



B GINGER BUSINESS

BY

LI CHUNLEI

AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (INTERNATIONAL PROGRAM)

SOUTHEAST ASIA UNIVERSITY

ACADEMIC YEAR 2022

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Independent Study Title B Ginger Business
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Graduate School, Southeast Asia University, was approved as partial fulfillment of the requirements for the degree of Master of Business Administration. (International Program)



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Independent Study Title	B Ginger Business
Number of pages	97 pages
Author	Li Chunlei
Program	Master of Business Administration (International Program)
Advisor	Assoc.Prof. Dr.Chuta Thianthai
Academic Year	2022

ABSTRACT

Huai ginger is the second batch of intangible cultural heritage in Henan Province, and it is a very effective means to protect it by promoting its inheritance and development with market demand and helping it to standardize, characterize and market. With the development of people's healthy life trend, the consumer health field has achieved strong growth in China, and consumers are paying more and more attention to food health and safety. As a functional health food, ginger paste is increasingly recognized and accepted by the majority of consumers, with a broad market prospect and large market capacity. Boai Huai Ginger, due to its unique health care function and pharmacological properties, stands out among ginger, but it does not accurately grasp the corporate marketing concept of Huai Ginger, which amplifies the price positioning and loses the selling point of Huai Ginger. The purpose of this study was to committed to the deep development and utilization of Huai ginger industry, driving the commercialization of Huai ginger industry and promoting farmers' income, which will surely be encouraged and supported by the policy.

Keyword : ginger market, China market, commercialization

Acknowledgement

Without the help of several educators, this business plan would not have been achievable. I'd like to thank my advisor, Assoc.Prof. Dr. napaporn Khantanapha, Dr.Supot Rattanapun, and Assoc.Prof. Dr. Chuta Thianthai, for their advice throughout this business plan, who read my multiple modifications and helped me make sense of it all.

I'd like to express my gratitude to my chairman and committee members of the independent study, who provided guidance and support.

Thank you to Southeast Asia University, Graduate School, and International Program for offering me an independent study completion fellowship, which enabled me to attend the International Conference and finish this business administration degree. Finally, I'd like to thank my parents and numerous friends who supported and loved me throughout this long journey.

Li Chunlei

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SECTION 1

EXECUTIVE SUMMARY

Huai ginger, also known as Shangzhuang ginger, is the second batch of intangible cultural heritage in Henan Province. In the development of cultural industry, it is a very effective means of protection to enhance the commercial value of intangible cultural heritage through commercial operation, to promote its inheritance and development by market demand, and to help its standardization, characterization and marketization. With the development of the trend of healthy life, the consumer health sector has achieved strong growth in China, and consumers are paying more and more attention to food health and safety, making the health food industry and the development of special value agricultural products rise. China's health food market is large and growing at a high rate, but the per capita consumption is low, and there is huge room for future improvement, while ginger paste, as a functional health food, is increasingly recognized and accepted by consumers, with broad market prospects and large market capacity.

Boai Huai ginger, because of its unique health care functions and pharmacological properties, stands out among ginger and is much sought after. 2016, the county engaged in the production, processing and sales of ginger has reached 82 enterprises, products including Huai ginger sugar cream, Huai ginger tea, Huai ginger paste and other 8 kinds of ginger products, annual sales of ginger

products more than 100 million yuan. 2017 Boai County ginger planting area expanded to more than 320 hectares, with an annual output of more than 600 tons. In 2018, there are more than 100 ginger processing enterprises in Boai County and surrounding counties and cities, with more than 100 kinds of products in six categories, 30 registered trademarks, and annual sales of 300 million yuan. Boai County has become an important production base for ginger products in the province. However, Boai County has not accurately grasped the cultural brand, health care function and pharmacological properties of ginger in Huai, and the marketing concept of enterprises is simple and imprecise positioning, which amplifies the price positioning and loses the selling point of ginger in Huai.

This project is always committed to the deep development and utilization of the Huai Ginger industry, driving the commercialization of Huai Ginger industry and promoting farmers' income, which will surely be encouraged and supported by the policy.

SECTION 2

COMPANY DESCRIPTION

2.1 Company History

The company is mainly committed to the commercial development and utilization of the intangible cultural heritage of Henan Province - Huai Ginger, to give full play to the advantages of the product, to prevent the loss of high-quality characteristic agricultural products facing the problem. We take the development of ginger candy cream as our responsibility, with the concept of "having Boai 'ginger', having a better future", to provide consumers with high-quality green health products and establish a "green, healthy The image of "green and healthy" products.

2.2 Mission Statement

The company takes the development of ginger industry in Henan Province as its responsibility, relying on the traditional recipe for making ginger paste, extending the industrial chain of ginger, enhancing the value chain of ginger, and aspiring to come out of a sustainable green development path of the utilization and development of special agricultural products. The company will "have Boai 'ginger', have a better future" for the belief, to provide consumers with high-quality green health products, to establish a "green, healthy, dynamic, innovative" corporate image, to become a spokesman for the characteristics of agricultural products. Enterprise image, become

the spokesman of special agricultural products, and become the leader of green and healthy life.

Our focus is to build customer brand loyalty and ensure the long-term development of the company. We further segment the target market of the product according to the market and consumer needs. Young and middle-aged women aged 15-60, including urban office workers, school students and teachers, housewives, etc., are the first and core target market of Huai Jiang Ah Hong Cream. In the different stages of product growth, we will adopt different marketing strategies: introduction period (price attack, enter the market) → growth period (step by step, expand the market) → maturity period (steady, penetrate the market) → renewal period (push the new, consolidate the market).

The company tries its best to create a "healthy and green" product image, highlighting the medicinal and health value of the non-heritage agricultural products of ginger, expanding the market, improving brand awareness and establishing a good brand image, so that everyone can taste the ginger paste with peace of mind, but also convinced that the product will bring unexpected effects.

2.3 Product and Services

It has been launched the first "Boai 'ginger'" series of core products - Huai ginger red paste. "Boai's Ginger Paste is made with authentic ingredients such as Boai's ginger, ancient brown sugar and jujube honey, adding "medicine and food" to the

traditional ginger paste. The ingredients are "clear" (to clear heat and regulate qi), "regulate" (to regulate qi and blood), and "tonic" (to replenish qi and transport blood) to regulate the body environment faster, more effectively, and more comprehensively. We follow the secret recipe of TCM health food therapy, inheriting the ancient method of boiling for a hundred years, each process is very careful. Benefit qi and blood, regulate endocrine, regulate menstruation, relieve dysmenorrhea, nourish qi and blood, skin, weight loss and slimming, cold body, relatively weak body, easy to thin body, sub-health, low body immunity, dry skin, face fever, skin, can be taken to regulate.

2.4 Current Status

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2.5 Legal status and ownership

In the team composition: From the professional point of view, the members of the entrepreneurial team come from economics, law and sociology, accounting and national business schools, covering economic, social, demographic, accounting and other related fields, respectively responsible for the project operation of marketing, marketing, finance, design and other sectors, complementary advantages. From the viewpoint of working experience, three members of the entrepreneurial team have worked in e-commerce, tourism and human resource management, and are familiar with the development of marketing channels, management of suppliers, and the integration of "non-heritage + tourism" industry. Tourism" industry integration development and other aspects of experience to draw on, is an invaluable asset. From the perspective of teamwork, the three team members of the marketing department, who are graduate students in industrial economics, have a keen grasp of the market and in-depth research on industrial development, and the relevant members have rich practical experience, so they can effectively grasp the market,

make timely responses, and take the lead for product marketing and further development of the enterprise; the two team members of the finance department, who are supervised by graduate students in accounting and assisted by undergraduates, cooperate effectively and carefully carry out product budgeting. The two team members of the Finance Department, headed by graduate students in accounting and assisted by undergraduates, work together effectively, carefully carry out product budgeting and costing, and guard the company's base camp; the two team members of the Marketing Department, graduate students in sociology and population, play their professional strengths and are good at analyzing the characteristics of intangible cultural heritage in depth to find out the cultural features that suit the aesthetics of the public, and can also use their professional knowledge to analyze data and carry out online and offline marketing in line with the characteristics of the products. The team members are familiar with each other, trust each other, have a strong sense of responsibility and strong teamwork ability, we are both friends, classmates, and colleagues and "comrades in arms" who work side by side to overcome problems.

2.6 Selecting the name for Business

The name of Boai Huai ginger, as same as Caritas ginger, because of its unique health care functions and pharmacological properties, stands out among ginger and is much sought after. 2016, the county engaged in the production, processing and

sales of ginger has reached 82 enterprises, products including Huai ginger sugar cream, Huai ginger tea, Huai ginger paste and other 8 kinds of ginger products, annual sales of ginger products more than 100 million yuan. 2017 Boai County ginger planting area expanded to more than 320 hectares, with an annual output of more than 600 tons. In 2018, there are more than 100 ginger processing enterprises in Boai County and surrounding counties and cities, with more than 100 kinds of products in six categories, 30 registered trademarks, and annual sales of 300 million yuan. Boai County has become an important production base for ginger products in the province. However, Boai County has not accurately grasped the cultural brand, health care function and pharmacological properties of ginger in Huai, and the marketing concept of enterprises is simple and imprecise positioning, which amplifies the price positioning and loses the selling point of ginger in Huai.

2.7 Primary Consideration in Naming a Business

1. Spiritual culture

Company motto: Every self deserves to be loved.

Company belief: With Boai 'Jiang Lai', have a better future!

The company's goal: "Boai's 'ginger'" brand submerged into the hearts of everyone, and is committed to building the first brand of ginger use, to make a corresponding contribution to the development of the ginger industry.

2. Institutional culture

Business scale: Through scale operation, we will expand gradually, expand our market share and reduce costs.

Form of governance: Managing a business group through an elite team of entrepreneurs and governing the business according to the law.

Management system: Combination of routine and exception, standardization and standardization of routine management.

Incentive mechanism: combination of incentive and restraint, incentive-based, restraint-based; reward-based, punishment-based.

2.8 Legal Issues

When the company faces changes in the internal and external environment, including: changes in the project's development prospects, changes in the project's strategic orientation, changes in the project's business strategy, external policies and economic environment, etc., the project as a whole can be transferred to a peer group or an industrial group in a related industry if it is to be exited, so that it can become part of the industrial group or a large project to realize the adjustment of business strategy. The exit of venture capital is realized through acquisition and merger between projects, equity transfer, and equity buyback.

Exit of venture capital

When the following changes occur in the internal and external environment facing the company: changes in the company's development prospects, changes in the company's strategic direction, changes in the company's business strategy, changes in external policies and the economic environment; the company can take the following mechanisms to exit if it wants to exit.

1. Public listing

An IPO would be the best possible exit option for a company through which the company's non-liquid shares can be converted into listed company stock, achieve profitability and liquidity, and which is generally more profitable and maintains the company's independence, as well as helping to build the company's image and maintain ongoing access to financing.

2. Sell

In the case that the company cannot successfully go public, we can sell the equity through the acquisition and merger market will. The project as a whole is transferred to a peer or an industrial group in a related industry, making it a part of an industrial group or a large company to realize the adjustment of business strategy. This can be a good way to broaden the areas that the company is involved in. The exit of venture capital is achieved through inter-company acquisitions and mergers, equity transfers, and equity buybacks.

3. Liquidation or bankruptcy

This is a way to exit when the future earnings of the venture are in doubt. Because the company has few fixed assets and may have certain intangible assets, but because of the poor liquidity of intangible assets, this method usually only recovers 40% of the original investment, resulting in a large loss, but in order to avoid the continued deterioration of the business conditions of the company to make the company suffer greater losses, the company will decisively implement if necessary

SECTION 3

INDUSTRY ANALYSIS

3.1 Industry Size, Growth Rate and Sale projections

In 2018, the consumer health segment achieved strong growth in China, driven by trends in healthy living, where dietary supplements come in three forms: general foods, nutrient supplements and health foods.

