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Master's Thesis

商業計劃：韓國米酒在台灣新市場的發展

Business Plan: New Market Development for Korean Rice

Wine in Taiwan

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Advisor: Professor James Liu

中華民國一百年八月

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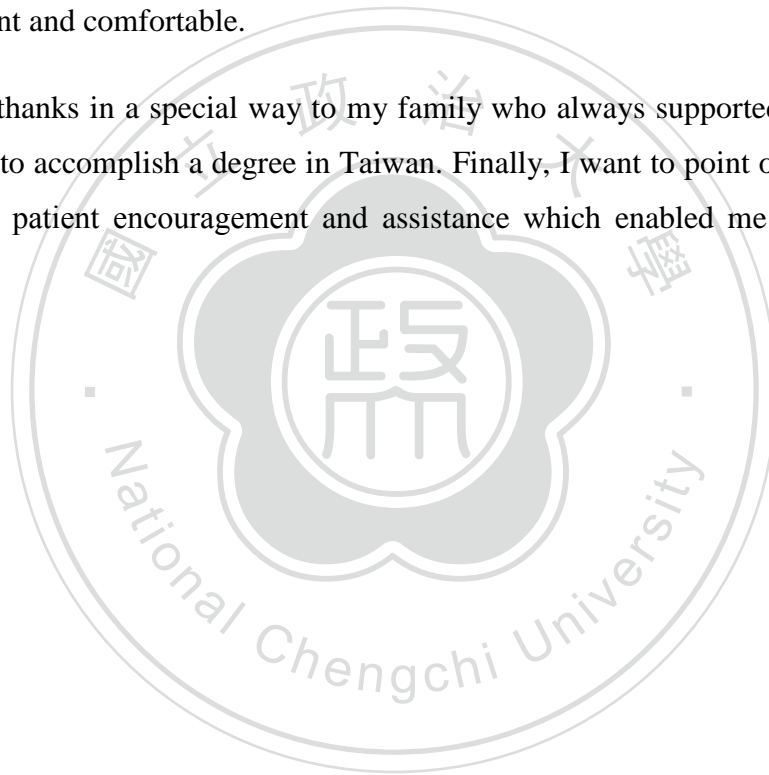
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Abstract

Business Plan: New Market Development for Korean Rice Wine in Taiwan

By

Minhye Kim

Bon Ju (本酒) is a company which imports Korean traditional fermented rice wine called Makgeolli to distributors and wholesales in Taiwan. The business plan based on Bon Ju's experience will target mainly Korean customers in Taiwan that miss the flavor of Korea, as well as Taiwanese who are accustomed to Korean flavor such as the ones employed in Korean companies or the ones that have traveled and spent some time in Korea. Taiwanese rice wine market is monopolized by Taiwan Tobacco and Liquor Corporation for a long time, and other types of wine in Taiwan's market are completely controlled by the major wine production countries. However, the idea is to position Bon Ju (本酒) with a unique flavor and differential middle price. Our sales projections for the first year are \$9,144,000. We are seeking an operating line of \$394,000 to finance our first year growth. Our initial investment from co-owners is \$210,000 to meet working capital requirements. Bon Ju's financial statements have demonstrated continuous increases in sales, operating profit and net income growth ratios from year 1 to year 3. Regarding to this business plan, Bon Ju (本酒) will seek for opportunities to acquaint foreigners with Korean culture.

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Executive summary

Introduction

Bon Ju (本酒) offers one of the best quality Korean fermented types of rice wine, also known as Makgeolli, for imports to distributors or wholesales in Taiwan. The target customers in this case are Korean people in Taiwan, who miss the traditional foods and drinks of Korea, and also those Taiwanese who enjoy or have a preference for a unique type of liquor and might be somehow interested in Korean culture. Makgeolli has a deep and rich flavor based on rice, with a sour taste as its main characteristic due to its fermented condition. Currently this type of Korean rice wine is sold over 13 countries around the world. In Japan the ratio of imports of Korean rice wine has seen relevant growth over the past four years. It became popular there due to the belief of Japanese girls that Korean rice wine may help improve the skin. Our market research has shown that overall tons of exports of Makgeolli to Japan have been increasing every year: 3,393tons in 2006, 3,900tons in 2007, 4,891tons in 2008 and 2,909tons in 2009, July. Nevertheless, the Korean rice wine market has not developed yet in Taiwan. Bon Ju (本酒)'s marketing strategy is to introduce brand new rice wine and broaden the drinking markets in Taiwan, since wine culture is widely developed in Taiwan, but the idea in this case is to try to diversify Taiwanese taste by introducing Makgeolli or Korean fermented rice wine.

The Company

Bon Ju (本酒) has a limited number of private investors and does not plan to go public. The company has its main offices in Taipei city, Taiwan. The facilities include conference rooms and office spaces. The company owns a refrigerated truck and warehouse. The company expects to begin offering its services in February 2012.

The Operation

Bon Ju (本酒) offers a complete package of imported Korean rice wines. The company's operation includes the following:

- Supplier/buyer identification
- Purchasing, contracting and consulting
- Shipping
- Warehousing
- Delivery

As noted before, Bon Ju (本酒) is able to accomplish all this thanks to its networking experience and because it possesses the necessary facilities to do so (refrigerated truck and warehouse)

The Market

Bon Ju (本酒) will be concentrating on servicing just two types of clients, namely distributors and/or wholesales. For both market segments we have secured exclusive contracts or endorsements putting us in a unique position to service these niche firms and their needs. Profitability in these two markets is expected to be very good; however we remain realistic and expect to have only modest profits in the first three years of operations with a constant and steady increase in the following years.

Financial Considerations

Start-up assets required for this business project will include expenses and capital in cash needed to support operations until revenues reach an acceptable level. Most of the company's liabilities will come from outside private investors and management investment. However, we have also considered borrowing from the banking sector as an alternative or complementary option. Thus we have already obtained a loan from the Bank of Kook Min, which is due to be paid off in two years after the operation begin. In addition a long-term loan provided by the Bank of Nong Hyup is also being taken into consideration and it has a due date to be paid off in five years.

It is worth noting again that company expects to reach decent profitability in the second year of operation and thus it does not anticipate any serious cash flow problems. We expect that about 1,791 units in sales of our product per month will guarantee a break-even point.

1. Introduction

1.1. Objective

The three-year goals for Bon Ju (本酒) are the following:

- To achieve break-even point by year 1.
- To retain long-term contracts with local distributors and restaurants in Taiwan, through the emphasis in customer service.
- At this stage, Koreans remain the focal point for target customers.

1.2. Mission

Our main mission it is based on the import and provision of Korean rice wine. The company will concentrate on the particular and traditional wine from Korea and focus on bringing it into the Taiwanese market. Bon Ju (本酒) offers the best quality rice wine from South Korea to Taiwan.

As a long-term goal we have established the objective of becoming the preferred company for the import and distribution of Korean rice wine in Taiwan. Bon Ju (本酒) understands that the liquor shops and restaurants in Taiwan have demand for this type of unique alcohol for the great Korean population in the island and also for Taiwanese people. Our philosophy is to try to create a long-term relationship with clients so that the delivery of the products becomes a seamless experience that promotes loyalty.

1.3. Keys to Success

1. Unique-new products for Taiwanese market
2. “Healthy” Marketing through current and potential customers, emphasis in targeted efforts, and thanks to our position as a differentiated provider.

Last decade the so called “healthy” marketing strategy has been positioned in the center of marketing strategies for many companies especially in the food industry, since the notable increment of fat people all over the world. Recently the most prominent movements in Taiwan also try to promote a healthy lifestyle such as the campaigns promoting riding bicycles launched by the Taipei City government. Another example is the high amount of organic food in the market that today prevails in Taiwan. Thus, Bon Ju (本酒) will try to emphasize itself as the provider of the finest Korean rice wine which is believed to be beneficial for those who worry about the negative effects of drinking alcohol in human health.



2. Company Summary

2.1. Company Location and Facilities

Bon Ju (本酒) will have a refrigerated warehouse located in the Taiwanese northern city and port of entrance for Korean imports, Keelung, within its industrial district. The company will also own a refrigerated truck to guarantee the cold chain is not broken. The administrative office will be located in the Xinyi district of Taipei City.

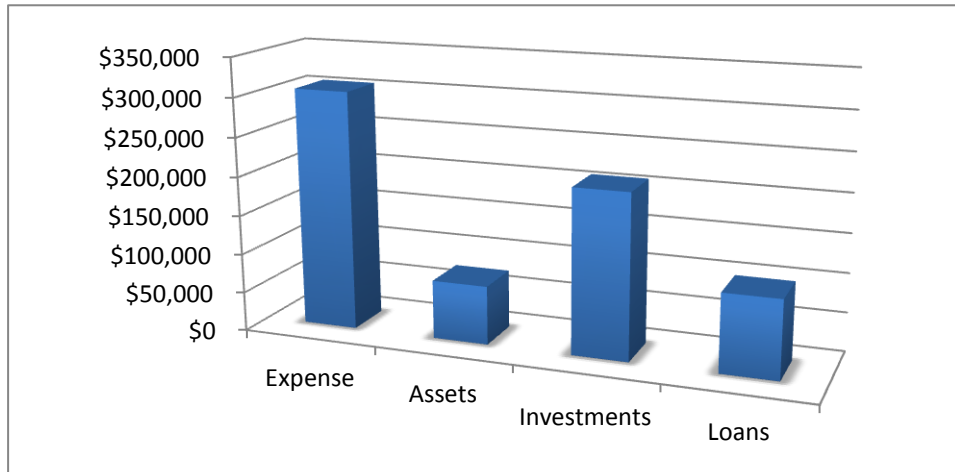
2.2. Company Ownership

As mentioned briefly, the company expects to have a number of outside private investors who will own 35% of the company's shares. The rest will be owned by the senior management staff, including Ms. Yongja Kim, (30% of ownership), Mr. Yongjae Kim (15% of ownership), Mr. Minjung Kim(15% of ownership), and Ms. Okgeun Ki (5% of ownership). According to what was described before, all other financing will come from loans acquired in the Korean banking sector.

2.3. Start-up Summary

Based on the size of our market and our defined market area, our sales projections for the first year are NT \$9,144,000. The salary for each of the co-owners will be NT \$60,000 per month. We are seeking an operating line of NT \$394,000 to finance our first year growth. Altogether, the co-owners will have invested NT \$210,000 to meet working capital requirements.

