the company contracted with the virtual knowledge broker yet2.com for a contest concerning a chemical formula patent for the production of biodegradable bags. The contest will award a grand prize to the developer of \$500,000 US. In order to be eligible for the grand prize, the developer must comply with current plastic bag standards. These bags must be as strong and as durable as current offerings. They must decompose within the allowable time period of between six months and six years.

DEBAG LTD. has been financed by China Century Venture Capital. It provides professional venture capital investment and services for corporate partners in emerging and fast-growing sectors in the People's Republic of China for up to 40 % of equity.

Financial Plan

▪ Balance sheet

<u>ASSETS (US \$)</u>	<u>LIABILITIES (US \$)</u>
<i>FIXED ASSETS:</i>	<i>EQUITY:</i>
• Material:	• Equity Capital 4.500.000
○ Buildings 5.000.000	<i>LOANS:</i>
○ Machinery 1.500.000	• Loan Capital 3.000.000
○ Fixture and fittings 50.000	
○ Rentals 110.000	
• Intangible:	
○ Licence 500.000	
<i>CURRENT ASSETS:</i>	
• Materials 230.000	
• Cash 110.000	

Financial Strategy

As DEBAG LTD. is a start up the management has decided to minimize the costs where it is possible. In fact, although buildings for the production and machinery (realized on our requests, because of our specific production process) were bought for necessity reasons, DEBAG LTD. has instead opened several commercial offices in the other countries where it started its business (Italy, Milan; New Zealand, Wellington; United States of America, Chicago), spending rental fees only.

Because of the uncertainty of the responds of the foreign markets, currently, DEBAG LTD. has decided to rent these commercial offices, instead of opening production factories, with the average monthly rate of about 3.000 US \$; but, if the markets will answer positively to the bio bags, DEBAG LTD. will react, with an already planned strategy, opening productive factories on each country in order to delete delivery costs.

In the expected sales, it is assumed 230.000 US \$ of raw materials for the first year production; however 110.000 US \$ are cash to face an unexpected demand increment, due to the possible success chalked up by the environmental friendly bags realized by DEBAG LTD.

Human Resources Plan

Corporation DEBAG LTD. wants to have employees that reflect the same values as corporation has. They want their employees to be concerned about the environment and be able to make a difference. They will hire employees that are creative and will contribute new ideas to the corporation through dedicated work and motivation. In other words, employees must be creative to come up with new ideas to help in the production and distribution of biodegradable bags.

Technological

Corporation DEBAG LTD. will rely on some forms of technology to distribute and promote their product. They will need several pieces of heavy machinery to produce the biodegradable bags. Some of these will include but not be limited to boilers, vats, conveyers and molds. Employees will need to package and distribute the bags to their prospective areas but anywhere that machinery can be used to remove the human element from this process the cost of labor and time will be reduced. And this will allow Corporation DEBAG LTD. to improve its efficiency.

Management

Management should be divided amongst a number of people. DEBAG LTD. will have a Board of Directors with a CEO, CMO, CFO, etc. They will be made up by the shareholders of this corporation. The corporation will also consist of some supervisors who will be responsible for their specific sectors. This will make the corporation more personal and it will allow for greater relationships to be formed through the different levels of the company. It is also important to the corporation to have employees who love what they do.

Promotion

Promotion will have certain considerations. We must have a company culture that values innovation and results above age and avoidance. Not only does this take into account the general standards such as their willingness to work, but also other consideration such as, any time that they have spent outside of work in creating ways that the corporation can be better, Corporation DEBAG LTD. takes pride in its employees and wants to find the best people out there to fill its ranks. It is obvious

that biodegradable bags are an excellent idea and that they will help protect the ecosystem, but in the end it is people that really matter.

Operational Plan

In order to establish the suitable strategies of the biodegradable bag business, it is essential to set up the stages that the business will undergo.

Stage1: Introduction (2 years)

Since the biodegradable bag is still very new in Macau, therefore there might be not many people aware of this environmental problem. For the introduction stage, it is estimated to take 2 years to educate the retailers and residents that using plastic bag will be harmful to the environment, and change their perception of the plastic bag.

Stage2: Growth (2 years)

After the promotion of our new product - biodegradable bag by using various media, there are more people interested and aware of this environmental problem than before, and the demand of using the biodegradable bag will be increased gradually. In order to achieve a more successful campaign and meet the increasing demand, the investment of our plant and product will be expanded. For the growth stage, it is estimated to take 2 years time for the supermarket and clothes stores change to use the biodegradable bag.

Stage3: Maturity (3 years)

In the maturity stage, there are only a few people will use the plastic bag, instead of this, the biodegradable bag will be used. Moreover, the majority of the residents are interested in the environmental friendly campaign, and also our investment will still be continued, in order to increase the market share of the biodegradable bag business. It is estimated to take 3 years time to achieve the maturity stage.

Marketing Plan

Due to the effect of the “no plastic bag day” campaign in Hong Kong, people in Macau are more aware of the environmental issue. Since the government and people have realized the bad severe consequences of using plastic bags, Macau will be an ideal place to set up DEBAG LTD. to introduce biodegradable bags as a solution to the bag dilemma. Some marketing research must be done before entering this market.

Short-term objectives

DEBAG LTD.’s short-term goal is to introduce the idea of “using biodegradable bag as an approach to overcoming the environmental issue”. As this idea will enhance future business with local buyers, the company will choose some promotional channels such as working with local green groups to get the message across in a variety of ways, including educate students, hosting a campaign about the importance of using the biodegradable bag, etc.