From the market size of China's consumer health industry in 2018, the market size of China's health supplement industry reached 162.7 billion yuan in FY18, up 9.8% year-on-year, with an estimated CAGR (compound annual growth rate) of 9.10% from FY18-23. In terms of scale share, vitamins and dietary supplements occupy the absolute dominant position, accounting for 91.3%, while weight management and sports nutrition account for a relatively small-scale share, accounting for 7.4% and 1.3%, respectively.

China's nutrition industry started late, with a small foundation and fast growth. The development history of China's health care industry is still short, and residents' awareness and habits of using health care products have not been fully established. In 2018, the per capita consumption amount of health care products in China is 117 yuan, while the per capita consumption in Hong Kong, China, Japan and the United States reaches 767 yuan, 662 yuan and 924 yuan, respectively. In terms of the per capita consumption amount, the per capita consumption amount of

health care products in China is low, which is 1/8-1/6 of that in developed countries or regions.

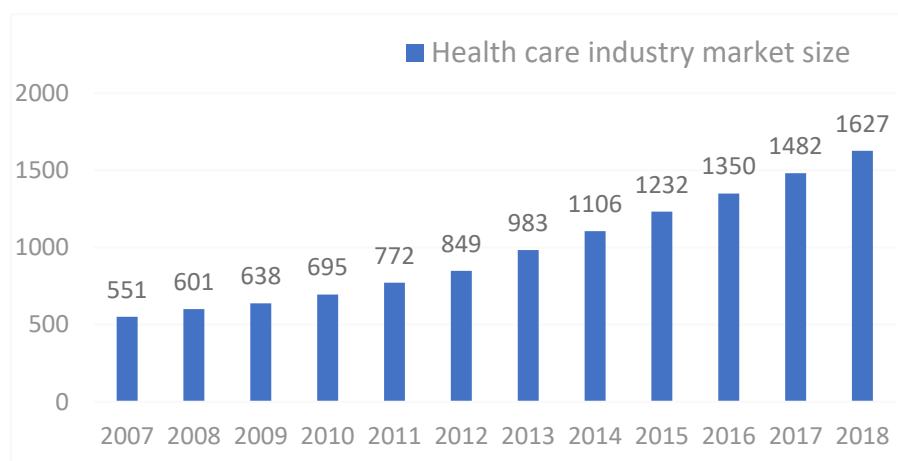


Figure 1 Market size of China's health care products industry (billion yuan)

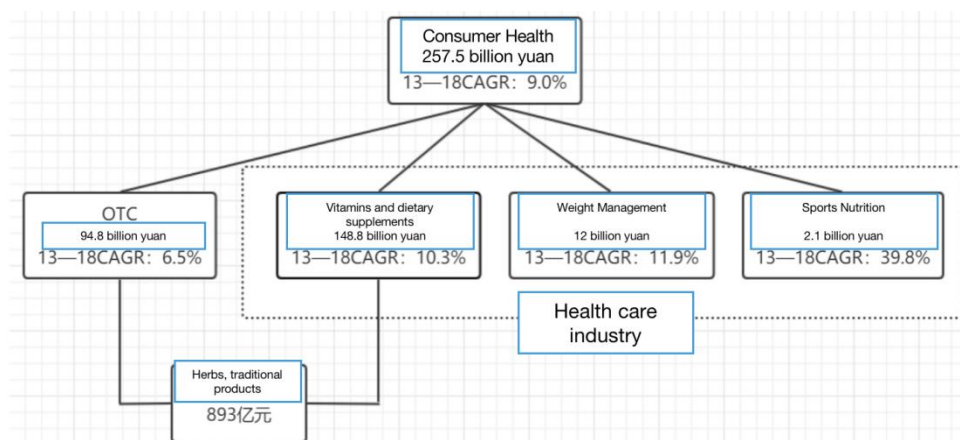


Figure 2 Consumer Health Industry Market Size, 2018

Data source: Euromonitor

In general, China's health care products market is large, high growth rate, low per capita consumption, huge space for future enhancement, and ginger paste as a

functional health food, is also increasingly recognized and accepted by the majority of consumers, with broad market prospects and large market capacity.

3.2 Industry Characteristics

1. Policy: "One county, one product"

"Arable land is the lifeblood of food production. To promote the supply-side structural reform of agriculture. Take advantage of its own advantages, seize the core competitiveness of food, extend the food industry chain, improve the value chain, create a supply chain, continuously improve the quality efficiency and competitiveness of agriculture, and achieve the unity of food security and modern and efficient agriculture. To win the battle against poverty, we should make further efforts, bite down on the target, apply precise policies and make precise efforts to complete the task of poverty eradication on time and with quality. To implement the rural revitalization strategy, do a good job of the "three rural" work in the overall economic and social development of the overall planning and promotion." -- Xi Jinping's speech at the deliberations of the Henan delegation at the second session of the 13th National People's Congress on March 8, 2019

On January 19, 2018, the official WeChat public number of the Department of Market Construction of the Ministry of Commerce, "E-commerce into the countryside", with the title of "Boai Path of Rural E-Commerce", reported that the second grasp of Boai County to drive offline industrial development with online

market development is "One County, One Product". "Qinghua ginger" has been cultivated in Bo'ai for more than 1600 years, and is highly respected for its spicy and spicy silk, as well as its food and medicine properties, and is included in the second batch of provincial intangible cultural heritage list in Henan Province, and is a national geographical indication product. For the whole county ginger industry presents "small scale, weak brand, short industrial chain" problem, the county government set up a ginger industry office and the Huai Ginger Association, specifically responsible for the excavation of Huai Ginger culture, research and development of Huai Ginger products, expand Huai Ginger marketing channels and other work, Huai Ginger standard determination, for the standardization of the ginger industry, commercial development and operation The blueprint is provided.

2.Economy: people's economic income increased, the demand for functional health products increased

Engel's Coefficient (Engel's Coefficient) is a proportional number derived from Engel's Law. Its main content is that the less income a family or individual has, the greater the proportion of expenditure on subsistence food in the family or individual's income. In the 40 years of reform and opening up, China's Engel's Coefficient has been steadily decreasing. in 1978, the per capita living consumption expenditure of urban households in China was 311 yuan, and the Engel's Coefficient was 57.5%; the per capita living consumption expenditure of rural households was 116 yuan, and the Engel's Coefficient was 67.7%. in 2017, the Engel's Coefficient of

China's residents was 29.39%, which was the first time in history that China's Engel's Coefficient fell below 30%. In 2018, the Engel coefficient hit a new record low again. Figure 3 shows the consumption level of China's residents from 2000 to 2018, which was 25,000 yuan in 2018, up 6.7% year-on-year, 33,000 yuan in urban areas, up 4.8% year-on-year, and 11,000 yuan in rural areas, up 9.5% year-on-year.

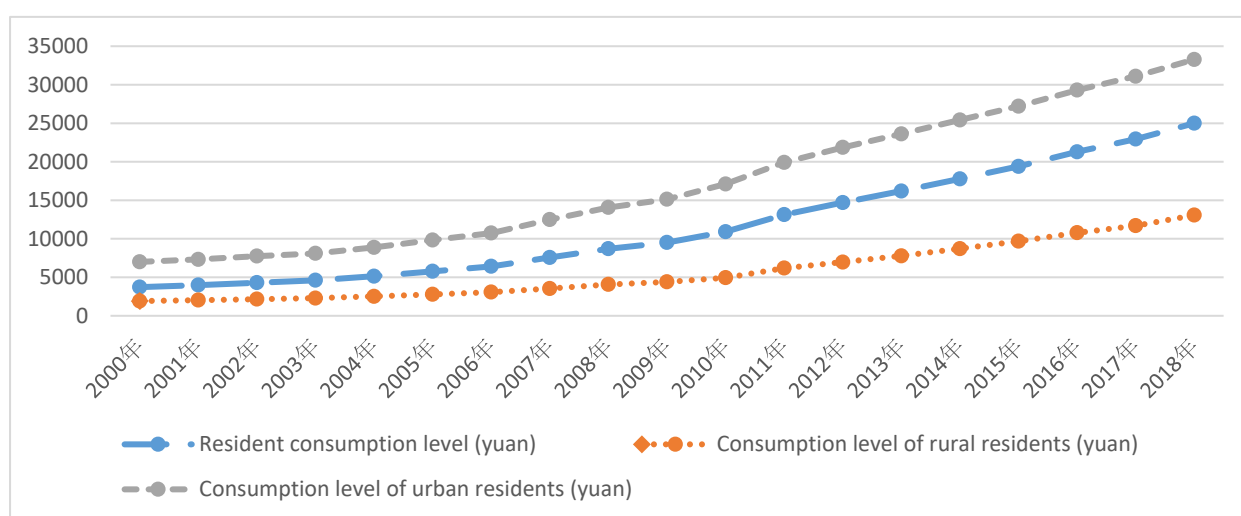


Figure 3 Consumption level of China's residents, 2000-2018

3. Society: broad market prospect

Ning Jizhe, director of the National Bureau of Statistics, said, "A very important trend in current consumption is the development of commodity consumption in the direction of high quality. Good sales of goods of good quality and low price, but high quality and expensive goods also began to enter more middle- and high-income families." In recent years, with the continuous development of the national economy, the people's material living standards have improved year by year, the residents' consumption concept has also undergone a great change.

Modern people pay more and more attention to health, pay attention to food therapy, began to enjoy the quality of life, green food also showed a hot sales situation.

4. Technology: rely on scientific and technological innovation for production and sales

At present, China's food industry and food science is in the early stage of rapid development, the food industry has become the first industry of the national economy, scientific processing and production of food products, has become the first demand of people's livelihood. Moreover, the rising income level of Chinese urban and rural residents and changes in lifestyle have led to rapid changes in food consumption patterns, and the contradictory conflicts and pressures of nutrition, health and safety have generated urgent scientific needs.

Relying on scientific and technological innovation to develop new food resources health industry, is conducive to promoting supply-side structural reform, can better adapt to the new normal new demand changes, and constantly meet the high level of national nutrition and health balance of supply and demand, in line with the national agricultural modernization, food health, comprehensive service development strategy of the health industry.

3.3 Industry Trends

In terms of market competition, the various situations in the existing market are fully considered, and the following analysis is made with Porter's five competitive forces.

1. Bargaining power of suppliers

The supply side affects the profitability and product competitiveness of firms mainly through its ability to increase the price of input factors and reduce the quality of the unit value.

Due to the large planting area of the main raw material, huai ginger, in Boai County, the concentration of suppliers is high, there are substitutes that compete with the products of the supplier companies, the conversion cost of supplies is low, coupled with the bulk purchase at the time of production, it can be concluded that the bargaining power of raw material suppliers is weak, so it is difficult to form a strong competitive edge on the part of raw material suppliers.

2. Bargaining power of the purchaser

Buyers influence the profitability of existing firms in the industry primarily through their ability to press prices and demand higher quality of products or services.

Since the degree of customer concentration is not high, the purchase volume of individual purchasers accounts for a small proportion of the company's sales volume; there are many similar kaigang products in the market and there are

differences, so customers have a large space for choice. Therefore, the bargaining power of the buyers is weak, but the price sensitivity is high.

3. The threat of new entrants

While bringing new production capacity and resources to the industry, new entrants will hope to win a place in a market that has already been divided up among existing players, and competition for raw materials and market share is likely to occur. As can be seen from the table, there is a degree of entry barrier in the wai ginger products industry.