It is important to note here that we have acquired already commitments with over 100 clients and plan to aggressively build our client base through referrals. The loving on-site professional care that Bon Ju (本酒) will provide is sure to appeal to Taiwanese people as well as, especially the ones seeking for new experiences in the wine market. The following graph and table depicts the point made above.



Graph 1: Start-up Funding

Table 1: Start-up Funding

Requirements	
Start-up Expenses	
Legal	NT\$30,000
Insurance	NT\$10,000
Utilities	NT\$10,000
Rent	NT\$48,000
Accounting and bookkeeping fees	NT\$30,000
Expensed equipment	NT\$103,000
Advertising	NT\$40,000
Other	NT\$35,000
Total Start-up Expenses	NT\$306,000
Start-up Assets	
Cash Required	NT\$50,000
Other Current Assets	NT\$15,000
Long-term Assets	NT\$10,000
Total Assets	NT\$75,000
Total Requirements	NT\$381,000
Start-up Funding	
Start-up Expenses to Fund	NT\$306,000
Start-up Assets to Fund	NT\$75,000

Total Funding Required	NT\$381,000
Assets	
Non-cash Assets from Start-up	(NT\$25,000)
Cash Requirements from Start-up	NT\$50,000
Additional Cash Raised	NT\$0
Cash Balance on Starting Date	NT\$50,000
Total Assets	NT\$75,000
Liabilities and Capital	
Liabilities	
Current Borrowing	NT\$10,000
Long-term Liabilities	NT\$50,000
Accounts Payable (Outstanding Bills)	NT\$20,000
Other Current Liabilities (interest-free)	NT\$20,000
Total Liabilities	NT\$100,000
Capital	
Planned Investment	
Mrs. Youngja Lee	NT\$100,000
Mr. Yongjae Kim	NT\$50,000
Ms. Minjung Kim	NT\$50,000
Ms. Okgeun Ki	NT\$10,000
Others	NT\$0
Additional Investment Requirement	NT\$0
Total Planned Investment	NT\$210,000
Loss at Start-up (Start-up Expenses)	(NT\$138,000)
Total Capital	(NT\$250,000)
Total Capital and Liabilities	NT\$75,000
Total Funding	NT\$213,000

3. Situation Analysis

Bon Ju (本酒) plans to develop a new market and alcohol-based business in Taiwan. In order to do so marketing becomes a significant key to elaborate the business. The basic market need is to supply high-quality rice wine that exceeds other existing products in the market.

3.1. Product Description



Figure 1: Korean Rice Wine

The definition of rice wine is sake (清酒) or as a spirit kind of drink in South Korea, also called Takju (浊酒) · Jaeju (滓酒) · Huiju (灰酒). Rice wine is fermented with pure microorganisms that make the unique alcohol beverage something beneficial for human health. It is a milky wine with creamy texture and sweet taste. Using an extended fermentation process, the taste and aroma of this wine has been richly refined and is about 6.5%-7% alcohol by volume.

The most popular of its kind, also known as Makgeolli, is a type of takju wine that has the longest history among the traditional Korean wines, and it is enjoyed by a broad range of consumers, from urban to rural areas.

Most rice wine production brews the wine in a rather high temperature of 30°C so they can shorten the brewing duration down to 3 to 4 days; furthermore, they bottled the uncompleted wine and try to ferment them in bottles during distribution process. As a result, and especially since its fermented condition, Makgeolli contains large amount of gas and has a bitter after-taste, not to mention the side effect when drunk in excess.

But what is more relevant for this project is that this type of rice wine contains proteins and vitamin B that improves the healthy condition of the skin particularly. Also the appropriate amount of alcohol in the wine helps to improve blood circulation and body metabolism. Rice wine is known to help out in driving impure substances out from a person's body thanks to its organic acids like citric and lactic acids that are contained in the wine. There are two main effects that these acids have in a person's body. Firstly, their consumption helps the digestion of food. Secondly, it also helps out in breaking down the nutrients in the stomach. In other words, by improving the function of stomach, drinking this type of rice wine can help human body to create energy more easily and drive out impure substances.

Studies have revealed that rice wine can have a much healthier effect on human body than other alcohols. A study conducted by Professor Joo, JinSoon and Yu, Taejong from Korea's Nutrient Research Institute has proven that "regular liquors put pressure on people's liver and increase alcohol level in the blood and affects cholesterol level which becomes major reasons for high blood pressures and other adult diseases. But rice wine, as opposed to other alcohols, contains large amount of protein, sugar, vitamin B2, and etc. Also, as the nutrient value of fermented food is being emphasized, the raw yeast in rice wine is view to lower the cholesterol level in blood."

Commercially, Makgeolli is most commonly available in plastic bottles or aseptic box containers. As it is an unfiltered beverage, it is generally shaken before consumption, as the cloudy white portion tends to settle to the bottom, leaving a pale yellow-clear liquid on top. The following table helps to illustrate the comparison between different types of alcoholic drinks.

Table 2: Comparison Calorie and Alcoholicity (%) of different alcohol

Alcohol	Calorie per 100ml	Alcoholicity (%)
Rice wine	46	6
Beer	37	4.5
Red wine	70	12
Sake	107	16
Brandy	237	40
Whisky	250	43

3.2. Market Summary

Alcohol Market in Taiwan

Several Taiwan food manufacturers, such as Uni- President, Kuang Chuan, Hey Song, Country House, and King Car are looking to capitalize under the current process of liberalization of Taiwan's alcohol market to claim a share of Taiwan's US\$2 billion alcohol market. The Taiwan Tobacco and Wine Board (TTWB), formerly known as Taiwan Tobacco and Wine Monopoly Bureau (TTWMB) has been the only manufacturer of alcohol and tobacco for over 46 years. However, this situation is changing as Taiwan is gradually liberalizing its alcohol market in preparation for its entry into the WTO.

The Taiwan authorities passed the administrative regulation for tobacco and liquor in June, 1999. Private firms were allowed to manufacture fruit wines since January 2000, and later on the production of other alcoholic beverages was also allowed, becoming effective in January 2001. The manufacture of hard liquor drinks became effective in January 2002, and finally the manufacture of beer was allowed and became effective by the end of 2002.

Since they have not yet been granted a license to manufacture alcohol, many companies, as mentioned above, have started to sell imported alcoholic beverages or have asked foreign manufacturers to brew alcohol under license for them. The strategy of these companies is to sell imported alcohol in order to better understand the market in the meantime, while they prepare themselves for manufacturing their own alcoholic beverages when the market is completely liberalized. The fact that these food companies have already strong distribution channels helps them to a great extent in this process. In addition, many of them own large convenience stores, e.g. Uni-President (7-Eleven) and Kuang Chuan (Hi-Life). According to TTWB statistics, currently, the market is around US\$2 billion, with beer accounting for the largest share at US\$758 million. The TTWB has a market share of US\$1,212 million and imported alcohol has a share of US\$909 million. The following table illustrates this.

Table 3: Alcoholic Beverage Market in Taiwan (2002)

Product	Domestic Production (Million liters)	Imports Production (Million liters)
Beer	400	85
Grape wines	0.5	5.5
Rice wines	172.8	0
Other*	75	14.1
Total	648.3	104.6

*Includes whiskies and brandies.

Sourced by Agexporter

3.2.1. Market Demographics

The profile of Bon Ju (本酒)'s customers consists of the following geographic and demographic characteristics:

Geographic

Bon Ju (本酒) sells primarily to Koreans in Taiwan and Taiwanese who somehow can relate to Korean culture and have a positive impression of Korean cuisine.

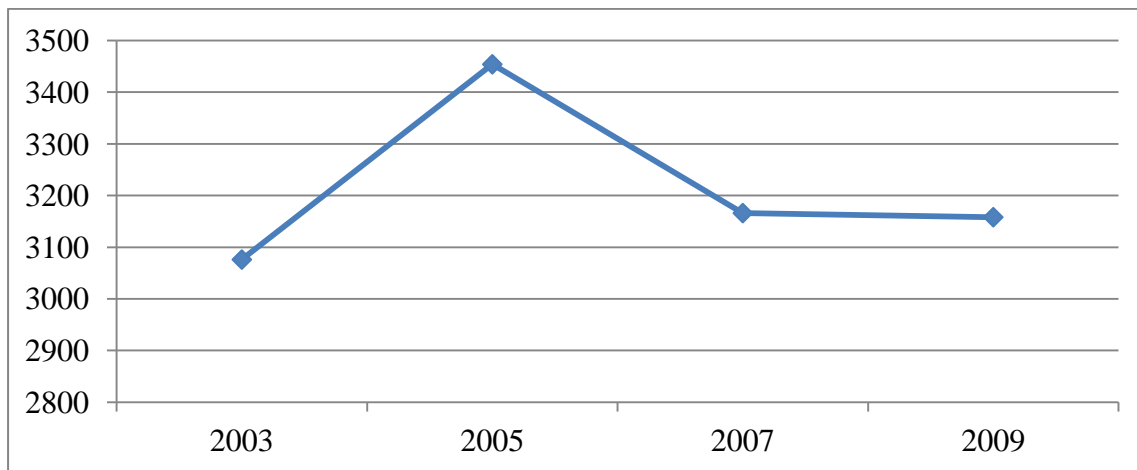
Demographics

The total targeted population is estimated to be around 410,960 people. From that total, 3,158 are Koreans consumers living in Taiwan. This segment of the market already knows the product and thus misses its original flavor. The total also contains 1,450 Taiwanese people who work with Korean companies and thus can relate to Korean culture and traditions. The rest is comprised by about 406,352 Taiwanese people that visit Korea last year, assuming that they have somehow experienced the original flavor of Korean rice wine because of their time spent in Korea. It is worth noting that most of these numbers have been increasing in the last few years and they are expected to keep their ascendant trajectory. The following tables and graphs depict the above mentioned.