Long-term objectives

The long-term goal of DEBAG LTD. will be the expansion of its business to neighboring cities (such as Hong Kong, Guang Zhou, etc) and other countries (Italy, NZ and USA). When the company is able to do so, it will implement the offices, which are already established in these places for easy management, with production plans. The long-term target of DEBAG LTD. will be becoming the biggest supplier of biodegradable bag in the world.

Target market

There are 99900 supermarkets in Macau (ranging in size from small to medium), the supermarkets in Macau will be the target market for DEBAG LTD. (<http://www.yip.com.mo/en/searchresult.asp?lang=e&cc=99900>). Macau is assumed to use 22.25 million per day. If DEBAG LTD. will get hold of 5% of the market in the first year and the company will have the capability to continue its business growth in the second year (<http://blog.oeeee.com/cracov/archive/2006/05/04/44938.html>).

Competitive analysis

As there are not many people who use biodegradable bag in Macau and plastic bags are mainly used by shoppers, the producers of biodegradable bag are not the main competitors for DEBAG LTD. but those who produce plastic bags. The first mission for the company is to convince supermarkets to switch from using plastic bags to biodegradable bags.

These plastic bag providers compete with DEBAG LTD. within the same super market chains (supermarket check-out bag market), thus, they are the most direct competitors for DEBAG LTD. therefore, the company will develop some competitive advantages in order to compete effectively against these providers to increase its market share. Some ways to develop advantages are making unique attributes and packaging and offering better quality with a lower price. The most efficiently way to stand out from the competitors is to differentiate the product to others. The following is a set of demand strategy which is relevant.

Advantage of DEBAG LTD.'s biodegradable bag

- 1: environmental friendly bag
- 2: biodegradable
- 3: green consumption
- 4: environmental approach to retail shopping bags
- 5: can custom manufacture to customer's specifications
- 6: new chemical formula

Marketing strategy recommendations

The most potential segment of the target market for biodegradable bag is supermarket as it uses the most plastic bags a day. For this segment, there are 3 ways to influence the selective demand. "1. by expanding the served market, 2. by acquiring competitors' customers, 3. by retaining and expanding sales with the firm's current customer base".

EXPANDING THE SERVED MARKET

Broadening Distribution

DEBAG LTD. will choose different channels of distribution such as online selling, direct manufactory selling and mail selling, etc. The company will approach customers (supermarkets) by door to door visiting/selling, giving free samples, offering discounts when purchasing a certain amount, etc. the friendly approach that is taken by DEBAG LTD. is one of its competitive advantage. Online service is another advantage as it will be able to reach customers worldwide and provide a service that customer can purchase the product at anywhere, anytime.

Acquiring Competitors' customers

In order to acquire competitor's customers, DEBAG LTD. chooses to differentiate its product (biodegradable bag) to its competitors' (plastic bag). In recent years, more and more people are more aware of the impact of using plastic bags. Thus, the bag that is capable of being decomposed by biological agents will be taken in the future. For acquiring customers efficiently, DEBAG LTD. will explain the bad environmental effect that caused by using plastic bag and the benefit of using biodegradable bag to the general public and customers.

Promotion

DEBAG LTD. aims to make the supermarkets think that using biodegradable bags is the environmentally friendly approach and the best and easiest action to overcome the environmental problems in the globe. The company also aims to make the supermarkets feel that it is their responsibility to choose/provide biodegradable bags. In order to reach these supermarkets, advertisements will be taken place in TV, radio, Internet, handbill, etc. TV and radio are the day to day things that people will do (including the supermarket's owner/operator), internet ads will be placed on the company's website and handbill will be handed out by the near places of supermarkets. The company will give out free samples to the major supermarkets in Macau. Through doing all these actions, DEBAG LTD. assumes the target would be achieved after six months. By then Macau's general public will be willing to shift using plastic bags to biodegradable bags.

The company will also suggest Macau's government to introduce legislature to ban the use of plastic bags as many countries in the world are trying to do. If the use of plastic bag reduces, the sales of DEBAG LTD. will increase.

Retaining/ Expanding Demand within the Current Customer Base

Maintain a high level of customer satisfaction

To make sure providing a high level of customer satisfaction, DEBAG LTD. will do some groups and telephone surveys to get feedback. Such feedbacks in quality, size and service can provide the information of what customers really want. Therefore, DEBAG LTD. can alter the disadvantage and make the greatest customer satisfaction through this information.

Relationship Marketing

DEBAG LTD. will enhance the chances of repeat business by offering a discount when purchase a certain amount or more. The company will also send a greeting email to the loyal customers during their shops' anniversary or special events. It is important for DEBAG LTD. to build relationship with customers, because the better relationship with customers that DEBAG LTD. has, the more chances of repeat business the company will have)

Conclusion

To sum up, the above is all about the operation proposal for DEBAG LTD. As it is a relatively immature business in the worldwide marketplace, there would definitely be some more concerns coming up for this entity to consider. However, due to the strong evidence showing that biodegraded bags could be the best alternative rather than plastic bags in term of environment prevention, it is reasonable to say DEBAG LTD. would be running smoothly and surviving successfully in such a competitive marketplace. Moreover, the its idea of utilizing Biodegraded bags instead of plastic bags will benefit more and more people in all of the world.

Reference

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