Table 1 Entrant threat analysis table

Barriers to entry	Wai Ginger Products
Economies of scale	Gradual appearance
Product differentiation	Serious homogenization phenomenon
Brand / Visibility	Many brands but few well-known brands
Capital Needs	relatively low
Government policies and industry standards	Gradual improvement
Physical Geography	Important
Summary	There is a degree of barrier to entry

4.The threat of substitutes

Existing companies with increased profit potential will face the threat of entry of substitutes. The possible sources of substitutes are broadly the following two: First, existing brands conduct research and development of new products for market expansion. For example, brands that are already quite mature such as Huai Qing Huai Ginger Sugar Cream and Shang Zhuang Huai Ginger Sugar Cream. Secondly, the threat of new producers entering the market with alternative products. The intrusion of substitutes makes it necessary for existing companies to improve the quality of their products, or to lower their selling prices by reducing costs, or to make their products distinctive, otherwise their goals of sales and profit growth may be thwarted.

5.The degree of competition from competitors in the same industry

In 2016, the county engaged in the production, processing and sales of ginger has reached 82 enterprises, products including ginger sugar paste, ginger tea, ginger paste, etc. 8 kinds, ginger products annual sales of more than 100 million yuan. 2017 Boai County ginger planting area expanded to more than 320 hectares, with an annual output of more than 600 tons. 2018, Boai County County and surrounding counties and cities ginger processing enterprises have more than 100, product categories have six categories more than 100 kinds, 30 registered trademarks, and annual sales of 300 million yuan. The number of enterprises processing ginger products in Boai County Huai is large, but there is no leading enterprise, and

workshop production is widespread. At the same time, there is no national standard and industry standard guidance for ginger paste, which restricts the development of the product market. Boai County in the online sales of "ginger paste" brand a lot, but less well-known brands, poor competitiveness, the homogenization of the enterprise ginger products serious phenomenon.

3.4 Long-Term Prospects

Table 2 SWOT model analysis of ginger paste industry

External Environment & Internal strength	Opportunity	<ol style="list-style-type: none"> 1. China's GDP per capita exceeded \$10,000 and the income of residents increased. 2. Consumption upgrade, consumer philosophy change, the pursuit of nutrition, health consumption. 3. Internet+ and information era create new opportunities and lower barriers to market entry 4. Good external environment and policy support for college students' entrepreneurship. 5. Southwest China has high humidity, high demand due to climatic conditions, and strong market growth for rapid expansion.
	Threats	<ol style="list-style-type: none"> 1. The threat posed by market entrants in terms of product

	Threat	<p>price, brand, etc.</p> <p>2. Lower market barriers lead to an increasing number of potential industry entrants.</p> <p>3. The consumer's acceptance time of the product is unknown, resulting in back financial risk.</p>
Advantages Strengthen		<p>1. Henan intangible cultural heritage - Huai Jiang, endowed with culture and emotion, to create a quality product with cultural symbols and emotional support.</p> <p>2. Short production cycle and responsive to changes in the market environment.</p> <p>3. Have their own sales channels.</p> <p>4. Team members have strong organizational learning skills.</p> <p>5. Develop a reasonable marketing offensive.</p>
Advantageous Opportunity Portfolio		<p>In the environment of China's rising per capita income level, the change of consumer philosophy to nutrition, health, etc., and the upgrading of consumption, we give full play to the publicity and channels of Internet+ and self media to further give ginger paste a unique cultural connotation and emotional attachment, and create a value-rich health product.</p>
Advantageous threat portfolio		<p>We make full use of the product advantages established by culture, emotion, product positioning and branding to develop in a misaligned manner with the</p>

	products existing in the market, supplement the missing items of existing products, expand rapidly and seize the market.
Disadvantages Weakness	<ol style="list-style-type: none"> 1. Tight sources of entrepreneurial capital and relatively tight supply of funds. 2. Lack of real-world experience among team members. 3. It takes some time for the product brand to establish and penetrate into the market. 4. The sales channel is not wide compared to the existing products in the market.
Disadvantageous Opportunity Portfolio	We make full use of the development opportunities brought by the good external environment and the support of national policies for college students' entrepreneurship to enhance the team's learning ability and practical experience.
Disadvantageous threat portfolio	In-depth market research, understanding the market situation, further subdivision of the product target market, precise and clear product positioning, and the development of other products in the market dislocation. Broaden product sales channels and explore new sales channels.
<p>Conclusion: The market opportunity of Huai Jiang Ah Hong Paste is more obvious, to fully give Huai Jiang Ah Hong Paste cultural connotation, emotional attachment, further segmentation of the product target market, precise and clear product positioning, and other products in the market dislocation development, grasp to open the market, seize the market. Accelerate the expansion of marketing channels to cope with the initial capital shortage of disadvantage.</p>	

SECTION 4

MARKETING PLAN

4.1 Market Segmentation and Target Market Selection

Market Composition Analysis: The main ingredients of Wai Ginger Ah Hong Cream are Wai Ginger, Brown Sugar, Honey, Colla Corii Asini, Red Date, etc. It has the efficacy of expelling cold and warming the stomach, tonifying the kidney and protecting the liver, warming the uterus and invigorating the blood, benefiting the qi and nourishing the face, delaying aging, etc. The market prospect is broad. It mainly focuses on young and middle-aged people aged 15-60, the elderly and the youth population. Specific target market segmentation is as follows.

1. The first target market: young and middle-aged women (15-60 years old)

In the 1920s, China has grown into a middle-class country in the world, with per capita GDP exceeding US\$1 trillion, and the income level and consumption level of residents have increased significantly. In this context, ginger candy cream, which has the functions of expelling cold, benefiting Qi, replenishing blood and nourishing skin, is gradually favored by the majority of young and middle-aged women. 15-60 years old young and middle-aged women, including urban office workers, school students and teachers, housewives and so on, is the first target market and the core target market of Huai Jiang Ah Hong Cream. Firstly, this group is the main source of market

demand for Huai Jiang Ah Hong Cream; secondly, this group has strong purchasing power.

4.2 Buyer Behavior

Target market behavior characteristics.

- ★ Large consumer groups, broad market
- ★ Strong awareness of health care, strong willingness to consume products with health care, health and other effects
- ★ Some consumers have a long-term stable consumer demand for this type of product
- ★ Willing to share and recommend good products to others, and purchase behavior is diffuse
- ★ Have strong purchasing power

2.Second target market: the elderly market

According to the National Bureau of Statistics, 249 million people over 60 years old in 2019, accounting for 18% of the total population, so the elderly market hides a huge potential. Huai Jiang Ah Hong Paste is in semi-solid form, which can be taken with water and warm water, suitable for the elderly. It is suitable for elderly people to take. And it has the efficacy of expelling cold and warming the stomach, nourishing the kidney and protecting the liver, and delaying aging.

Target market behavior characteristics.

- ★The elderly group is expanding year by year and the potential market is vast
- ★ Focus on quality, the pursuit of original and high quality products
- ★High loyalty to the brand, not easy to change consumption habits
- ★High diffusion of purchasing behavior

3.Third target market: middle-aged male market, teenage market, general consumers

The pace of modern life is accelerating, and in the face of intense mental and physical labor, men's demand for health and wellness products is also increasing; the youth group also has consumer demand for Huai Jiang Ah Hong Paste, which has the function of expelling cold and warming the stomach, but compared with the young and middle-aged women and the elderly group, the consumption of Huai Jiang Ah Hong Paste by middle-aged men and youth is mostly guided and indirect, and is influenced by family, social environment and other factors The demand for Huai Jiang Ah Hong Paste is greater.

4.3 Competitor Analysis

In 2016, the county engaged in the production, processing and sales of ginger has reached 82 enterprises, products including ginger sugar paste, ginger tea, ginger paste, etc. 8 kinds, ginger products annual sales of more than 100 million yuan. 2017 Boai County ginger planting area expanded to more than 320 hectares, with an annual output of more than 600 tons. 2018, Boai County County and surrounding counties and cities ginger processing enterprises have more than 100, product

categories have six categories more than 100 kinds, with 30 registered trademarks and annual sales of 300 million yuan. The number of enterprises processing ginger products in Boai County Huai is large, but there is no leading enterprise, and workshop production is widespread. At the same time, there is no national standard and industry standard guidance for ginger paste, which restricts the development of the product market. Boai County in the online sales of "ginger paste" brand a lot, but less well-known brands, poor competitiveness, the homogenization of the enterprise ginger products serious phenomenon.

4.4 Estimate of Annual sales and market share

The pre-registered capital of the project was 50,000 RMB, of which the entrepreneurial team took 30% of the total equity with technology, 37% of the total equity with capital, and the remaining 33% of the registered capital came from venture capital. According to the characteristics of the industry and the project, a corresponding financial analysis model was established to make a scientific forecast of the financial situation and investment returns: the payback period of the project is relatively short, about 1 year and 10 months to recover the investment. The IRR of the project is 34.7% (the calculation period is 4 years), which is much higher than our cost of capital, mainly because the product "Boai 'ginger'" has certain health care functions and pharmacological properties, high quality and low price, which makes

the sales profit rate higher and the market growth is good. This indicator shows that our project is feasible.

4.5 Overall Marketing Strategy

1、 General analysis of market layout

Direct sales: For key areas such as the main market in Henan, we will use our sales engineers to sell directly with customers in a point-to-point manner.

★Advantages: You can accurately grasp the immediate supply and demand, save the cost of business intermediate links, reduce the risk of inventory, and establish a more permanent and solid relationship.

★Disadvantages: When the market coverage is too wide leads to a larger investment of resources and a higher level of requirements for all relevant departments.

★Countermeasures: We will strictly guide the execution capability of our direct sales team (including internal team adjustment, resource supply, etc.) and the selection of major customers, so as to lay a solid foundation for the implementation of a comprehensive direct sales strategy in the future.

Agent sales: for other non-direct sales target market, refers to the market is not in the production area, such as Chongqing, we will selectively develop a strong, rich operational experience, good credit local agents to jointly develop the market. Really do "the agents as customers. Gradually establish a more practical

management mechanism, focusing on the construction of the agent sales system integration planning, and gradually establish a set of customer-centric, service-oriented channel operation structure.

★Advantages: Can rapidly expand sales with the power of agents, can quickly raise funds with the power of distributors and reduce financial risks. Make it a stable partner to undertake sales, integration, service, support and many other businesses to achieve market coverage and market share climbing, providing customers with good and more value-added new products and full-line services, including pre-sales, after-sales and all aspects of the operation process.

★Cons: not conducive to brand building, affect the overall market development, sales instability.

★Countermeasures: The selection of local agents will be strictly required; we will send technical and marketing personnel to participate in market development throughout the process. Based on the principle of authorization and the rules of the market game to strengthen the partnership in due time, price protection, purchase price, stock supply, delivery speed, product variety and other aspects of control and support.

2、 Market development strategy

To the developed market: refers to the product has tended to mature areas, such as Henan Jiaozuo and other product production areas. Because "Boai 'Jiang Lai'" series of products listed soon, just hit the brand in the production of products. So

we should continue to maintain the developed market and increase the friendliness of the brand.

In this market, establish the product and brand image with high quality, good price and high-quality service, highlight the medicinal and health value of "Boai's Ginger" series products, continuously expand the market, improve brand awareness and reputation, and establish a good brand image; establish brand loyalty, improve public relations, establish a good social image of the enterprise, and win the trust of customers.