Table 4: Target Customers

Category	Numbers of Target Customers
Korean Immigrants	599
Korean Students	410
Korean Employees	2,149
Taiwanese employed at Korean companies	1,450
Taiwanese Travelled to Korea	406,352
Total	410,960

Sourced by National Immigration Agency, Ministry of the Interior, 2011

**Graph 2: Korean Population in Taiwan**

Sourced by Ministry of Foreign Affairs Trade, Republic of Korea

Table 5: Taiwanese visitors in Korea

Year	Total visitors of Taiwanese in Korea	Purpose of visit in Korea			
		Trip	Business	Official Business	Study
2006	338,162	326,224	582	114	483
2007	335,224	326,189	603	139	609
2008	320,244	310,545	525	152	738
2009	380,628	372,043	597	175	876
2010	406,352	397,162	539	83	1,137

Sourced by Korean Tourism Organization

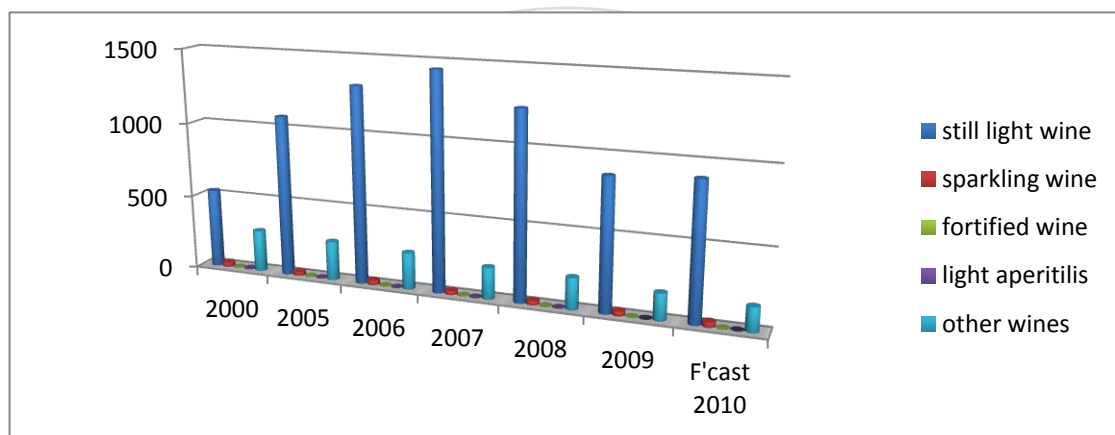
3.2.2. Market Needs

Bon Ju (本酒) provides its customers with high quality Korean rice wine as brand new products for the alcoholic beverages market in Taiwan. In doing so, Bon Ju (本酒) seeks to

fulfill the following benefits that are considered to be important from the customers' point of view:

- High quality rice wine
- Fresh product
- Special drink, alternative drink
- No health concerns

3.2.3. Market Growth



Graph 3: Consumption of imported wine in Taiwan
Sourced by IWSR, 2009

World alcohol market is enormous, reaching a size of about USD 1,700 billion and it is expected to grow up to 1.39% every year. It is not only big as a market itself but also has huge economic effect due to the packages involved, distribution of products and restaurant businesses. Alcohol market always steadily grows as finance grows. In 2008, world wine consumption reached 2.621 billion 9-litre cases, the equivalent of 31.452 billion bottles, and a 5.64% increase compared to 2004.

In Taiwan, as the previous graph shows, the wine consumption has increased significantly since 2000. Still light wines account for most of the market in Taiwan. However, record growth in sales rates came to a sudden stop when in 2008 the global financial crisis spoiled the party and led to a drop in liquor and wine imports. In 2008, the amount of foreign wine shipped to Taiwan decreased by 14% and in 2009 by another 33%. Amid these decreasing sales, neither the US nor the EU is willing to make concessions on the seemingly harmless

rice wine. According to the forecasts in a Vinexpo / IWSR study, consumption should grow by a further 3.57% between 2009 and 2013 to reach 2.7 billion 9-litre cases.

3.3. SWOT Analysis

The following SWOT analysis provides the strengths and weaknesses of the company, and demonstrates the opportunities and threats that Bon Ju (本酒) is facing when trying to develop operations in the Taiwanese market.

3.3.1. Strengths

- Uniqueness - Healthy new alcoholic drink for the market in Taiwan
- Wide range of choice - Variety in products and their taste
- End-to-End storage and transportation - Understanding the difficulties of delivery due to the products' sensitivity to high temperatures.
- Convenience - Easy to buy anywhere in Taiwan.

Firstly, Bon Ju (本酒) sells nutritious and healthy rice wine since this product contains a lactic acid bacteria and dietary fiber, both having an extensive range of positive effects for the human body; e.g. prevention of liver damage, anti-cancer effect, increase of metabolism, burning fat, prevents constipation, ameliorate menopausal symptoms and help improve the skin care.

Secondly, Korean rice wine has many different production outcomes. The taste of rice wine depends on the mixture of its main substance, rice or wheat, plus adding other ingredients like fruits or medicinal herbs to develop a wide range of flavors. Current rice wine variety includes ginseng, rubus coreanus fruit, bamboo, apple, strawberry and pear flavors.

In addition Korean rice wine has not only low value products but also exclusive products. Thirdly, because of its fermented condition, this type of rice wine is very sensitive to temperature fluctuation. Thus the company can secure the refrigerated transportation and storage of the products to maintain the best quality of this wine. Finally, Bon Ju (本酒) plans

to sell all retailers in Taiwan through wholesales and distributors, making the product readily available for the consumers, who will no longer have to go to expensive restaurants or import stores to drink or buy this type of Korean wine. Bon Ju (本酒) will place the product directly where consumers demand requires it.

3.3.2. Weaknesses

- Delicate control of temperature to guarantee the high quality of products
- Short expiration date
- Costs of storage and transportation in refrigerated facilities

Because of the fermented condition of this type of Korean rice wine, it is very delicate and sensitive to high temperature so this must be controlled carefully in order to maintain its good flavor. Delivery of the product in plastic bottles as it is often distributed might be a risk especially in Taiwan, which as marine tropical climate island possesses a long and humid summer. The only solution is to consolidate the refrigerated transportation of the product even though it may be costly. Because of a similar reason, this type of rice wine has also a shorter expiration date than other types of white or red wine. Using refrigerated facilities at all times during its storage and delivery must be guaranteed although it may imply a higher cost for the company's expenses.

3.3.3. Opportunities

- Possibility to promote Korean popular culture in Taiwan
- To extend market targets from young generation to middle aged people
- To create synergy effects with Korean restaurants all over Taiwan

Korean rice wine has historically been an “only for Koreans” unique traditional wine, especially if we understand that the food of a country is usually embedded with that nation's own characteristics. Accordingly, the imports of Korean rice wine can become a great chance to introduce Korean traditional culture, in this case its drinking culture, to the Taiwanese market. Until now the consumption of rice wine in Taiwan has generally been attached to low-income customers, however, Korean rice wine can be targeted to a different segment of

population since it has its own special flavor and diversity of choices within the products. That is the unquestionable focus here, especially considering all those middle or upper class Taiwanese visitors that spent time in Korea and would appreciate to have access to these products in Taiwan as well. Indeed, Korean restaurants are one of the most favorite places for dinner appointment in Taiwan, thus a very important aspect when selling rice wine to distributors in this business will be the creation of synergy effects with the big amount of Korean restaurants in Taiwan.

3.3.4. Threats

- Enormous competitors with massive investments from Japan, Italy, France, Spain, USA, Australia and Chile in the wine market
- Taiwanese hot and subtropical weather
- Not a first mover

In despite of the global economic recession, Taiwan is the one of the countries that is steadily growing in economic terms every year. However, due to the high taxes and regulation on the imports of wine, Taiwan is indeed a difficult market to enter. Moreover, the demand of wine in Taiwan is very low, due to the lack of drinking culture of Taiwanese people in comparison to other nations. France is the dominant source of supply of grape based wine, with a market share of 57 percent, followed by Australia with 9 percent, Chile with 9 percent and the USA with 8 percent. Italian and Spanish wines have been introduced and promoted in recent years. Italy has around 5 percent of market share and Spain has now about 4 percent of it. In addition, and more specifically about rice wine, 90 percent of its imports comes from Japan, making Korean rice wine relatively unknown in Taiwan. This although it may be considered as a threat, it also underscores a considerable scope for a new market development. This should include generic promotion to develop consumers' awareness of Korea as a premium new world source of wine.

Another possible threat comes from the type of climate in Taiwan, as an island country having marine tropical weather and often having typhoons and earthquakes. The type of weather will be a challenge when it comes to the delivery of products making sure to avoid

their deterioration. This issue will be tackle properly as mentioned before in this chapter thanks to appropriate refrigerated transportation and storage facilities.

Lastly, we acknowledge the fact that the company is not a first mover supplying rice wine for the Taiwan alcoholic beverages market. Rice wine is a traditional drink in East Asia, and the Japanese influence Taiwan have historically make Taiwanese people more pervasive to the taste of sake. Japan is indeed the biggest trade partner of Taiwan while Taiwan is the second greatest sake destination for this Japanese product which is much consolidated in the country. While early developers of this rice wine market have now their brand names strongly established, there are however new opportunities for more competitors to diversify the range of wines available as wine tastes mature in Taiwanese people. There is a considerable interest in quality wines from new source countries, including Korea.

3.4. Competition

The competition for our company is fierce in Taiwan and includes nationwide wine firms from all over the world, such as Japan, France, Chile and Australia, and also all the potential importing firms that serve small enterprises in Taiwan. Practically speaking, this means that the largest rice wine firms that have a big presence in Taiwan, such as Suntory, Kirin and other large companies will become our primary competitors. Indeed, most wine companies tend to be spread worldwide, making competition within the industry very intense. Nevertheless, through our niche strategy we intend to avoid competition, by emphasizing and distinguishing Korean rice wine as something different and unique that nobody else is offering in the Taiwanese market, and also at a very accessible price.

Table 6: Value Report Global Summary Regional Structure by Quality Segment

	World	Asia-Pacific
Value-Billion Euros		
Prestige	0.18	0.17
Ultra Premium	1.21	0.87
Super Premium	5.76	1.6
Premium	16.39	2.51
Standard	42.56	3.21
Value	55.28	31.51
Low-price	25.5	17.62
Total	146.87	57.48
Volume- Million Cases		
Prestige	0.02	0.02
Ultra Premium	0.96	0.72
Super Premium	15.48	3.67
Premium	68.41	9.2
Standard	311.35	22.13
Value	770.84	429.47
Low-price	1,324.76	930.28
Total	2,491.82	1,395.48
Euro per Case		
Prestige	8,132.68	8,315.03
Ultra Premium	1,251.15	1,217.26
Super premium	371.81	436.33
Premium	239.65	272.22
Standard	136.7	145.01
Value	71.71	73.37
Low-price	19.25	18.94
Total	58.94	41.19

Source: The IWSR/ IWSR calculations based on volumes

NOTE: Duty Free and Rest of World have not been analyzed in this table.