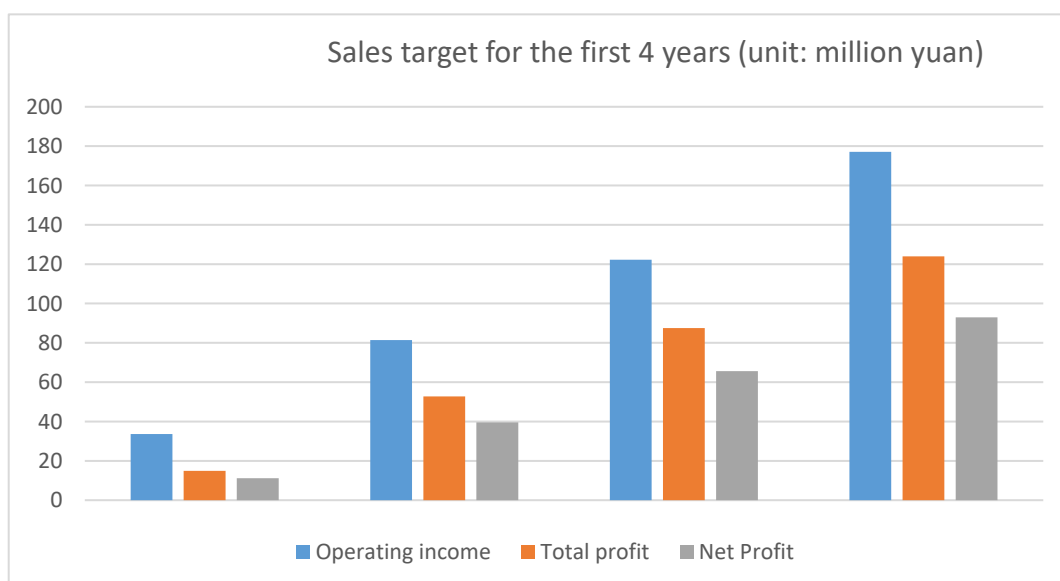
Potential market: This refers to the areas where the product has not yet entered or is entering. Such areas do not know much about the product's utility and cultural connotation, so the process of product integration will be crowded out or even suppressed.

The way of market development lies in the communication between the professional sales engineers and the technical personnel of paper enterprises, introducing the advantages of this product, improving the awareness of "Boai 'Jianglai'" series products, making the customers understand the performance and applicability of this product, etc.; promoting the trend of making The development trend of the product, you can use discounts, coupons to guide the target customers or sellers in part of the "trend leaders" to use the product. Then, open the market with moderate price, perfect service and strong public relations.

3、 Create brand awareness

At present, the brand "Boai 'Jiang Lai'" is in its initial stage, and is not a household name in Henan Province and even in Jiaozuo City. The reason why we choose to start with improving brand awareness is to create profits, improve production technology, strengthen product quality and enhance the commercialization of our products. The reason why we choose to start with improving brand awareness is to create profits, improve production technology, strengthen product quality, enhance product commercialization, and expand market share to make paving. Within five years, 70% of the local people in Henan Province and those who come to Jiaozuo to visit Henan Province will know the brand of "Boai's Ginger" and recognize the main products of "Boai's Ginger" as the main product.

4、 Capture the corresponding market share



5、 Value-added corporate image

If an enterprise wants to develop sustainably, it is not enough to have visibility, it also needs a good corporate image, not only to satisfy customers, but also to make consumers form brand loyalty. "Boai 'ginger to" as a characteristic non-foreign heritage research and development products, enterprises should focus on the quality of the product, and actively participate in agricultural products processing exhibition and agricultural fair, using the expert effect to convince consumers. At the same time, with the help of the government's e-commerce incubation platform, to improve the degree of commercialization and enhance the credibility of the enterprise. Try to create a "healthy, green" product image, so that people are assured of the quality of the product, but also believe that the product will bring health and delicious, and increase brand reputation.

4.6 Pricing Strategy

Price is one of the most important decisions for company operators, the only factor in the marketing mix that provides revenue for the company and is an important tool in market competition. In most cases, in the case of commodity-based products, price has been the main determinant of buyers' choice. Proper pricing will be directly related to the sales volume of the product and the amount of profit the company makes. Determining a reasonable pricing and pricing

policy is a major planning issue of practical importance for all types of company operators. This section focuses on product price planning.

1、 Product pricing influence factors

Pricing strategy is one of the most important factors in a company's marketing mix, which directly determines the size of the company's market share and profitability. Pricing decisions are influenced by internal factors as well as external environmental factors. With the increasing complexity of the marketing environment, it is increasingly difficult to develop a pricing strategy that takes into account not only cost compensation, but also consumer acceptability and competition.

(1) Internal factors affecting pricing decisions

① Marketing Objectives

Product pricing to follow the laws of the market, the pricing strategy, and pricing strategy is to transfer the marketing objectives of enterprises, different objectives determine different strategies and different pricing methods and techniques. At the same time, the price strategy as a means to achieve business objectives, directly affect the effectiveness of business, as evidenced by the different price levels will have a different impact on the profits, sales and market share of enterprises, therefore, when implementing pricing strategy, enterprises should combine the internal situation, the target market economy, humanities and competitors,

according to the survival and development of enterprises with the greatest impact on the Strategic factors to choose the pricing target.

The target customers of the "Boai 'Gingerlai'" series of products.

- ★ Young and middle-aged women (15-60 years old)
- ★ Senior Market
- ★ Middle-aged male market, teenage market, general consumers

The overall goal of "Boai 'ginger to'" brand: to create a distinctive brand and increase the market share.

② Cost

Products from raw materials to finished products go through a series of complex processes, in which a certain amount of capital and labor must be expended. The monetary representation of the actual costs incurred in the production and operation of the product is the cost, which is the basis of the value of the product and the minimum economic limit for setting the price of the product, and is the basic premise for maintaining simple reproduction and business activities. The price of a product must be able to compensate for all the expenses incurred in the production, distribution and promotion of the product, as well as the price paid by the enterprise for the risk taken by the product. Low-cost firms are able to set lower prices and thus achieve higher sales volumes and profit amounts. Therefore, if a company wants to expand sales or increase profits, it must reduce costs, thus

lowering prices and increasing the competitiveness of its products in the market. If the cost of producing and selling a product is greater than that of its competitors, then the company will have to set a higher price or reduce its profits, thus putting itself at a competitive disadvantage.

"Boai 'ginger to" series of products, there are specific requirements for raw materials, so its cost will be slightly higher than similar but less demanding raw materials on the market, this aspect will make the product in the market competition at a disadvantage. But "Boai 'ginger" should create a unique brand advantage, and make a distinction with similar products in the market, for the target customer segmentation cost. Before putting "Boai's Ginger" into the market, we collect and analyze relevant cost data to get the benchmark data of the total cost of the product, and set the price according to the company's long-term development goal and sustainable development plan. After the product is put on the market, we will examine the reaction of customers and competitors and adjust the price at the right time.

③ Organizational considerations

Each enterprise size, different financial situation, different distribution indicators, enterprise value orientation is different, for the pursuit of profit-oriented enterprises, high price is the enterprise choice pricing direction; and for the pursuit of market share of enterprises, medium and low price positioning is the enterprise pricing direction. At the same time, according to the enterprise's own situation need to

consider comprehensive factors (brand, market position, promotion costs, channel construction, product packaging, product specifications) to develop prices.

"Boai 'Jiang Lai'" products into the market in the early stage, because of the company's small scale, low market share and other reasons, not suitable for the full pursuit of profit, so the development of prices should be combined with the cost, the development of intermediate price positioning. After the product has a certain market share, the company can try to start the pursuit of profits, appropriate to raise prices. In the early and late, price development should take into account the specific circumstances of the product, such as brand influence, marketing costs and channel perfection. After the sales increase, the enterprise will exist a certain scale of compensation, without raising prices to get more profits.

(2) External factors affecting pricing

The internal influences of pricing (target, cost, organization) can determine the lower limit of the product price, but the external influences of pricing (market supply and demand, policy factors, etc.) will determine the upper limit of the product price. At the same time the market supply and demand situation is one of the main bases of the enterprise price decision. The price of a product must, on the one hand, compensate for the cost of operation and ensure a certain profit; on the other hand, it must also adapt to the changes in the market supply and demand for the product and be acceptable to consumers. In setting prices, companies must also consider other factors in the external environment. Economic conditions can

have a significant impact on a company's pricing strategy. Factors such as economic growth and recession, inflation and interest rates can affect the cost of producing a product as well as the consumer's perception of the product and its value. Companies should set prices in a way that will bring substantial profits to sellers, encourage their support of the product, and help them sell the product effectively. Marketers need to understand the government laws and regulations that affect prices and ensure that their pricing decisions are defensible. At the same time, when companies set prices, their short-term sales, market share and target profits will have to be subordinated to the needs of society as a whole.

"Boai 'Jiang Lai'" series of products, before putting into the market, market research and analysis, to examine the overall market demand for the product, and investigation and analysis of the market share of similar products in the market, comprehensive to come up with a suitable pricing strategy. After successfully entering the market and occupying a certain market share, we should consider the overall factors affecting the price, such as government policies and the economic environment, and formulate a corresponding price strategy.

2、 Product pricing strategy

(1) Low price strategy

Through research, it is found that "Boai 'Jiang Lai'" series products exist in the market, so there are more substitutes for the product, the elasticity of demand for this product is greater, the adoption of low-price strategy can effectively increase

sales, so in the product's input period, you can take The price strategy of thin profit and more sales, so that the product begins to enter the market, quickly occupy the market share, in order to expand the sales volume to increase the total profit. In order to quickly occupy the market, taking into account the cost composition of the product, competitors' pricing and customer demand, we adopt a low price strategy where our pricing is not only lower than that of competitors, but also lower than the price expected by customers.

(2) Differentiated pricing strategy

Differentiated pricing strategy means that when providing product services, the company does not offer the same price to all customers indiscriminately, but carefully exercises the right to float the product price and provides different targeted service prices. The target market of this product is divided into different regions. Through research, we found that the prices of similar products in different regions of the market are slightly different, so different pricing should be adopted for different regions. In response to the variability of customer needs, we adopt a differentiated pricing strategy to differentiate our products and services and set different prices.

(3) Target profit price strategy

The target profit price strategy is a price strategy that keeps the product price at the level of obtaining the target profit. In the company's growth period, the company's preliminary publicity and other input costs are reduced, the unique

advantages of the product have been brought into play, and competitors will be reduced, which is most conducive to achieving the company's intended target profit. In this stage, the company in the early low-price strategy, based on the cost reduction, the price can be made slightly lower, so that customers get a price reduction benefit more satisfied, but also to a greater extent to achieve the enterprise's target profit.

3、 Product pricing scheme

Set prices according to segmented costs and competitive situation.

★ After collecting and analyzing the relevant cost data we will have a baseline figure.

★ The need to achieve the company's long-term business goals and sustainable development will also be an important influencing factor in price setting.

★ Understand pricing, expected response and projected market demand from key competitors

In the early stage of brand building, we will implement the following pricing method to take advantage of the cost performance example; after entering the maturity period, we will adopt the leading pricing method to improve the added value of the product so that the users can obtain a greater value of customer concessions. The above factors, the initial unified retail price of our products is set at RMB 68 per bottle.

4.7 Sales process and promotions Mix

1、 Product introduction period (2023)

Price out - hit the market

(1) Price strategy

According to our analysis of the market, we found that the initial competition due to the previous market has existed in a variety of Huai Jiang Ah Hong cream, the homogeneity between the products, but the price of the product is relatively high, most are concentrated in 45 yuan - 60 yuan, so the use of low price penetration pricing method, the purpose of this is the new product can quickly occupy the market, and with the help of high-volume sales to reduce costs, and Obtain a long-term stable market position. Micro-profit deters competitors from entering, and can enhance the product's visibility.

The expected sales price during the introduction period is: 68 RMB/bottle

(2) Channel strategy

At this stage, the company will choose the strategy of synchronizing online and offline sales, with online sales as the main focus and offline sales as a supplement. At this stage, the company will first cooperate with large supermarkets in Henan, such as Dasher Group Henan Supermarket Chain Development Company Limited and Dennis Supermarket for trial sales to gradually open up the Henan market. For large customers to give lower than the retail price of direct sales prices, to reduce their retail costs; direct delivery, and provide the corresponding after-sales service;

sales season (winter and spring) to enjoy the right of priority supply; to enjoy our company's new products priority trial rights, in order to establish a long-term and stable relationship. At the same time, we will use the two major live streaming platforms, Jitterbug and Crypto, to post our company's development history, raw material handling and production process in the form of short videos online, and regularly open a live broadcast once a week to introduce our main product - Huai Jiang Ah Hong Paste, to increase the recognition of our products.

(3) Promotion strategy

This session is mainly adopted by online live promotion strategy. We will give away our products for free with the health anchors and female anchors and traffic anchors in the two major live broadcast platforms, forming a certain mode of cooperation, every week with them live with PK, increasing the attention of netizens to our products, if through their channels, to buy our products anchors will have a certain amount of commission. At the same time, every month we will use the two platforms to conduct a promotional campaign, and join our fan group of customers, to be able to enjoy a discount on top of the original price, to enhance the attractiveness of the product to consumers, so as to obtain greater profits. Eventually we will form a marketing strategy of sending videos every day, PK every week, and promotions every month.

2、 Product growth period (2023-2024)

Step by step - expand the market

(1) Price strategy

Growth period cost level with the gradual expansion of production scale and a significant decline in market sales, but try to control the price sensitive consumer base within the acceptable range. The main goal of this phase is to make a profit and to accumulate capital for the improvement of "Boai 'Jianglai'" and the development of new products.

Growth period enterprise publicity and other costs to reduce, so this stage to take the target profit price strategy, the price will continue to reduce the price on the basis of low prices in part to increase sales, as soon as possible to achieve the enterprise target profit. This phase to take the price of 88% off.

Long-term price is priced at \$60. (And you can participate in +\$5 for custom long-handled spoons and mugs)

(2) Channel strategy

At this stage, we will continue to promote the strategy of both online and offline channels, with online channels as support and offline channels as guarantee. We will cooperate with large shopping malls, pharmacies and food sales companies in the southwest area of Henan, such as Yonghui Supermarket, Xindu Pharmacy and Qingyuan Food Company, with them as our first-level agents, using their greater influence among consumers and established sales network to rapidly expand our customer market, while saving sales costs; will give higher discount rates to ensure their larger profit space; and give full service and after-sales support to their sales

behavior. At the same time, we will establish cooperation with Taobao through the network to build the company's Tmall flagship store to clarify the way of online sales and indicate sales channels for customers. In addition, we will convert the audience in the live broadcast into WeChat friends, establish a product WeChat customer base, maintain the customer's continuous attention to the company's products, and cultivate a loyal customer base.

(3) Promotion strategy

The company's products entered the second phase of sales, our target market has also expanded from the local Henan to the southwest area, the company has a certain amount of capital accumulation, online sales, we will use word-of-mouth marketing, regularly in the group to release some news about the product, as well as our product efficacy publicity case, so that consumers can truly feel the effect of our products. All consumers who join our product WeChat customer group can enjoy 20% discount on the purchase price when they forward the product-related content in their own circle of friends. In the offline sales, for the customers in Henan province to point of sale advertising, outdoor advertising form to deepen the consumer's loyalty to our "Boai 'Jiang Lai'", for the customers in the southwest region or to issue discounts, price reduction coupons to stimulate the consumer's desire to buy In order to win the trust and goodwill of customers in the southwest area.

3、 Product maturity period (2024)

Steady and steady - penetrating the market

(1) Product Strategy

At present, our product range is single, at this stage we should develop new products to expand the consumer group, so as to improve the added value and more conducive to the sales of "Boai 'Jiang Lai". Specially launched Chen Pi Autumn Pear Paste and Lily Lemon Paste to meet the consumption needs of different consumers. Through the sales of the national market to show the diversity of our enterprise.

(2) Price strategy

Peer competition has intensified and according to our company's market forecast, there will be 25-45 competitors and it will be difficult to maintain market share by maintaining the original price. As the company's fixed costs have been fully compensated, profitability is also basically set. At this time, the company's pricing to maintain the market share of "Boai 'Jiang Lai" as the main goal, the use of competitive low price level prices.

In the product maturity period, the product to develop emerging markets, can be for different regional market conditions, different pricing strategies, take a differentiated pricing strategy. This period can be based on the low price in the growth period, a certain rebate activities, such as a one-time purchase of products 1000 yuan, a rebate of 100 yuan product coupons, the process of price reduction, sales increased accordingly, in order to achieve competitive success in the market.

The average sales price during the maturity period is expected to be: 60 RMB/bottle, and a 100 product coupon rebate over 1000.

(3) Channel strategy

At this stage, "Boai 'ginger'" Huai ginger a red cream products have reached maturity, we will choose one to two of its products and our company's products complementary manufacturers to cooperate, joint sales, which is conducive to saving sales costs, rapid expansion of sales channels, while allowing our company's products do not need to compete in the fierce market to the detriment of the industry. At the same time, our company's products do not have to compete unnecessarily in the fierce market and damage the interests of the industry. At the same time, we will further develop agents to spread the sales network of the new product "Boai 'Jiang Lai'" more widely. Establish close contact with raw material suppliers, sellers and other related businesses, exchange information in a timely manner, make accurate market forecasts, use the convenience of the network to make timely market adjustments, control production and reduce inventory.

(4) Promotion strategy

At this time, our target market extended from the previous Henan and southwest area to the national market, at this time our promotion means to implement the "dual-track system": in small and medium-sized cities and markets to continue to deepen consumer loyalty to our products in the form of point-of-sale advertising, outdoor advertising; in key cities, to a few large shopping malls, large

enterprises, to achieve network wholesale and online sales. We can invite some health experts to explain some knowledge of health care in the live broadcast of Racer and Jitterbug, and at the same time push our products, emphasizing the green and healthy characteristics of "Boai 'ginger'" to promote the products to potential consumer groups.

4、 Product renewal period (2025)

Pushing the envelope - consolidating the market

(1) Product Strategy

We will develop new products and gradually move to the production and sales of new products, and the company will enter a new life cycle. In this phase, we will carry out certain engineering processes on ginger, making ginger noodles and refining ginger oil to change its appearance or internal properties, quality and flavor, so that the shelf life of the product and the value of the product can be greatly improved. At the same time, we will upgrade the product packaging, both in terms of sales packaging materials and packaging style, we require green and environmental protection, highlighting our "healthy, green" product image. We will win the public's recognition of our company.

(2) Price strategy

As the market of Huai Jiang Ah Hong Cream is gradually saturated the company wants to replace the original product with a new product, so at this stage can get the maximum cash for the production of new products at a very low price, so as to

withdraw the old product that has saturated the market, always ahead of the competition.

The decline period, that is, the product renewal period, can be based on the original price, buy 5 free 1 activities, thereby stimulating the increase in product sales, so as to dump the product to obtain maximum profit.

Expected average price during the renewal period: \$60/bottle, with the addition of a full complimentary campaign.

(3) Channel strategy

For our old products Wai Ginger Ah Hong Paste, Chen Pi Qiu Li Paste and Lily Lemon Paste are sold in the original supermarkets and shopping malls. For our new products, ginger noodles and ginger oil, we will strengthen our business with schools and hotels to broaden our company's sales. Meanwhile, we continue to promote our new products through Taobao, Crypto and Jitterbug platforms.

(4) Promotion strategy

We will continue to use the offline promotion mode for Wai Ginger Ah Hong Paste, Chen Pi Qiu Li Paste and Lily Lemon Paste. For our new products, Ginger Noodle and Ginger Oil, we will adopt online promotion mode. We will also invite food bloggers and nutrition experts to do corresponding explanation and cooking with our new products, so that consumers can understand the use and efficacy of the new products and reflect the innovative and dynamic image of the company.

4.8 Distribution and Sales

1、 Advertising theme

"My "Boai 'Ginger Lai

Starting from the positioning language, we embrace consumers into the embrace of "Boai 'ginger", and tell "my" Boai "ginger" life from the perspective of consumers. Ginger' life.

From the combination of the superiority of the product itself and "Boai 'Ginger" Huai Jiang Ahong Paste, emphasizing the difference between "Boai 'Ginger' "In the life of the difference with other brands, emphasize the "Boai 'ginger" Huai ginger red ointment is to show the image of the necessity of life, so as to cause consumers to identify, change the previous 1 to N other brands to instill communication The way, "my" Boai 'ginger' Huai ginger red cream 1 to 1 communication, to become a female consumer Huai ginger red cream purchaser. The superiority of the product is broken down and communicated in detail. "Boai 'ginger come" Huai ginger red cream in raw materials, production process, efficacy has its own advantages, through the expression of the senses, so that consumers fully trust our products, occupy the market, to create a good brand image.

The form of advertising is based on posters, supported by media discussions and supported by H5, using multiple channels to promote the product in all aspects, improve the core competitiveness of the company and establish a "healthy, green and innovative" brand image.

2、 Advertising content and media

(1) Seeing "Boai 'Gingerly'"

Based on a provincial intangible cultural heritage inheritor in Henan Province, we took a set of photos of the inheritor from the original handmade to the current fully automatic purification and concentration technology, and made them into a set of posters to reflect that the products of our project follow the ancient methods and innovative techniques.

①Poster content

Liu Lao is a simple and honest local people in Henan, from the earliest himself watching how the family purely handmade Huai Ginger A red cream, to now upgrade themselves with semi-automated process, inheriting the ancient process to develop products. Although Liu Lao always keep up with the times, but Liu Lao will never change the old steps such as washing ginger, chopping foam, straining juice, people around him called him old stubborn.

②Advertising slogan

Come, look at my old skills!

③Media channels

Jitterbug, Racer

By inviting the inheritors to participate in our live broadcast, we introduce to our consumers the production process and the related historical background of Huai

Jiang Ah Hong Paste, and answer their doubts about our product. At the same time, we will release daily information about the inheritor's life to stimulate consumers' attention to our product at all times and increase the awareness of our product.

(2) Hearing "Boai 'Ginger'"

Based on the story of Henan Xiaobai (female), a young working woman, the story is about Xiaobai who came home from work and brewed a cup of "Boai 'Ginger'" Huai Ginger Ah Hong Paste and smelled the familiar smell (the smell of Huai Ginger, the smell of brown sugar, and even associated with the old home (The smell of mom and dad's meals)). It reflects the importance of being cared for and taken care of by someone for young working people in a foreign country. "Boai 'ginger come'" to the identity of the companion cut, with the Wai ginger a red cream white back home full of spirit, free from the ties of homesickness.

① Poster content

Bai was accompanied by "Boai 'ginger come'" Wai ginger a red cream, Bai gradually developed a daily habit of a Wai ginger sugar water.

② Advertising slogan

The smell of home, I can smell it.

③ H5

Consumers scan the code and enter, watch the illustrations of Bai's life, resonate with them, and fill in their favorite flavor of home. After participating in the "I can smell the taste of my hometown" contest, consumers will be eligible for a

lucky draw. At the same time, the winner of the selection will receive a warm gift box provided by "Boai 'Ginger".

④ Media channels

WeChat customer group, fast hands, jitterbug

The winner of the contest will receive a warm gift box provided by "Boai 'Jiang Lai".

The winner will receive a warm gift box provided by "Boai's Ginger".

(3) Tasting of "Boai 'Ginger'"

Starting with the dysmenorrhea of a young office worker, Xiao Ding, to tell the common discomfort of women in the city (dysmenorrhea, lack of qi and blood, and cold in the uterus), triggering consumers' empathy, and opening the experience activity of "Mr., take a pulse", with users joining the activity through the poster and H5 to get the "case The user participated in the activity through the poster and came up with a "case".

① Poster content

With urban office worker Ding as the main character, the illustrations show the common discomfort of women in the city and resonate with consumers.

② Advertising slogan

Sir, take a pulse.

③ H5

After scanning the code, users can enter and get their own "case" through the question and answer format, and then share it to get the opportunity to consult with the designated TCM doctors in each place.