3.5. Buying Patterns and Needs

Companies usually enter into contracts with import/export firms based on a firm's reputation for professionalism and service. With no proven track record, a star-up import/export

company obtains a "good reputation" through its personnel, people who have experience in other businesses in the industry and a sort of established network which the company can make good use of.

Price, reliability and scope are the driving factors for accepting contracts, especially if the import / export company is small like in our case. We acknowledge that our niche clients have different needs for us to meet and to which we must adapt. Our clients need to have relatively small quantity of products moved from South Korea, thus we are not talking about big shipments divided in the span of a long time. In addition, small companies and stores in Taiwan depend to a great extent on their import agents who usually serve as pointer for them when new and unique products are introduced into the market. Therefore to maintain good relationship with the companies and shops would be a solid foundation of long term business.

3.6. Products Offered

Bon Ju (本酒) product line is divided in three different set of packaging for their distribution and selling to the customers. These are: plastic, glass and can containers, as the following figures show.



Figure 2: Plastic bottle



Figure 3: Glass bottle



Figure 4: Can

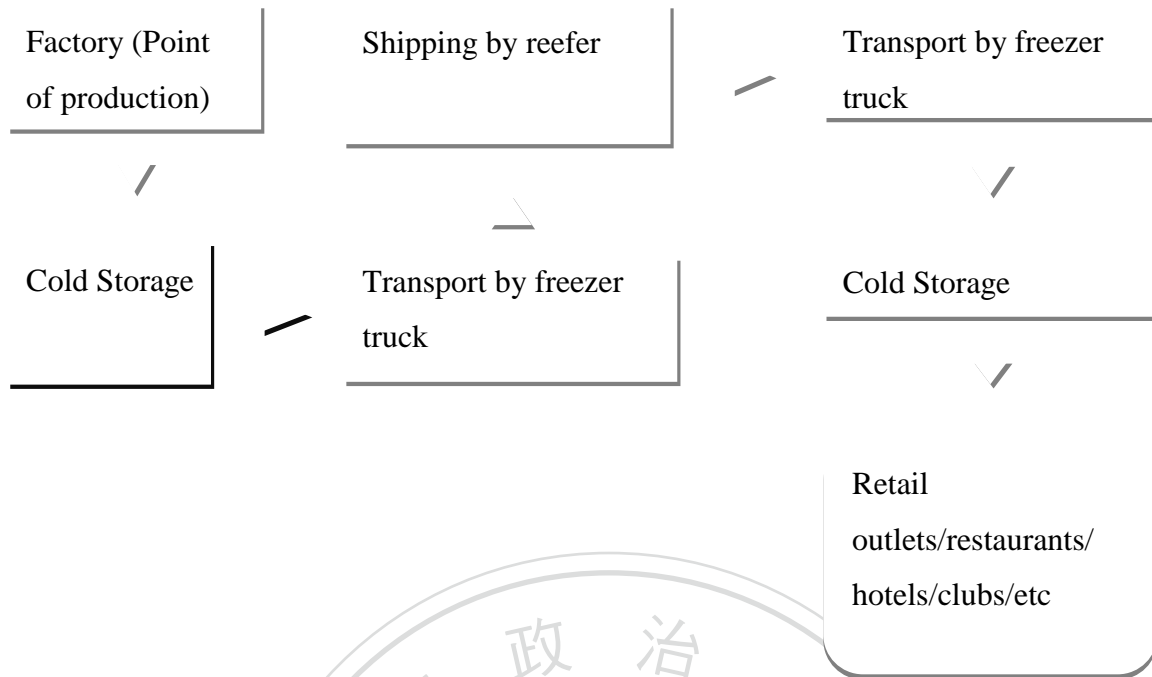
In addition to the variety in the products, Bon Ju (本酒) plans to provide the Taiwanese market with two of the most popular, trusted and prestigious Korean brands of rice wine. These are:

- Kooksoondang Brewery CO.LTD
- E-dong CO.LTD

3.6.1. Delivery

As mentioned before, Bon Ju (本酒) offers end-to-end refrigerated storage and transportation solutions for rice wine as a temperature-sensitive consumable product. We will enable our customers to preserve product value across the supply chain. Our solution helps to deliver higher quality rice wine, increase profitability, ensure consumer safety and protect brand equity.

Thus, Bon Ju (本酒) will provide an integrated cold-chain solution across the total supply chain involving production, storage and distribution of this perishable product that, because of its fermented condition, requires precise temperature control to retain the product's characteristics, active ingredients, freshness and nutritive value. The following scheme tries to depict the whole supply chain planned for this purpose.



Graph 4: Supply Chain system

Bon Ju (本酒) understands the complexities of delivering fermented rice wine with certain temperature and conditions, thus we aim to strengthen the end to end system to minimize losses. We provide cold storage and refrigerated transportation / trucking facilities in an integrated model until we reach our clients in retail outlets, restaurants, hotels, clubs and others in Taiwan. Our warehouse provides storage solutions while our reefer / freezer trucks help in inbound and outbound transportation guaranteeing the cold-chain needed in this case. We will deliver fresh goods through point to point and within city limits distribution.

3.7. Keys to Success

- Uniqueness - new products for Taiwanese market
- Healthy Marketing - targeted efforts through current and potential clients and through positioning the company as a differentiated provider of healthy drinks.

4. Market Analysis Summary

Bon Ju (本酒) 's marketing strategy will build a following through incentive marketing, advertising and direct selling to importers in Taiwan who provide premium and imported alcohol. As part of this plan, the company expects to maintain a website to promote its products and keep communication with current and possible clients. Bon Ju (本酒) expects to capitalize on its self image as a differentiated provider of the highest quality rice wine from South Korea. The primary goal of the marketing efforts will be to encourage product awareness on existing and potential customers.

4.1. Mission

The company's main mission is to offer the finest quality rice wine from Korea to consumers in Taiwan, in a fast and efficient way. We exist to attract and maintain customers. By having a strict adherence to this maxim, we believe that success can be ensured, since our products will exceed the expectations of our customers.

4.2. Marketing Objectives

Personal Objectives:

- Devote at least 40 hours per month specifically to marketing
- Set up operations so that it is possible to take two weeks vacation in second year of operation

Business Objectives:

- Achieve total annual revenue of over \$800,000 in year 2
- Achieve an average monthly transactions per customer of 3 by end of year 3
- Decrease the customer acquisition costs by 5% per year.
- Holding spending, as a percentage of sales, at a specific level.

- Decrease the overhead fixed costs as a percentage of sales.

Strategic Objectives:

- Maintain positive, steady growth each quarter.
- Achieve 99.5% customer satisfaction (199 in 200 customers leaves satisfied)
- Achieve 10% of rice wine market customers in Taiwan by end of year 3

Tactical Objectives:

- Reach 6,000 e-newsletter subscribers by end of year 3
- Have 100 business referral partners by end of year 3

4.3. Gap Dashboard

Accordingly, the company's Gap Dashboard will be reviewed on a monthly basis, including many key marketing metrics that will be reviewed on a weekly basis as it is shown below:

- Personal goal results are tracked by Bon Ju (本酒) directly to make sure of the achievement of recognition, devoting enough time to marketing work and acquiring a sustainable work-life balance
- Business goal results are tracked by the accounting system
- Tactical goal results are tracked in the CRM system where all information related to these tactics is recorded
- Strategic goal results are tracked by Bon Ju (本酒) on a monthly basis, based on customers' complaints (to determine satisfaction level) and financial reports (to determine market share achievement)

Table 7: Gap Dashboard

	Year 1	Year 2	Year 3
Personal			
Owner hours spent on marketing	560	520	480
Owner vacation days	5	7	10
Business			
Total revenue	\$1,617,600	\$6,470,400	\$14,979,600
Transactions Per Customer	0.2	1.4	3
Spend Per Customer	\$60	\$420	\$900
Tactical			
E-Newsletter Subscribers Added	2,019	4,500	5,805
Business referral Partners Added	41	36	25
Strategic			
Market Share of wine market added	2.50%	6.50%	10.00%

4.4. Target Markets

The potential customer groups for Bon Ju (本酒) are the following:

- Distributors: Market research suggests that there are approximately 200 distributors of alcoholic drinks in Taiwan that would be able to handle the quantities of our company's shipments. Combined, they import a total of four to five million of alcoholic beverages per year.
- Wholesales: As Bon Ju (本酒) moves towards maximum capacity the strategy is also based on targeting even more aggressively this sector of the market to reach the final customers in a more direct way. These transactions are expected to bring most of the profits for the company, especially at an early stage.

4.5. Positioning

Taiwan wine market is full of players from the major wine producer countries. However, Bon Ju (本酒) does not expect to pose a threat to them but mainly to compete with other Korean rice wine importers. Thus, as mentioned before, we will target mainly Korean and Taiwanese costumers that of course have an awareness of the particular characteristics of our products.

Bon Ju (本酒) will position itself as a high-end Korean rice wine distributor in Taiwan, but at a reasonable price. Indeed we expect that Bon Ju (本酒)'s customers will care mostly about the quality of the product because they acknowledge its condition of fermented wine that is very sensitive to high temperature.

4.6. Strategies

The single main objective of the company is to position Bon Ju (本酒) as the primary distributor of Korean rice wine and to acquire country-wide recognition for doing to with the best quality in products. The marketing strategy will seek to first create customer awareness regarding the products offered, following by the development of a solid customer base, and later one working towards building a firm customer loyalty. Bon Ju (本酒) ideal is to brand its name as a synonymous with the highest quality of Korean rice wine available in Taiwan. To send this clear message to current and possible clients will be the main marketing strategy used by Bon Ju (本酒) through a variety of methods and marketing materials.

4.6.1. Marketing Materials

Marketing materials for Bon Ju (本酒) will include the following items:

- General business cards
- Tri fold brochure/menu
- Business referral program brochure
- Bon Ju (本酒) website
- Banner online, ads on facebook.com
- Text ads on Google Adwords
- Poster ads on mass transit

4.6.2. Referrals

Bon Ju (本酒) recognizes that developing close and communicative relationships with their clients is very important to maintaining a sustainable business. In order to do so, the company will seek referrals among their current and possible clients, mainly bars, night clubs, KTV places, Korean restaurants, hotels, retail outlets, etc. All of those can help share the development of strategic relationships with Bon Ju (本酒). Thus, we plan to offer a six month promotion to individuals from these firms. During the six months, we will use motivational devices such as free gifts, compensations, special pricing, and 10% incentives of the total amount of products that might be sold in their particular business. We hope that these firms will pass on the information about this deal to their employees, as it is in keeping with their own mission and an additional perk they can offer to their staff.