④ Media channels

Jitterbug, Racer

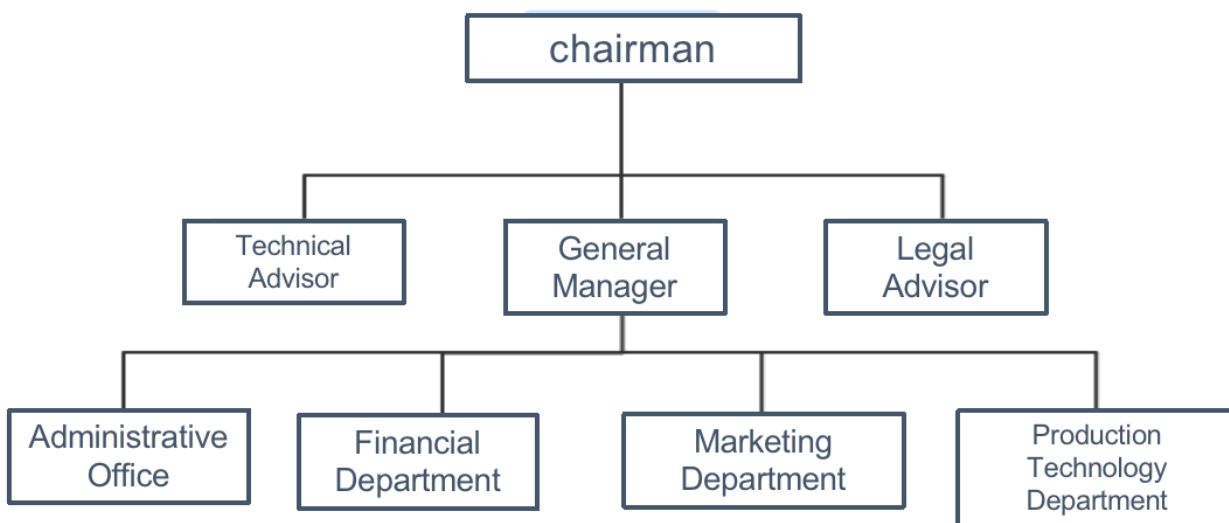
From our WeChat customer group, we will randomly select twenty consumers and invite them to participate in our live interaction, and send our product - Wai Ginger Ah Hong Cream to them two months in advance, the live broadcast will focus on their two months of taking "Boai 'ginger to The live broadcast will focus on their two months of taking "Boai's 'Ginger'" products to communicate with each other.

SECTION 5

MANAGEMENT TEAM AND COMPANY STRUCTURE

5.1 Management Team

Considering the company's overhead costs, the company currently does not have a permanent structure, but takes advantage of our students and hires professional teachers as the company's legal advisors. The organizational structure of the company in the initial stage of development is Team Building



1、 The formation of Yin began, strict selection

How to choose the right personnel is the key to forming a team. The quality of the recruited personnel, the level of practical skills, will directly affect the overall team collaboration, communication and fighting ability. First of all, we should consider the character of the personnel, honesty and integrity, is the necessary

nature of the requirements. At the same time, team members are required to master and involve in a wide range of professional knowledge, industry knowledge, market research and other levels of knowledge.

2、 Distinct division of labor and clear responsibilities

The survival of the enterprise is difficult, and only if each team member is clear about his or her job responsibilities, it will not produce undesirable phenomena such as pushing and pulling. If someone in the team is abusive, it will bring to the enterprise not only the loss of salary, but also lead to the psychological imbalance of other personnel, which will eventually lead to the overall decrease of the company's work efficiency. Therefore, it is necessary to develop clear job descriptions, so that all levels of the team know in detail their specific tasks and scope of work, the requirements for their own abilities, the interconnection with other positions and other information to guide the work of team members. It is also very important for a team to clearly and encouragingly state the goals that the team will achieve in the future and to specifically describe the vision of the team after the goals are achieved. Everyone has a dream, and you want your team to see and work to achieve that dream.

3, the right person and the right self, leadership example

The first thing you need to do is to be a good person. For the enterprise team managers to manage subordinates must set an example, and the courage to take responsibility for subordinates, and to do everything first, strict requirements for

themselves, to do "what they do not want, do not do to others". As the saying goes, the train runs fast, all depends on the front of the car with. "A lion leading a group of sheep" and "a sheep leading a group of lions" will definitely not have the same result. A mediocre leader will only turn all the people below him into mediocre ones. Therefore, the leader's management art, skills, expertise, personality and charisma are the key to a team's combat effectiveness.

4、 Trust empowerment, common growth

For companies to achieve effective teams, there must be sufficient trust between leaders and team members, and between members, and trust is the basis for team member cooperation. With trust it is necessary to delegate and equip them with the right resources. Proactive communication with team members and keeping an open exchange of information with them will enable the team to be managed like a fish in water, so that mistakes in management can be corrected in time and more practical programs and systems can be developed. Everyone wants to prove their value with their own ability, and team members are no exception. Giving them more space to show their talents is the greatest respect and support for them. Their growth will bring greater contribution to the team leader's work. Let go of the "eagle" in your hands and let them soar in a wider sky.

5、 Performance assessment, the winners and losers

A fair and reasonable compensation system is an important guarantee for the formation of team cohesion. The establishment of salary is combined with the

specific market conditions, competitive enterprise salary levels and other comprehensive development, with the salary system, we must establish the assessment mechanism. The linkage of salary system and assessment results is also an important guarantee to enhance team cohesion. Although the performance appraisal is implemented within the team, this elimination mechanism of the winners and losers should also be implemented. In any team, 20% of them are upwardly mobile and excellent, 20% are backward, and the other 60% are neutral and swinging. The winners are rewarded, and the laggards are punished or even eliminated (the prize should be awarded for heartiness, and the punishment should be issued for heartache).

5.2 Board of Directors

General Manager: appointed by the Board of Directors of the company, fully responsible for the overall operation of the company and grasp the strategic direction of the company: responsible to the Board of Directors and organize the implementation of Board resolutions.

5.3 Board of Advisors

Technical and legal advisors: advisory services are given to the company by school teachers on a part-time basis.

5.4 Other professionals

Office: The executive director is directly responsible for managing the work related to the two working departments under the daily administration and human resources department.

Finance Department: Mainly responsible for the financial status of the company, including raising funds, etc.

Marketing Department: The marketing director is directly responsible for the market development and marketing of all existing products and the market investigation and analysis of new products.

Production Technology Department: The Chief Engineer of R&D is responsible for the technical development of products, management of R&D staff and related work of technical supervision.

SECTION 6

OPERATIONS AND PRODUCTION PLAN

6.1 Operations Model and procedure

The company's "Boai 'Ginger'" Wai Ginger Ah Hong Paste inherits the traditional craft, using modern purification and concentration technology, without adding, the original juice boiling. Using raw materials such as ginger juice and ancient brown sugar, it takes 36 hours to slowly boil into paste. Good quality, pure color, nutritional science, delicate taste, sweet, pungent and mellow, rose fragrance, better efficacy, suitable for both young and old.

Ingredients: Wai Ginger, Colla Corii Asini, Brown Sugar, Honey, Red Dates, Heavy Red Rose, Yellow Essence, Fructus Lycii, Pericarpium Citri Reticulata, Perillae, Malt, Mulberry Leaf, Yucca etc.

Corporate structure building (October-December 2022)

How to choose the right personnel is the key to forming a team. The quality of the recruited personnel, the level of practical skills, will directly affect the overall team collaboration, communication, fighting ability. First of all, we should consider the character of the personnel, honesty and integrity, is the necessary nature of the requirements. At the same time, team members are required to master and involve in a wide range of professional knowledge, industry knowledge, market research and

other levels of knowledge. General manager, technical advisor and legal advisor, office, finance department, marketing department, production technology department.

Financing Phase (January - April 2023)

The company's initial registered capital was 50,000 RMB, of which the entrepreneurial team took 30% of the total equity with technology, the entrepreneurial team took 37% of the total equity with capital, and the remaining 33% of the registered capital came from venture capital.

As an intangible asset of the enterprise, we have hired an asset valuation expert to properly evaluate the asset based on the current benefits the asset is likely to generate and the future credit amount, as an asset of \$15,000 into the company (including registration fees, attorney fees, etc.). With the formation of the Company's operating benefits and goodwill, it is believed that the value of this intangible asset will be higher in the future.

Commissioning phase (May-August 2023)

In order to reduce the initial investment cost and investment risk, we choose Boai County, Jiaozuo City, Henan Province, Boai County Huai Xing Tang Medicine and Food Technology Co. The production technology department of our company will carry out the research and development of new products and the procurement of

formulas and raw materials, and deliver the products to Boai County Huai Xing Tang Medicine and Food Technology Co. The distribution of interests, according to the rental of the OEM site and equipment to pay the OEM factory costs, taking into account the risk of leakage of the company's production technology, intends to sign a technical confidentiality agreement with the OEM party.

Product sales phase (September 2023)

Ltd. to produce finished products, our company will start sales activities through online and offline sales simultaneously while producing, with online sales as the main focus and offline sales as the supplementary strategy. At this stage, the company will first cooperate with large supermarkets in Henan, such as Dasher Group Henan Supermarket Chain Development Co. For large customers to give lower than the retail price of direct sales price, reduce their retail costs; direct delivery, and provide the corresponding after-sales service; sales season (winter and spring) to enjoy the right of priority supply; enjoy our company's new products priority trial rights, in order to establish a long-term and stable relationship. At the same time, we will use the two major live streaming platforms, Jitterbug and Crypto, to post our company's development history, raw material handling and production process in the form of short videos online, and regularly open a live broadcast once a week to introduce our main product - Huai Jiang Ah Hong Paste, to increase the recognition of our products.

Serial number	Time Content	2022	2023			Objective tasks
		October - December	January to April	May-August	September -	
1	Company Structure Building	☆				Complete company prototype
2	Financing Stage		☆			Obtain key financing
3	Commissioni ng stage			☆		Product production
4	Product sales stage			☆	☆	Product Sales

6.2 Business Location

In order to reduce the initial investment cost and investment risk, we choose Boai County, Jiaozuo City, Henan Province, Boai County Huai Xing Tang Medicine and Food Technology Co. The production technology department of our company will carry out the research and development of new products and the procurement of formulas and raw materials, and deliver the products to Boai County Huai Xing Tang Medicine and Food Technology Co. The distribution of interests, according to the

rental of the OEM site and equipment to pay the OEM factory costs, taking into account the risk of leakage of the company's production technology, intends to sign a technical confidentiality agreement with the OEM party.

6.3 Facilities and equipment

Production and packaging

In order to avoid wastage, the company chooses to arrange production in batches according to the existing sales volume and the expectation of future sales volume, so as to minimize the invalid inventory. When packaging, each bottle of Wai Ginger A-Hong Paste has a customized foam box to prevent damage by express delivery, and food-grade plastic foam is used to seal the bottle cap at the sealing area to prevent spillage during transportation, so that Wai Ginger A-Hong Paste can appear in the best condition in front of consumers.

Craftsmanship - every step



6.4 Operation strategy and plans

The company implements the strategic policy of brand strategy to diversification strategy, focusing on the combination of short-term goals and long-term strategy, initially through the Boai 'ginger' series of products to promote people's daily life to open up the market, to create profits for the enterprise, to create "Boai 'ginger' " brand. After the formation of the brand, the brand strategy to create other products related to this product, the implementation of concentric diversification of development strategy.

In the first year, with the purpose of promoting the existing products, a lot of marketing propaganda is carried out and various marketing channels are used to open the market for this product. At this time, the enterprise's capital is mainly used for product promotion and production supporting the marketing costs, not a large number of product production, sales target is to reach 336,600 yuan. The second and third years, after the establishment of the initial market, increase the production of Boai 'Jiang Lai' series of products, strong marketing, in response to changing market demand, to achieve product upgrades and continued research and development of new products, while doing a good job of after-sales service, the formation of the brand effect. The sales target is 814,000 in the second year and 1,222,600 in the third year. In the fourth year, to achieve further product upgrades, the sales target is 1,770,700,000 yuan.