4.6.3. Advertising

Bon Ju (本酒) plans to use advertisements via local pay-per-click advertising system mainly on the web engine run by Google Adwords in order to increase brand awareness. Alternative advertising will be considered as well on a more traditional format like posters public transportation where a high visibility can be acquired, especially buses and MRT.

4.6.4. Web plan

As mentioned, one of Bon Ju (本酒)'s marketing strategies is to build up a website that will have the dual goal of encouraging visitors to first sign up for Bon Ju (本酒) e-newsletter and also to visit the physical stores. Products will not be available to be purchased over the website, but a menu with images of all items will be included as well as promotional items such as t-shirts and cups for sale.

The website's main sections will be:

- Menu, including monthly specials
- Locations (including map) and hours
- Contact information (in the form of questions and comments), including links to follow Bon Ju (本酒) on Twitter or be a fan on Facebook.

- Jobs page with open positions in the company
- Archived newsletters with articles on rice wine topics and cooking tips.

We are hoping that by increasing the availability of rice wine in the market this will at the same time help to increase the website's visibility. Those who link to the archived newsletter articles will also be encouraged to sign up for the bi-monthly newsletter by giving their name and email address. The newsletter will include promotions as well as valuable information for prospects of business. After becoming acquainted with enough information about Bon Ju (本酒) and its products through the online marketing, we expect that these possible clients will make Bon Ju (本酒)'s rice wine their choice of consumption.

Social Media Plan

A Facebook mirror page for Bon Ju (本酒)'s site will be another instance to promote the e-newsletter to those who sign up as fans. Facebook-only promotions will be offered from time to time to encourage fans to share the website with their friends. The Facebook page will have the same goal as the website: to encourage possible customers to try our Korean rice wine in person. The Facebook page will have an additional goal of deepening the connection between existing customers and Bon Ju (本酒) by providing a means for them to interact with Bon Ju (本酒) beyond their visits to the stores or places where products are sold. For example, Bon Ju (本酒) customers will be encouraged to post discussion topics about rice wine and Korean food and to post photos of themselves. A Twitter account will also be utilized. Tweets will be sent out when fresh items are available, and will be used to encourage followers to tell their friends (for example: "Ginseng rice wine is available now. First to re-tweet gets a second bottle free!").

4.6.5. Distribution Channels

As mentioned before, Bon Ju (本酒) products will be sold to the following clients:

1. Off premise markets: including bars, pubs, clubs, KTV (karaoke premises), hotels, restaurants and specialized wine stores. This comprised 50 percent of wine sales in

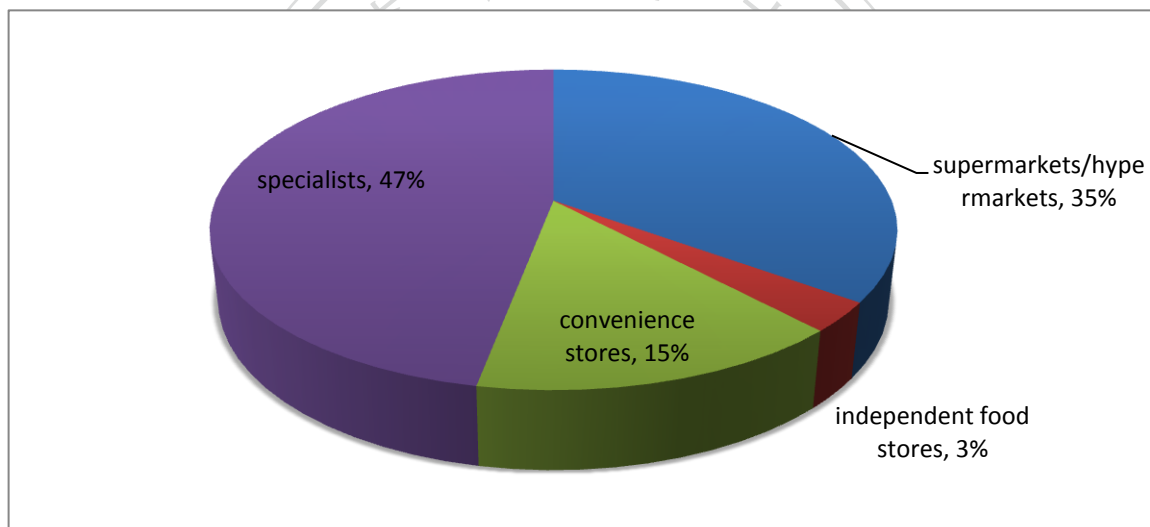
2007.

2. On premise markets: including supermarkets, convenience stores, department stores and hypermarkets. This comprised the other 50 percent of wine sales in 2007.

In addition it is important to note that there are two main sales channels for importing wine into the Taiwanese market:

- An estimated 70 percent of wine imported to Taiwan is distributed through:
Importer → Distributor → Retail outlets/restaurants/hotels/clubs/etc
- The remaining 30 percent is distributed through:
Importer → own retail outlets → Restaurants/hotels/pubs/clubs/wine stores/etc

Korean rice wine is mainly distributed to the high-end HRI and retail sectors.



Graph 5: Retail distribution of Spirits by type of outlet 2003
Sourced by Euro monitor international, retailing in Taiwan, 2003

4.6.6. Marketing Calendar

The marketing calendar has been set in advance by the owner of Bon Ju (本酒). Monthly marketing themes will focus the efforts on different aspects of the general marketing strategy so that all the elements described above can be considered seriously and developed fully every year.

Milestones refer to the developmental activities during the four months prior to the business launch on February 1, 2011. On a daily basis, the owner will devote the hours of 3 pm to 5 pm to marketing activities. Of this time, at least 10 hours per month will be devoted to the marketing theme. The rest of the time will be spent on development of the e-newsletter, creation of promotions, business referral marketing/business development and other ongoing activities.

In addition, on a weekly basis, the sales and marketing critical numbers (actual sales versus forecast, actual marketing expenses versus forecasted, and key marketing metrics) will be reviewed by the owner. This most probably will be carried out every Monday, with a report generated from the previous week. The followings tables attempt to illustrate this.

Table 8: Monthly Marketing Calendar

Months	Marketing Theme
1	Bon Ju (本酒)'s overall marketing plan review
2	Online advertising development
3	Business referral program
4	Business referral program
5	Business referral program
6	Print advertising development
7	Website development
8	Distributor development
9	Distributor development
10	Alternative advertising development (i.e. mass transit posters)
11	E-newsletter development
12	Annual review

Table 9: Milestone

Advertising	Start Date	End Date	Budget
Print advertising development	June/1/2012	June/1/2012	\$15,000
Print advertising purchased	June/1/2012	June/15/2012	\$2,500
Poster advertising development	October/1/2012	October/1/2012	\$12,000
Poster advertising purchased	October/1/2012	October/15/2012	\$3,000
Total Advertising Budget			\$32,500
Referral Marketing	Start Date	End Date	Budget
Create target list of businesses	March/1/2012	March/15/2012	\$0
Design business brochures	March/15/2012	March/30/2012	\$12,000
Design free gifts (cups, T-shirts)	March/15/2012	March/30/2012	\$10,000
Print business brochures	April/1/2012	April/1/2012	\$30,000
Free gifts purchased	April/1/2012	April/1/2012	\$16,000
Send brochures, gifts and contact businesses	May/1/2012	May/31/2012	\$5,000
Total Referral Marketing Budget			\$73,000
Web Development	Start Date	End Date	Budget
Website development	July/1/2012	July/1/2012	\$15,000
Facebook Page development	July/1/2012	July/1/2012	\$2,000
Adwords campaign development	July/1/2012	July/15/2012	\$1,500
Website goes live	July/1/2012	July/1/2012	\$0
Total Web Development Budget			\$18,500
Other	Start Date	End Date	Budget
Design logo	February/1/2012	February/15/2012	\$12,000
Design and purchase signage	February/1/2012	February/15/2012	\$13,000
Design and purchase business cards	February/15/2012	February/15/2012	\$7,000
Total Other Budget			\$32,000
Totals			\$156,000

5. Strategy and Implementation Summary

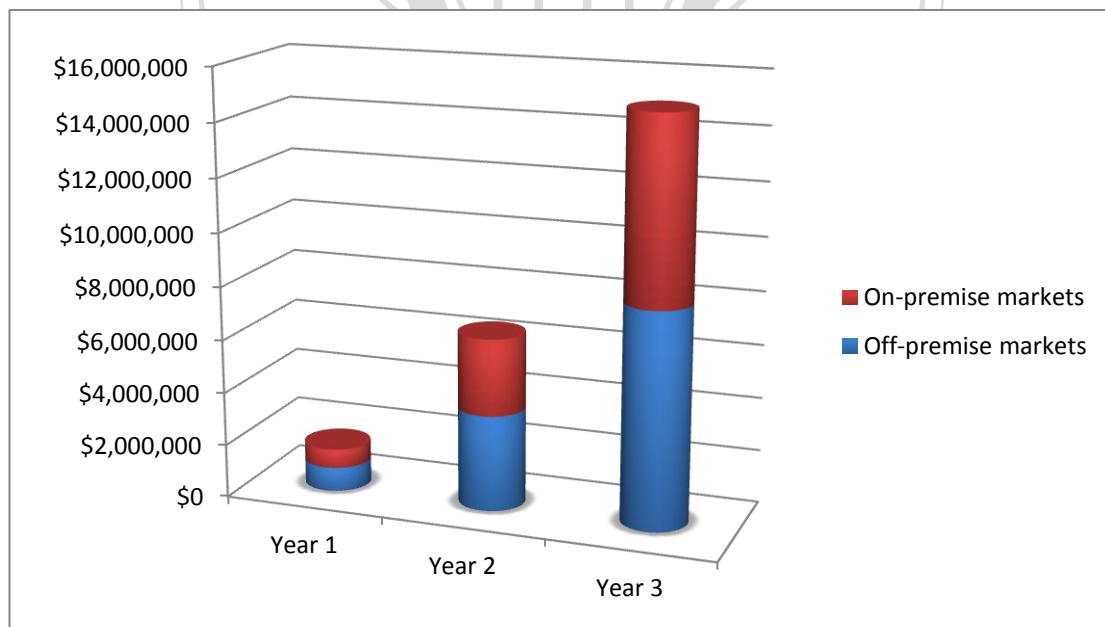
Bon Ju (本酒)'s business strategy is to enter a focused and specialized market where it can offer a higher standard of products to its clients. This will allow us to charge a slightly higher fee to our clients for these differentiated services but always keeping a reasonable price.

5.1. Sales Strategies

Bon Ju (本酒) plans to establish close contacts with potential customers in order to develop and increase its sales. A good way to do so is by offering free consultation in terms of overall cost, service and delivery to possible clients.

5.2. Sales Forecast

Sales are based on various contracts acquired from the two different market segments, namely, off premise markets and on premise markets. Sales will vary month to month but expect to be highly cyclical. The following graph and tables depict this forecast and give more detailed information in these regards.



Graph 6: Sales Forecast

Table 10: Sales Forecast

	Year1	Year2	Year3
Unit Sales			
Off-premise markets	3,000	12000	27000
On-premise markets	2,760	11040	26460
Total Unit Sales	5,760	23040	53460
Unit Prices			
Off-premise markets	300	300	300
On-premise markets	260	260	260
Sales			
Off-premise markets	\$900,000	\$3,600,000	\$8,100,000
On-premise markets	\$717,600	\$2,870,400	\$6,879,600
Total Sales	\$1,617,600	\$6,470,400	\$14,979,600
Direct Unit Costs			
Off-premise markets	\$169.68	\$169.68	\$169.68
On-premise markets	\$169.54	\$169.54	\$169.54
Direct Cost of Sales			
Off-premise markets	\$509,054	\$2,036,215	\$4,581,483
On-premise markets	\$467,931	\$1,871,726	\$4,486,038
Subtotal Direct Cost of Sales	\$976,985	\$3,907,940	\$9,067,521

Table 11: First Year of Unit Sales Forecast by Customers

	Numbers of Target Customers	Frequency of drink	Total bottle consumption				
			weekly	monthly	yearly	Off-premise markets	On-premise markets
Korean Immigrants	599	2	12.00	48	576	300	276
Korean Students	410	3	31.00	125	1,497	780	717
Korean Employees	2,149	5	40.00	158	1,901	990	911
Taiwanese employed at Korean companies	1,450	4	28.00	110	1,325	690	635
Taiwanese experienced original flavor	406,352	1	10.00	38	461	240	221
Total	410,960		121	479	5,760	3,000	2,760

Table 12: Second Year of Unit Sales Forecast by Customers

	Numbers of Target Customers	Frequency of drink	Total bottle consumption				
			weekly	monthly	yearly	Off-premise markets	On-premise markets
Korean Immigrants	599	2	38	152	1,824	1,705	119
Korean Students	410	3	132	528	6,336	3,392	2,944
Korean Employees	2,149	5	154	616	7,392	3,386	4,006
Taiwanese employed at Korean companies	1,450	4	135	540	6,480	2,963	3,517
Taiwanese experienced original flavor	406,352	1	21	84	1,008	554	454
Total	410,960		480	1,920	23,040	12,000	11,040

Table 13: Third Year of Unit Sales Forecast by Customers

	Numbers of Target Customers	Frequency of drink	Total bottle consumption				
			weekly	monthly	yearly	Off-premise markets	On-premise markets
Korean Immigrants	599	2	111	446	5,346	2,700	2,646
Korean Students	410	3	290	1,158	13,900	7,020	6,880
Korean Employees	2,149	5	368	1,470	17,642	8,910	8,732
Taiwanese employed at Korean companies	1,450	4	256	1,025	12,296	6,210	6,086
Taiwanese experienced original flavor	406,352	1	89	356	4,277	2,160	2,117
Total	410,960		1,114	4,455	53,460	27,000	26,460

Table 14: Yearly Sales Forecast by markets

	Sales					
	Year 1		Year 2		Year 3	
	Off-premise markets	On-premise markets	Off-premise markets	On-premise markets	Off-premise markets	On-premise markets
Korean Immigrants	90,000	71,760	511,500	30,940	810,000	687,960
Korean Students	234,000	186,420	1,017,600	765,440	2,106,000	1,788,696
Korean Employees	297,000	236,860	1,015,800	1,041,560	2,673,000	2,270,268
Taiwanese employed at Korean companies	207,000	165,100	888,900	914,420	1,863,000	1,582,308
Taiwanese experienced original flavor	72,000	57,460	166,200	118,040	648,000	550,368
Total	900,000	717,600	3,600,000	2,870,400	8,100,000	6,879,600

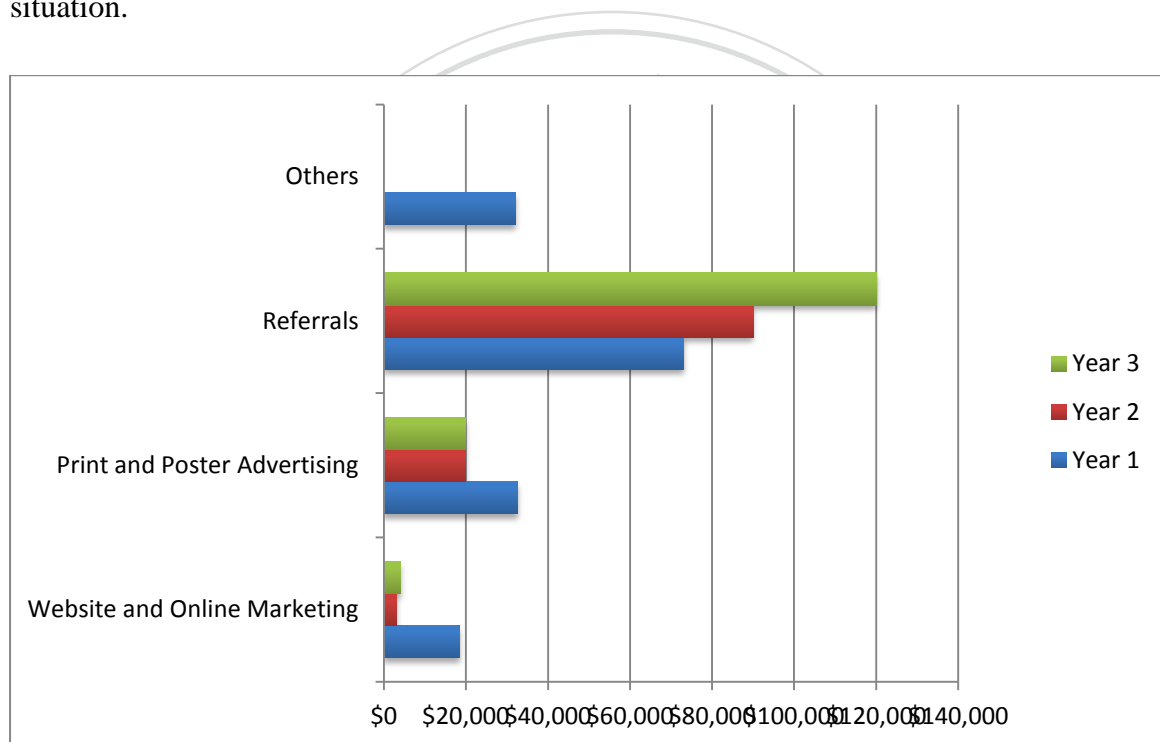
Table 15: Delivery Cost

	Year 1	Year 2	Year 3
FOB Price/Unit	\$0.75	\$0.75	\$0.75
FOB Price (20ft/FCL)	\$10,500.00	\$10,500.00	\$10,500.00
Ocean Freight	\$300.00	\$300.00	\$300.00
Container Clearance Charge	\$20.00	\$20.00	\$20.00
Documentary Charge	\$19.00	\$19.00	\$19.00
Terminal Handling Charge	\$101.00	\$101.00	\$101.00
Warehouse Fare	\$4.20	\$4.20	\$4.20
Handling Charge	\$50.00	\$50.00	\$50.00
TAX	\$840.00	\$840.00	\$840.00
ADD Tax (Sales tax, VAT))	\$525.00	\$525.00	\$525.00
Clearance Fee	\$33.00	\$33.00	\$33.00
Trucking charge	\$15.00	\$15.00	\$15.00
TARIFF charge	\$600.00	\$600.00	\$600.00
Sub Total	\$13,008	\$13,008	\$13,008
Delivery fare	\$100.00	\$100.00	\$100.00
Warehouse Fare	\$40.00	\$40.00	\$40.00
Sub Total	\$13,148	\$13,148	\$13,148
Delivery charge	150.00	150	150
Warehouse charge	60	60	60
Total in USD	\$13,217.95	\$13,217.95	\$13,217.95
Total in TWD	\$381,008.86	\$381,008.86	\$381,008.86
Total per unit in TWD	\$27.21	\$27.21	\$27.21

*One 20ft=14,000pcs

5.3. Marketing Expenses Budget

Marketing expenses on an ongoing basis are expected to total almost 1.98% of sales in the first year and decrease to about 0% of sales in subsequent years. The initial development costs for marketing are included in the Milestones chart and are not represented here. Most marketing expenses are expected to decrease annually against with sales except for referrals that will increase more quickly. The graph and table below illustrate more clearly this situation.



Graph 7: Annual Expense Budget

Table 16: Marketing Expense Budget

	Year 1	Year 2	Year 3
Website and Online Marketing	\$18,500	\$3,000	\$4,000
Print and Poster Advertising	\$32,500	\$20,000	\$20,000
Referrals	\$73,000	\$90,000	\$120,000
Others	\$32,000	\$0	\$0
Total Sales and Marketing Expenses	\$156,000	\$113,000	\$144,000
Percent of Sales	1.98%	0%	0%

5.4. Key Marketing Metrics

Some key marketing metrics are expected to be indicators of the success of Bon Ju (本酒)'s marketing strategy overall. Here we identify them:

- Leads: Defined as individuals who step into stores to consider a purchase
- Leads Converted: Estimated at 50% going forward based on the fact that many will not be qualified when they enter the store
- Average Transactions Per Customer: Expected to rise significantly as customers return for more and more drinking per month
- Average \$ Per Customer: Will likewise rise along with average transactions
- Referrals: Includes customer and business referrals
- PR Mentions: Online or print mentions of the business that are not paid advertising. Expected to be high upon opening, then drop off and rise again until achieving a steady level

Table 17: Key Marketing Metrics

	Year 1	Year 2	Year 3
Revenue	\$1,617,600	\$6,470,400	\$14,979,600
Leads	1,000	1,500	2,250
Leads Converted	50.00%	50.00%	50.00%
Avg. Transactions/Customer	0.2	1.4	3
Avg. \$/Customer	\$60	\$420	\$900
Referrals	35	72	154
PR Mentions	250	560	800

6. Management Summary

Bon Ju (本酒)'s officers include our President, Mr. Yongjae Kim, our head of exports Ms. Minhye Kim, and our general assistance, Ms. Okgeun Ki.