6.5 Development status and tasks

The main ingredients of Boai Ginger series are ginger, brown sugar, honey, gum, red dates, etc. It has the efficacy of expelling cold and warming the stomach, nourishing the kidney and liver, warming the uterus and invigorating the blood, benefiting the qi and nourishing the face, delaying aging, etc. The market prospect is broad. "Health" has been respected by people since ancient times. Nowadays, on health, we may be far less than the big star "Queen Zhen Huan" Sun Li, she silently

insisted on drinking the same type of brown sugar ginger tea, detoxification and skin care, enhance immunity.

Shen Bin, Party Secretary and Director of Boai County Quality Supervision Bureau, said, "For a long time, Boai County Party Committee and County Government have attached great importance to the healthy development of ginger industry, and the county's ginger product industry is realizing the transformation from quantity-based to quality-based and traditional to technology-based." Due to the cultivation skills, health care functions and pharmacological properties of Wai Ginger, the products of our project have a broad market prospect and can obtain better economic benefits in the context of pursuing a healthy and green lifestyle.

The leverage ratio is a measure of a company's debt risk and reflects its repayment ability. The inverse of the leverage ratio is the leverage multiple, the higher the leverage multiple, the more vulnerable it is to the impact of yield and loan interest rates. The leverage ratio = total assets / shareholders' equity (net assets), so the leverage ratio of the company is 0.245444606 in the first year, 0.281515618 in the second year, 0.214837064 in the third year, and 0.213048775 in the fourth year. The pressure is not too big.

Year	First year	Second year	Third year	Fourth year
Leverage Ratio	0.245444606	0.281515618	0.214837064	0.213048775

6.6 Challenges and risks

Challenge

1、 Financial risk

★ Risk of capital flow disruption and slow return of funds

★ Improper internal control, low efficiency, low profit, etc.

★ Insufficient awareness of the objectivity of financial risks among project financial managers and the use of revenue allocation activities to address financial risks

2、 Response measures

★ Preliminary market research to understand the industry dynamics and product information, fully understand the ratio of supply and demand, to determine a reasonable scale of production is the key to solving this problem.

★ In the early stage of project operation, we will actively work on this issue within the project to create a good control environment, establish a reasonable accounting system, and improve the project control procedures and their respective specific contents.

★ The cultivation of risk awareness of project financial personnel is an important means to prevent financial risks in my project, and the risk identification and prevention awareness of financial personnel should be strengthened, and relevant skills training should be provided to them.

Market competition risk

At the conference celebrating the 40th anniversary of reform and opening up, General Secretary Xi Jinping pointed out that: give full play to the decisive role of the market in the allocation of resources, better play the role of the government, and stimulate the vitality of various market players. How to gain an advantage in the market competition has also become a stage goal for SMEs.

In recent years, the country has put forward the policy of precise poverty alleviation, in which a very important measure is to make rural areas out of poverty, so under the trend of commercialization of agricultural products, the potential market competitors of "Boai 'Ginger'" series products are increasing. Therefore, in the way of development, it is necessary to step up the pace, seize the opportunity and quickly occupy the market.

1、 Market risk

★Complex user market purchase decision process and high difficulty of new product development, which puts higher demands on our product segmentation and marketing skills.

★ Uncertainty about user receptivity and response to new market entrants.

★ Imitation of similar products and increased user demand for faster technology updates lead to shorter product life cycles.

2、 Response measures

★ For the resistance from the consumer side, we need to do a good job of market research in the early stage of product entry, a comprehensive understanding of the

consumer situation, such as the affordability of consumers to determine the current direction of development, the selection of a target market as a breakthrough, the development of appropriate marketing strategies, which open up the market, and then gradually push into the entire market area.

★For competitors, always pay attention to the dynamics of competitors and the changing market situation, timely changes to improve marketing strategies, without exceeding the affordability of consumers, to develop the best plan.

★ For the project itself, the main thing is to improve the quality of service. Increase publicity, on the basis of continuous improvement of marketing strategy, we also need to increase publicity, so that the majority of consumers accept our products in practice and in concept.

Brand risk

1、 Brand risk

★It takes a while to establish a product brand.

2、 Response measures

★The company will strengthen its marketing offensive and make every effort to build a brand image with a sense of responsibility and mission.

Operational Risk

1、 Business risk

★The initial production volume is small and the order is random, so it is difficult to control the production organization and cost, and it is difficult to make production plan.

★Sales ability of marketers

2、 Response measures

★ Form strategic alliances with distributors to seek convenience in price and delivery; work closely with the marketing department to establish a sensitive feedback system of market demand information to facilitate production forecasting for reasonable production scheduling, as well as final production planning.

★ The impact of uncertainty in the sales ability of marketing personnel, due to the complexity of the market purchase decision process, the product requires high salesmanship. Therefore, we will strengthen our sales force and improve our sales mechanism.

6.7 Costs

Fixed and Variable Costs

Fixed costs include: ① Transportation costs are calculated at 0.5% of sales revenue. ② Equipment depreciation expense: the original value of fixed assets 15,000, depreciation by the average annual method, no salvage value at the end of the period, the depreciable life of machinery and equipment is 10 years.

Variable costs include: ③ Raw material cost prices are expected to rise 3% per year according to the CPI growth rate of the National Bureau of Statistics. Among them, in 2022, Huai Ginger is 7 yuan/kg, the best brown sugar is 4 yuan/kg, Chinese wolfberry is 35 yuan/kg, red dates are 6 yuan/kg, honey is 20 yuan/kg, and cinnamon is 15 yuan/kg. ④ Labor wages are increasing at the rate of 5% per year.

Start-up costs

The company's initial registered capital was 50,000 RMB, of which the entrepreneurial team took 30% of the total equity with technology, the entrepreneurial team took 37% of the total equity with capital, and the remaining 33% of the registered capital came from venture capital.

Table 3 Source of equity capital and capital size

Capital Size Source of Share Capital	Venture Capital	Team Technology Equity	Team capital participation	Total
Amount (million yuan)	1.65	1.5	1.85	5
Proportion (%)	33	30	37	100

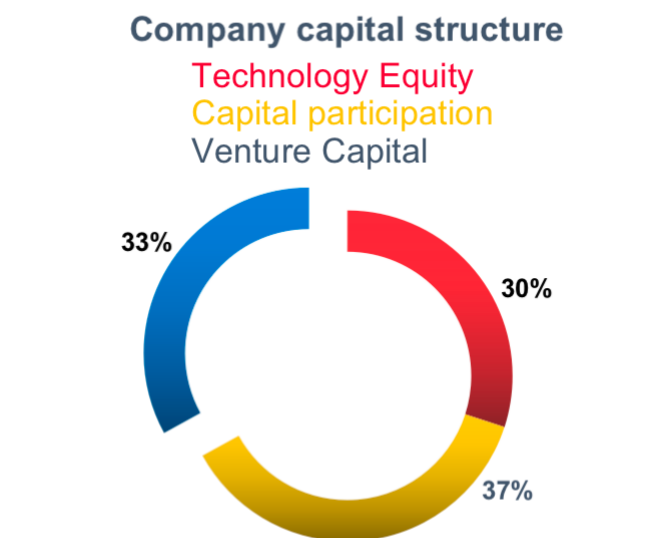


Figure 4 Initial capital structure of the company

Note:As an intangible asset of the enterprise, we have hired an asset valuation expert to properly evaluate the technology entry in the entrepreneurial team as an asset of RMB 15,000 (including registration fee, attorney's fee, etc.) based on the current benefits that the asset is likely to generate and the future credit amount. With the formation of the Company's operating benefits and goodwill, it is believed that the value of this intangible asset will be higher in the future.

6.8 Intellectual property

1.R&D objectives

At present, the project launched the "Boai 'Ginger'" series of products with the non-heritage characteristic agricultural products Huai Ginger as raw material and Huai Ginger Ah Hong Paste as the core, with a single type and low commercialization,

which cannot meet the diverse needs of consumers in terms of taste and packaging preferences.

From the point of view of the product's consumer market, consumers' pursuit of high quality and high standards makes them pay more attention to the quality and cost performance of the product, so the quality of the product in terms of research and development, the extension of the industrial chain, directly related to the interests of the enterprise, the development of the enterprise. In addition, the vast majority of consumers have a certain preference for product packaging, simple and clear and elegant and generous packaging is more popular, which also provides ideas for packaging design and product marketing, according to the different needs of consumers, to provide different packaging products, such as sending girlfriends to choose youthful and beautiful packaging, send the elderly to choose elegant and generous type of packaging. And consumers believe that the existing ginger paste is not easy to carry, the problem of brewing trouble, should be launched in addition to the bottle, portable packaging, small packages of products to meet the requirements of people at work.

In summary, the R&D objectives of the project are: first, to focus on market demand, improve product commercialization, and continuously develop new, consumer-preferred, lifestyle products with health functions and pharmacological properties of Wai Ginger. Second, while improving the quality of the products, gradually reduce the production cost of the products and form a price advantage.

2.R&D direction



Quality upgrade: The production of ginger paste is demanding in terms of climate and temperature, and the traditional handmade ginger paste can be left for 10 years for normal consumption. The shelf life of "Boai 'Ginger'" ginger paste in this project is 12 months like most of the products in the market. How to extend the shelf life without affecting the taste and production efficiency is an area that needs to be improved. In addition, because the product is produced in batches, when there is an uncontrollable situation, the product cannot be sold in an effective time, which will affect the quality of the product and even cause a waste of money.

Package upgrade: The existing and marketed ginger candy paste product packaging are all bottles, which are not convenient to carry and brew, the project intends to improve the packaging method and produce the packaging form as shown in the figure (packaging unit: stick; packaging specification: 60g/stick), to meet consumer demand for convenient packaging, to make up for the shortcomings of such packaging for the product in the market, the left picture is the new packaging designed by the project The picture on the left is the first draft of the new packaging designed for this project.

We have always pursued the concept of "product is character, brand is quality, quality is life". We invest more in product taste, product shelf life, product packaging and product diversification, forming a three-tier linkage of formula improvement, technology upgrade and design innovation to cultivate customer loyalty and improve the commercialization of ginger.

Product diversification: Firstly, we will continue to develop and launch other flavors of "Boai 'Ginger'" series products to open up new markets with various types and flavors of products, increase sales and turnover, and provide more space for the creation of "Boai 'Ginger'" brand. Ginger" brand to provide more space. Secondly, extend the industrial chain of non-foreign heritage agricultural products, link the interests of farmers with the interests of the project, take the development of special agricultural products as its responsibility, and develop new series of special agricultural products.

At present, the company will launch "Boai 'Jiang Lai'" series of products include Chen Pi Autumn Pear Cream, Lily Lemon Cream, Passion Fruit Lemon Cream (trial stage).

Chen Pi Autumn Pear Paste: Based on the "Palace Imperial" secret recipe, and (four generations of Chinese medicine) the same medical tea hall Chinese medicine clinic practice, with pears, old

陈皮秋梨膏

止咳润肺，
生津利咽，
利肠解毒，

等你开片，

百合柠檬膏

开胃润肠，
美容养颜，
补中益气抗氧化

white tea as the main material, with (yellow essence, perilla, poria, orris, lily, yam, orange red, almond, Chen Pi, licorice, honey and other medicinal food ingredients concentrated), with rock sugar, honey It is a cream product made by carefully boiling. According to the ruler and minister 3:2:1 more suitable for the modern polluted air environment and the urban population.