6.1. Personnel Plan

Bon Ju (本酒) consists of a strong management team which has capabilities in all aspects of trade relations, logistics, contracting and sales, as detailed below.

Mr. Yongjae Kim has a bachelor degree of politics and diplomacy in National Seoul University and achieved a master degree with politics in Sungkungan University in Korea. He is a former director general in the Ministry of National Unification of the ROK for over 5 years. He accepted a position as an advisor in Chang Ki Corporation and during his 2 years in the position he demonstrated his flair to develop a new factory and training of employees in Pyongyang, North Korea.

Ms. Minhye Kim is a graduated with honors from National Chengchi University in Taiwan with an MBA degree. She has also a prior degree from Seoul Women's University in Business Administration, graduating in 2005. She worked for the overseas department in Pacific Korea Corporation for 2 years.

Ms. Okgeun Ki achieved a bachelor degree of Chinese in Dongduk Women's University in South Korea and it is pursuing graduate studies in the Institute of Development Studies at National Chengchi University in Taiwan.

Table 18: Personnel-General

	Year 1	Year 2	Year 3
Mr. Yongjae Kim - President	NTD600,000	NTD600,000	NTD600,000
Ms. Minhye Kim	NTD600,000	NTD600,000	NTD600,000
Ms. Okgeun Kim	NTD600,000	NTD600,000	NTD600,000
Other	NTD 0	NTD 0	NTD 0
Total People	\$3.00	\$3.00	\$3.00
Total Payroll	\$1,800,000	\$1,800,000	\$1,800,000

7. Financial Plan

7.1. General Assumptions

This section offers a financial overview of Bon Ju (本酒) as it relates to the marketing activities. Bon Ju (本酒) will address Break-even Analysis, Sales Forecasts, Expense Forecasts, and how they all link to the Marketing Strategy.

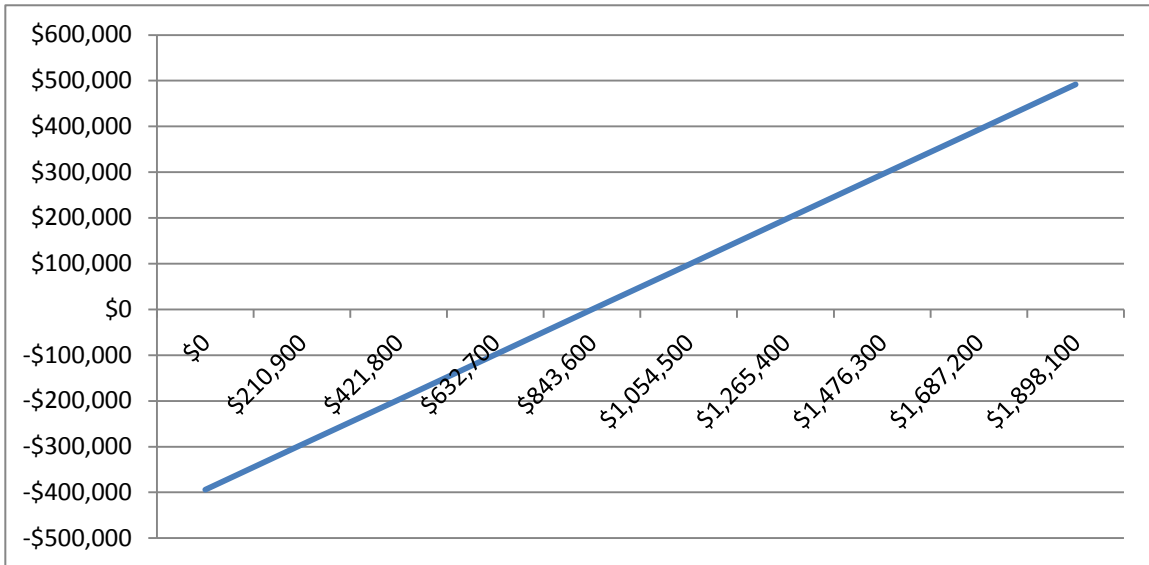
We assume that approximately 50% of sales on credit and average interest rates of 10%. These are actually considered to be conservative in case our predictions are erroneous. Moreover, since Bon Ju (本酒) is an import broker, the firm has no variable costs associated with it. The following table details our general assumptions for the financial plan in particular within the first three years of operation.

Table 19: General Assumptions for Financial Plan

	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	50.00%	50.00%	50.00%
Other	0	0	0

7.2. Break-even Analysis

The Break-even Analysis indicates that \$537,300 in revenue is needed to match total planned expenses.



Graph 8: Break-even Analysis

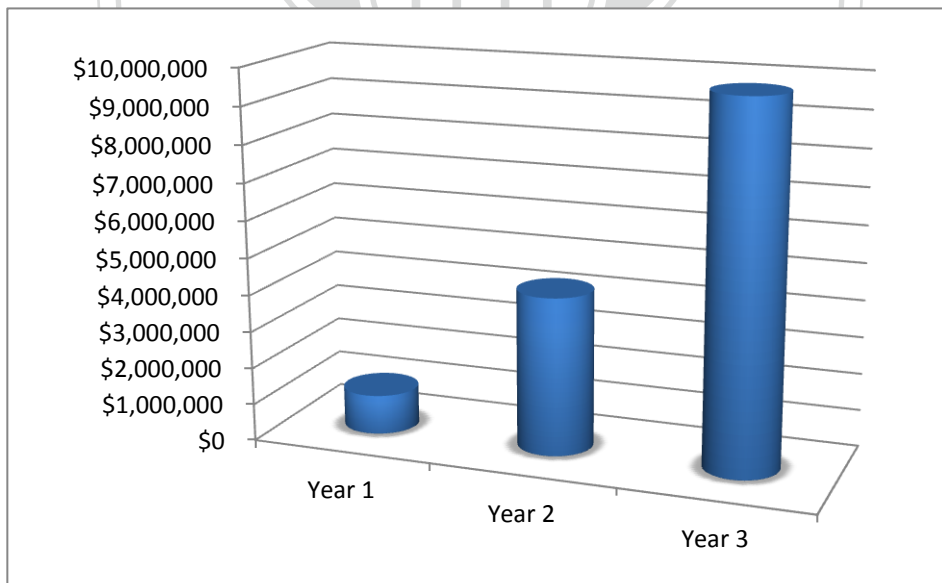
Monthly Revenue Break-even \$537,300

Assumptions:

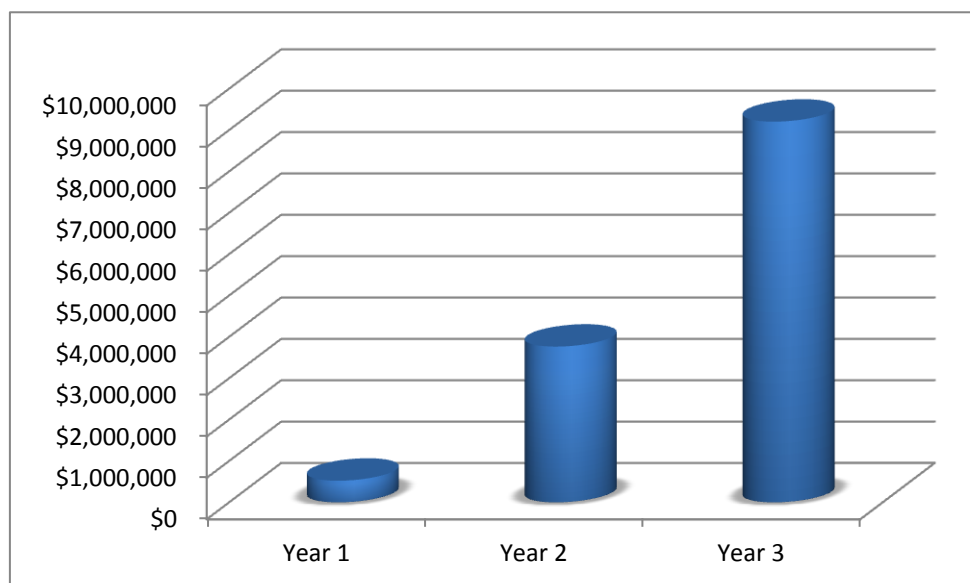
Average Percent Variable Cost 26.6%

Estimated Monthly Fixed Cost \$394,000

7.3. Projected Profit and Loss



Graph 9: Gross Margin Yearly



Graph 10: Profit Yearly

Table 20: Pro Forma Profit and Loss

	Year 1	Year 2	Year 3
Sales	\$1,617,600	\$6,470,400	\$14,979,600
Direct Cost of Sales	\$549,576	\$2,198,305	\$5,220,841
Other Costs of Sales	\$0	\$0	\$0
Total Cost of Sales	\$549,576	\$2,198,305	\$5,220,841
Gross Margin	\$1,068,024	\$4,272,095	\$9,758,759
Gross Margin %	66.03%	66.03%	65.15%
Expenses			
Payroll	\$180,000	\$180,000	\$180,000
Sales and Marketing and Other Expenses	\$156,000	\$113,000	\$144,000
Depreciation	\$10,000	\$10,000	\$10,000
Rent	\$48,000	\$48,000	\$48,000
Utilities	\$10,000	\$15,000	\$32,000
Insurance	\$10,000	\$10,000	\$10,000
Payroll Taxes	\$30,000	\$30,000	\$30,000
Travel	\$30,000	\$30,000	\$30,000
Other	\$35,000	\$35,000	\$35,000
Total Operating Expenses	\$509,000	\$471,000	\$519,000
Profit Before Interest and Taxes	\$559,024	\$3,801,095	\$9,239,759
EBITDA	\$569,024	\$3,811,095	\$9,249,759
Interest Expense	\$12,000	\$12,000	\$12,000
Taxes Incurred	\$24,000	\$24,000	\$24,000
Net Profit	\$523,024	\$3,765,095	\$9,203,759
Net Profit/Sales	32.33%	58.19%	61.44%

7.4. Projected Cash Flow

Table 21: Pro forma Cash Flow

	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$808,800	\$3,235,200	\$7,489,800
Cash from Receivables	\$242,640	\$970,560	\$2,246,940
Subtotal Cash from Operations	\$1,051,440	\$4,205,760	\$9,736,740
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$1,051,440	\$4,205,760	\$9,736,740
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	\$630,864	\$2,523,456	\$5,842,044
Bill Payments	\$42,000	\$51,200	\$60,230
Subtotal Spent on Operations	\$672,864	\$2,574,656	\$5,902,274
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$12,000	\$12,000
Long-term Liabilities Principal Repayment	\$14,400	\$14,400	\$14,400
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$20,000	\$20,000	\$20,000
Subtotal Cash Spent	\$707,264	\$2,621,056	\$5,948,674
Net Cash Flow	\$344,176	\$1,584,704	\$3,788,066
Cash Balance	\$50,000	\$1,634,704	\$5,422,770

7.5. Projected Balance Sheet

Table 22: Pro Forma Balance Sheet

	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$50,000	\$1,634,704	\$5,422,770
Accounts Receivable	\$920,000	\$890,640	\$950,000
Other Current Assets	\$100,000	\$300,000	\$400,000
Total Current Assets	\$1,070,000	\$2,825,344	\$6,772,770
Long-term Assets			
Long-term Assets	\$190,000	\$240,000	\$560,000
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$190,000	\$240,000	\$560,000
Total Assets	\$1,260,000	\$3,065,344	\$7,332,770
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	\$173,200	\$159,980	\$167,900
Current Borrowing	\$50,000	\$60,000	\$60,000
Other Current Liabilities	\$40,000	\$50,000	\$50,000
Subtotal Current Liabilities	\$263,200	\$269,980	\$277,900
Long-term Liabilities	\$190,000	\$190,000	\$200,000
Total Liabilities	\$453,200	\$459,980	\$477,900
Paid-in Capital	\$186,000	\$186,000	\$186,000
Retained Earnings	\$97,776	(\$1,345,731)	(\$2,534,889)
Earnings	\$523,024	\$3,765,095	\$9,203,759
Total Capital	\$806,800	\$2,605,364	\$6,854,870
Total Liabilities and Capital	\$1,713,200	\$3,065,344	\$7,332,770
Net Worth	\$806,800	\$2,605,364	\$6,854,870

7.6. Business ratios

Table 23: Ratio Analysis

	Year 1	Year 2	Year 3
Sales Growth	0.00%	300.00%	131.51%
Percent of Total Assets			
Accounts Receivable	73.02%	29.06%	12.96%
Other Current Assets	7.94%	9.79%	5.45%
Total Current Assets	84.92%	92.17%	92.36%
Long-term Assets	15.08%	7.83%	7.64%
Total Assets	100.00%	100.00%	100.00%
Current Liabilities	15.36%	8.81%	3.79%
Long-term Liabilities	11.09%	6.20%	2.73%
Total Liabilities	26.45%	15.01%	6.52%
Net Worth	47.09%	84.99%	93.48%
Percent of Sales			
Sales	100.00%	100.00%	100.00%
Gross Margin	100.00%	100.00%	100.00%
Selling, General & Administrative Expenses	33.97%	33.97%	34.85%
Advertising Expenses	9.64%	1.75%	0.96%
Profit Before Interest and Taxes	34.56%	58.75%	61.68%
Main Ratios			
Current	2.78	6.66	15.34
Quick	2.36	6.14	14.17
Total Debt to Total Assets	35.97%	15.01%	6.52%
Pre-tax Return on Net Worth	69.29%	145.89%	134.79%
Pre-tax Return on Assets	44.37%	124.00%	126.01%
Additional Ratios	Year 1	Year 2	Year 3
Net Profit Margin	32.33%	58.19%	61.44%
Return on Equity	64.83%	144.51%	134.27%
Activity Ratios			
Accounts Receivable Turnover	\$1.76	\$7.15	\$16.28
Collection Days	4	15	32
Accounts Payable Turnover	3.17	13.20	31.85
Payment Days	115	27	12
Total Asset Turnover	1.28	2.11	2.04
Debt Ratios			
Debt to Net Worth	0.56	0.18	0.07
Current Liab. to Liab.	0.58	0.59	0.58
Liquidity Ratios			
Net Working Capital	\$2	\$2	\$2
Interest Coverage	47.42	317.59	770.81
Additional Ratios			
Assets to Sales	0.78	0.47	0.49
Current Debt/Total Assets	21%	9%	4%
Acid Test	\$3.69	\$9.35	\$22.93
Sales/Net Worth	2.00	2.48	2.19
Dividend Payout	0.04	0.01	0.00

8. Regulatory Overview

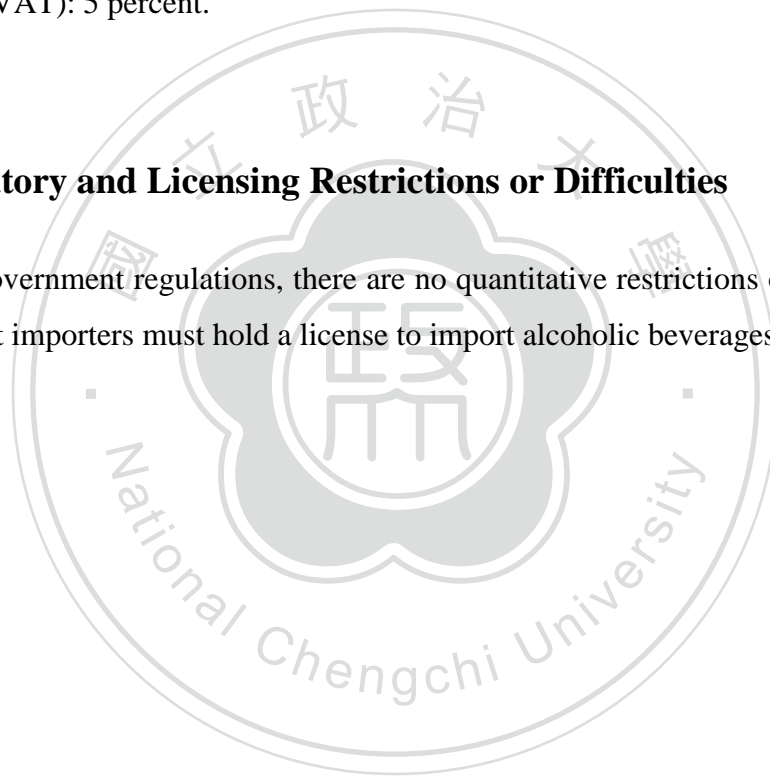
8.1. Duties/Taxes

The following information is relevant to bear in mind when bringing this type of product from abroad into the Taiwanese market.

- Import duty: 10 percent per liter of alcoholic beverage imported.
- Wine tax: NT\$7 per single percentage point of alcoholic content (i.e. wine with alcohol content of 10 percent = wine tax NT\$70).
- Sales tax (VAT): 5 percent.

8.2. Regulatory and Licensing Restrictions or Difficulties

According to government regulations, there are no quantitative restrictions on imported wine into Taiwan, but importers must hold a license to import alcoholic beverages.



9. Summary and Conclusion

Bon Ju (本酒) is a company that focuses on the import of Korean fermented rice wine to distributors and wholesales in Taiwan. Because its particular fermented condition, this traditional Korean alcoholic drink possesses a high dose of pure microorganisms that make it a unique type of beverage with beneficial effect for human health.

This drink, also known as Makgeolli in Korea, has the longest history among the traditional Korean wines, and it is enjoyed by a broad range of consumers, from urban to rural areas. In addition, this fermented rice wine has developed a great variety of flavors and derivative products that are readily available in Korea and that our company attempts to introduce into the Taiwanese market.

Bon Ju (本酒) believes this traditionally Korean product has a high possibility of success, as it has occurred elsewhere in the world with the case of Japanese rice wine or Sake. To begin with, Bon Ju (本酒) plans to target Taiwanese market mainly due to its similarities with the Japanese market where Korean rice wine has already been established.

Because this type of fermented rice wine is a healthy and very nutritive drink, Bon Ju (本酒)'s strategy is to promote it in Taiwan emphasizing those characteristics and its unique features. We acknowledge that Taiwan's alcoholic beverage market is already very much dominated by big companies from all over the world, especially western countries that are traditionally wine producers, such as the USA, Canada, Australia, Chile, France, and Japan with its own type of rice wine. However the particular rice wine market in Taiwan is not yet fully exploited and there is enough room for further development. Thus, in order to position itself as the primary importer of Korean rice wine, Bon Ju (本酒) will work on brand awareness, defining itself as a very distinct option from other types of wine.

In addition, unlike other alcoholic beverages, Korean fermented rice wine is very susceptible to temperature changes, thus its transportation and delivery become a challenge. Bon Ju (本酒) will provide a refrigerated transportation and storage facilities to minimize the risk of losses for both the company and the clients; e.g. retail outlets, restaurants, hotels, clubs, and others in Taiwan. We will deliver fresh rice wine through point to point and within city limits distribution.

A great wine is a cultural symbol of a nation and its traditions. We believe that this type of beverages can also serve as a bridge for cultural exchanges with many other related businesses, namely, food industry, entertainment and others. Bon Ju (本酒) hopes to become the first one in achieving consumers' recognition for bringing Korean fermented rice wine to Taiwan, with its inherent competitiveness, by reaching the satisfaction of its clients and final consumers of Makgeolli. By doing so Bon Ju (本酒) not only builds up its own brand awareness but it also contributes to improve Korea's image in Taiwan simultaneously. It is our hope that in this way non-Korean people, in particular Taiwanese in this case, will be able to experience the real taste of Korea, making the two nations more aware of each other and promoting further exchanges in the future.



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Appendix 1

Population by cities in Taiwan

Rank	Name	Population
1	Taiwan	18,590,635
2	Taipei City	2,620,693
3	Kaohsiung City	1,511,601
4	Fukien Province	82,618
Total		22,805,547

Sourced by Ministry of the Interior, May 2006

Appendix 2

Foreign residents

Rank	Nationality / Origin	Total	
1	Indonesia	148,737	34.60%
2	Vietnam	86,317	20.10%
3	Philippines	74,483	17.30%
4	Thailand	68,618	15.90%
5	Japan	11,087	2.50%
6	United States	10,383	2.40%
7	Malaysia	9,735	2.20%
8	South Korea	3,428	0.80%
9	Canada	2,410	0.60%
10	India	1,538	0.40%
11	United Kingdom	1,388	0.30%
12	Singapore	1,091	0.30%
-	Other	11,157	2.60%
	Total	430,372	100.00%

Sourced by National Immigration Agency, Ministry of the Interior, Feb.28th, 2011