Lily Lemon Paste: In addition to the "medicinal food" ingredients (traditional Chinese medicine) for vitamin C deficiency, heat stroke, thirst, loss of appetite, pregnant women's gastric disharmony, reduction of nausea, yelping, appetite and spleen. The summer heat and humidity is heavy, many people are tired, after a long period of work or study is often poor appetite, a glass of lemon infused water, fresh and sour taste to lift people's spirits, more can open the appetite.

With the launch of a series of new products, our products will meet the needs of consumers with different preferences, offering the possibility to expand our customer base and further dominate the market.

3.Intellectual property management

The company's "Boai 'Jiang Lai'" series of products are self-developed, and "Boai 'Jiang Lai'" The application for registration of the trademark right was accepted by the State Intellectual Property Office on August 9, 2019. The trademark right belongs to the company and does not belong to any individual. Please refer to Annex IV for details of the application for trademark registration.

We have given the following meanings to "Boai 'Kangrai'".

First, every self deserves to be loved, and everyone needs to be concerned about their health.

Second, with "Boai 'Jiang Lai'", have a better future! Quality is not what we say, but what we do with the hands of every worker. In our production line, the equipment is fixed, the process operation is rule-based, the raw material is also controllable, only by our responsibility is unchanged. We must strengthen the control of each key point of quality and take up the responsibility that we should shoulder in our work. Products in the production process, by the quality control to establish the brand.

SECTION 7

FINANCIAL PROJECTIONS

7.1 Source and Use of Funds Statement

(1) The production equipment has an estimated useful life of 10 years. Depreciation is provided on a straight-line basis and there is no salvage value at the end of the period. Intangible assets are amortized over 10 years and have no salvage value at the end of the period.

(2) The company will not pay dividends for the first two years of operation.

(3) Accounting standards: The Company implemented the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China in 2006 and its revised Accounting Standards for Business Enterprises - Basic Standards by the Ministry of Finance in July 2014.

(4) Fiscal year: January 1 to December 31 of each year is a fiscal year.

(5) Currency of accounts: RMB is used as the local currency of accounts for accounting purposes.

7.2 Assumptions Sheet

1、 Net present value analysis

NPV is the difference between the present value of future cash inflows and the emergent value of future cash flows for an investment program. A positive NPV indicates that the project creates wealth for the investor and the investment program is feasible.

With reference to the standard of this industry and combined with the situation of this project, we use 8% (average cost of capital) as the discount rate to calculate the NPV. With a calculation period of 4 years, the NPV of the enterprise is NPV = 105,527, which is greater than 0, indicating that the benefits obtained from the investment of this project are greater than the cost of capital, indicating that the project is feasible.

2、 Investment payback period analysis

Table 4 Payback period

Projects Time	Net cash flow (Yuan)	Discount rate (8%)	Net cash flow Present value (yuan)	Present value of accumulated net cash flows (\$)
Year 0	-58000		-50000	-50000
Year 1	21550	0.9259	19953.145	-30046.855
Year 2	44300	0.8573	37978.39	7931.535

Year 3	58100	0.7938	46119.78	54051.315
Year 4	102400	0.735	75264	129315.315

Note: Data from Table 11 Cash Flow Forecast Table.

Payback period: $T_p = [\text{number of years when the cumulative net cash flow starts to be positive}] - 1 + \frac{\text{the absolute value of the previous year's cumulative cash flow}}{\text{the current year's net cash flow}}$, i.e. $1 + \frac{30046}{37978} = 1.8$ years.

The company has a relatively short payback period of about 1 year and 10 months.

3、 Incorporated rate of return

The embedded rate of return is the discount rate that will make the present value of future cash inflows equal to the present value of future cash outflows, or the discount rate that will make the net present value of the investment proposal zero. The embedded rate of return is calculated based on the cash flows of the investment proposal and is the rate of return on the investment proposal itself, so the embedded rate of return has to be greater than or equal to the company's cost of capital for the investment to be viable.

Using the financial calculation formula of EXCEL, we calculated the IRR of 34.7% (the calculation period is 4 years), which is much larger than our cost of capital, mainly because the product quality of "Boai 'ginger'" has certain health maintenance. This is mainly because the product quality of "Boai's Ginger" has certain health benefits, high quality and low price, which makes the sales margin high and the market growth is good.

7.3 Proforma Financial Statements

Table 5 Sales budget table for the first five years

Projects	Unit	First year	Second year	Third year	Fourth year	Fifth year
Number of sales	Bottle	4950	11970	17980	26040	40060
Unit price	Yuan	68	68	68	68	68
Sales revenue	million yuan	33.66	81.40	122.26	177.07	272.41

Note: The forecast of sales quantity is based on the sales volume of this product in Henan region and market questionnaire data survey as well as reference to the sales quantity of similar products in the start-up period.

Table 6 Production budget table

Projects		First year	Second year	Third year	Fourth year	Fifth year
Expected sales volume		4950	11970	17980	26040	35060
Add: Estimated ending inventory		50	80	100	60	40
Total		5000	12050	18080	26100	35100
Less: Estimated opening inventory		0	50	80	100	100

amount					
Production for the year	5000	12000	18000	26000	35000

Table 7 Direct material budget table

Raw Materials	Weight (kg)	Unit price (yuan)	Amount (yuan)
Wai Ginger	2000	7	14000
Excellent Brown Sugar	1750	4	7000
Goji Berry	160	35	5600
Red dates	300	6	1800
Honey	180	20	3600
Osmanthus	175	15	2625
Other	150	25	3750
Total (yuan)			38375

7.4 Proforma Income Statements

Table 8 Projected income statement

Unit: Yuan

Year Projects	First year	Second year	Third year	Fourth year	Fifth year
I. Operating income	336600	814000	1222600	1770700	2724080
Less: Operating costs	121015	197030	254930	416547	595248
Business taxes and surcharges	1150	2180	3480	4930	6640
Selling expenses	27800	39400	41700	51800	620000
Overhead	38350	49630	51370	62780	75200
Finance costs	460	570	-940	-1560	-1870
Investment income	0	780	1180	1360	1540
II. Operating profit	147825	525970	873240	1237563	1430402
Add: Non-operating income	1200	1745	2114	2163	2413
Less: Non-operating expenses	170	265	243	284	316
III. Total profit	148855	527450	875111	1239442	1432499
Less: Income tax expense	37213.75	131862.5	218777.75	309860.5	358124.75
IV. Net profit	111641.25	395587.5	656333.25	929581.5	1074374.25

7.5 Proforma Balance Sheet

Table 9 Balance Sheet Unit: \$

Year Projects	First year	Second year	Third year	Fourth year	Fifth year
Assets					
Monetary Funds	50,000	114800	252800	374000	415000
Accounts Receivable	49000	37800	52000	62000	74000
Other receivables	5800	7400	12150	17390	23600
Inventory	10400	1200	1100	1800	2300
Total current assets	115200	161200	318050	455190	514900
Long-term equity investments					
Fixed Assets	15000	38500	53000	98000	123000
Intangible assets	6500	5800	5100	4400	3700
Total non-current assets	21500	44300	58100	102400	126700
Total Assets	136700	205500	376150	557590	641600
Liabilities and Owner's Equity					

Current liabilities.					
Accounts Payable	8490	13560	26380	38580	51340
Employee compensation payable	16000	26800	32800	46500	61700
Taxes Payable	2450	4783	7340	12850	17430
Total current liabilities	26940	45143	66520	97930	130470
Total liabilities	26940	45143	66520	97930	130470
Owner's Equity.					
Paid-in Capital	58000	58000	58000	58000	58000
Surplus reserves	5850	6450	7050	7650	8250
Undistributed earnings	45910	95907	244580	394010	444880
Total Owner's Equity	109760	160357	309630	459660	511130
Total liabilities and owner's equity	136700	205500	376150	557590	641600

7.6 Proforma Cash Flow

Table 10 Projected cash flow statement

Unit: Yuan

Year	First year	Second year	Third year	Fourth year	Fifth year
Projects					
I. Cash flows from operating activities.					
Cash received from the sale of goods and provision of services	4,352,000	5,222,400	7,311,360	11,332,608	15013946
Subtotal cash inflow from operating activities	4,352,000	5,222,400	7,311,360	11,332,608	15013946
Cash paid for the purchase of goods and services	254,142	245,811	371,070	559,261	768210
Cash paid to and for employees	63,800	108,075	139,425	252,450	345813
All taxes paid	1,245,063	1,502,169	2,098,767	3,247,221	4368269
Subtotal cash outflow from operating activities	1,563,005	1,856,055	2,609,262	4,058,932	5482292
Net cash flows from operating activities	2,788,996	3,366,345	4,702,098	7,273,676	9531654
II. Cash flows from investing activities.					
Cash received from obtaining investment income	0	780	1,180	1,360	1650

Subtotal cash inflow from investing activities	0	780	1,180	1,360	1650
Cash paid for the purchase and construction of fixed assets and intangible assets long-term assets	21,500	44,300	58,100	102,400	134020
Cash paid for investments					
Subtotal cash outflow from investing activities	21,500	44,300	58,100	102,400	134020
Net cash flows from investing activities	-21,500	-43,520	-56,920	-101,040	-132370
III. Cash flows from financing activities.					
Cash received from absorption of investments	58,000				
Cash received for obtaining loans					
Subtotal cash inflow from financing activities	58,000				
Cash paid for debt service					
Cash paid for distribution of dividends, profits or repayment of interest		68,200	136,500	201,680	28460
Subtotal cash outflow from financing activities		-68,200	-136,500	-201,680	-28460
Net cash flows from financing activities	58,000				
iv. ending cash and cash equivalents balances	50,000	114,800	252,800	374,000	496000

7.7 Ratio Analysis

1. Debt service capacity analysis

Table 11 Solvency Analysis

Year Projects	First year	Second year	Third year	Fourth year	Fifth year
Current Ratio	4.13	4.34	3.78	3.45	3.94
Quick Ratio	4.02	4.1	3.59	3.21	3.68
Gearing ratio	0.21	0.19	0.23	0.18	0.20
Equity ratio	0.31	0.25	0.34	0.28	0.26

From the above table, we can see that the company's working capital is increasing year by year, which indicates that the company's assets are increasing. Generally speaking, the current ratio should be more than 2:1 and the quick ratio should be greater than 1 to be normal. However, the current ratio and the quick ratio are relatively too high, and the idle capital is not invested in a reasonable way; the trend of changes in the company's current ratio and quick ratio in recent years is more consistent. It is noteworthy that: in the third year, compared with the second year, both the current ratio and the quick ratio decreased significantly, indicating that in the third year, the company's ability to realize funds decreased, resulting in the enterprise's weaker short-term debt-servicing ability; the company's gearing ratio is relatively low, with less pressure to repay debts, and from the current ratio, quick ratio and gearing ratio we know that the company's debt repayment ability is

stronger, and from the equity ratio we know that the company's financial structure is more robust. The company's creditors' rights and interests can be protected.

2. Profitability analysis

Table 12 Profitability Analysis (Unit: %)

Year Projects	First year	Second year	Third year	Fourth year	Fifth year
Operating Margin	0.43	0.52	0.55	0.62	0.68
Cost Margin	0.41	0.48	0.45	0.46	0.47
Total Return on Assets	0.38	0.42	0.39	0.47	0.45
Return on Net Assets	0.22	0.34	0.41	0.48	0.53

The company expects its profitability and capital utilization level to increase year by year in the next four years of operation, which indicates that the company preserves good profitability and keeps growing trend. The operating profit margin keeps increasing, which indicates that the company is getting stronger and stronger from the operating income, for example; the return on net assets keeps increasing, which indicates that the profitability of the owner's equity of the company is enhanced; the overall increase in the cost profit margin indicates that the economic efficiency of the company is good; the overall upward trend of the total asset return

also indicates that the economic efficiency of the free investment of the company is good and the risk to the investors is less, and the company is worth investing .

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