

Focus

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Capture the Heart of the Rising
Muslim Middle Class through Cultural Immersion

Special Report

Bedding World

Selling More Than Bed But Also One-third of Happiness in Your Life

Perspective

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Editor-in-Chief: Eugene Y. Lin

Administration Chief Editor: Yen Feng Kuo, Li Chiu Huang

Managing Editor: Ann Lee, Yu Tzu Chen, Li Ting Pan

Illustrator: Jie Yin Lin

Designer: Ze Wei Pan

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Spark the Inspiration for the Mind and Re-invent Productivity in an Era of 3 M-forms

P. C. Chang



► Pao Cheng Chang, President of the China Productivity Center

October marks the arrival of autumn as the temperature cools down considerably. Many people also plan trips during the busy season to take advantage of the weather. However, the performance of the tourism industry across the nation in the past several long weekends is a tale of one Taiwan, two worlds. News footages reveal tourist attractions in Northern Taiwan, such as Jiufen, are brimming with people and activities, whereas amidst the deserted streets in Southern and Eastern Taiwan are shops with more employees than customers. The affected vendors groan with the big question: where did the customers go?

The statistics tell a more nuanced story. With more than 900,000 visitors recorded in August 2017, the visitor count exceeds the same period of last year, showing signs of recovery. But according to the yearly statistics, the average daily spending per person who travels to Taiwan as a tourist has decreased from USD228.95 in 2015 to USD197.65 in 2016, mostly due to reduced shopping. The changing consumption pattern of tourists of Mainland China, from expensive shopping sprees to more disciplined

spending controls, accounts for the biggest drop in sales. As a result, many hotels, B&B's, and tour bus operators either with long-standing presence in the area or previous popularity among tourists are going into liquidation. Desolation sweeps over the once-flourishing tourism industry as the bleak reality sinks in with owners at the end of their rope.

3 Highs and 3 Lows – Minimal Extravagance is the Way to Go

In the past, we saw ebbs and flows of businesses and industries. But now we see the consecutive falls of great businesses with occasional sighting of a rising industry. Tourism has fallen victim to the Fortune's wheel. Which industry will be next? Is there anything the industry can do to lift itself out of the misery other than asking the government for help? Subject to the combined forces of international politics, domestic economy, industry development, political climate, infrastructure and many human factors, the global economy is heading towards an era of 3 high's and 3 low's: low growth, low inflation and low interest rate in addition to high competition, high risk and high unemployment. The expectation dampens the global consumer confidence as households tighten their belts by spending less. Consumers are inclined to purchase goods and services of good quality and at budget-friendly prices. In other words, consumers have become more evidently financially disciplined and prone to spend on "minimal extravagance".

3 Types of M-forms Lead to Metamorphosis of Services

The new spending behavior with affinity for

minimal extravagance gives rise to three types of M-forms: the M-form income distribution with a widening gap between wealth and poor, the M-form consumption pattern weighted towards highly reviewed and highly priced products and services, and the M-form talent recruitment weighted heavily towards skilled professionals and people well-versed in innovations. The contemporary consumption happens within spheres where consumers actively lead, interpret and participate. Operators in all sectors and trades will rely on their mastery in creation of value added and value chain activities to bring more value to consumers. Re-inventing the productive processes in all sectors, tourism industry included, is the key that either turns the industry around or allows it to slip into obscurity.

First and most importantly, businesses must pay attention to factors that go into the input/output processes. All necessary steps taken to reduce cost and increase the added value are crucial to reinvention of productivity. For example, the service industry needs to re-consider its customer value proposition in the context of innovations relating to its business model. The sector may create new service experience by combining experience marketing with smart system applications. The change is made possible with new management mindsets and new technology tools. The manufacturing, production and service processes incorporate the innovation and, when the business model is operating at its optimal level, identifies more income sources and cuts cost as necessary. A business that undergoes such change gains competitive edge and remains sustainable in the market. The above measures are suggested from a people-oriented approach in response to the changing trends in a market

ecosystem to increase productivity and create value in business.

Customization and Personalization as the Winning Duo

The people-oriented approach sees significant growth in markets for the following products: adventures and experience, intimacy and friendship, community services, and self-actualisation. Another look into these products reveals that they generally fall into the category of human pursuits of satisfaction of psychological needs. It is possible to employ the tools of artificial intelligence, big data and sensors to track the customers' behavior, analyzing the information, deducing patterns and creating models. The end products of the analysis along the way will begin from a simple reflection of the customers' behavior and advance to a prediction of certain patterns.

The completion satisfaction of customers' psychological needs requires cross-industry collaboration (e.g. manufacturing, agriculture, finance and medicine). Use the data with imagination and spark your creativity. Let the ideas flow and create incentives for invigoration of creativity. Develop a service chain that not only provides customized services but also encourage customers to participate in the process and add their unique personal touches to the services received. A business that chooses to adopt this approach, rather than sells products, trades dreams that inspire customers, thereby differentiating itself with the value it adds to the sector. The sector will flourish with more businesses like that.

(The author is the President of China Productivity Center) **CPC**



Cover Story

Part 1

Finance, Tourism, Cuisine and Fashion Capture the Heart of the Rising Muslim Middle Class through Cultural Immersion

Countries are ramping up the effort to snatch prospective business opportunities in the Muslim markets by establishing Muslim-friendly services in the hope to lure the interest of the new Muslim middle class. The flourishing of Muslim bourgeoisie is re-shaping the mindset of governments and business owners, all of whom have every intention to charm the new consumers into looking their way.

Many corporations and countries have noted the Muslim market as a typical “blue ocean”. The Muslim world that contains a quarter of the population on the planet is still experiencing phenomenal population growth. The rise of a Muslim middle class with steadily increasing income is a key development of the transformation. According to Thompson Reuters’ the State of the Global Islamic Economy Report (GIER), the global Islam value of production is projected to reach USD3.5 trillion by 2021. Islamic finance is then number one contributor to the growth. The sectors of tourism, fashion and food are also expanding at an incredible speed.

According to the data released by Pew Research Center, the global Muslim population had exceeded 1.6 billion by 2014. The projected Muslim population in 2030 is more than 2.2 billion, meaning that 30% of the youth population from 15 to 29 will be Muslim. The demographic shift presents boundless opportunities to corporations based in saturated and mature markets as well as countries with a rapidly aging population.



A majority of the Muslims live in Southeast Asia, West Asia, South Asia and Africa. The Organisation of Islamic Cooperation (OIC), an international organization consisted of Muslim-majority countries, has a total of 57 member states. According to a report released by the International Monetary Fund (IMF) in April 2017, the projected economic growth rate for the 57 OIC member states during the period between 2015 and 2021 is 4.19%, performing better than the global average growth rate at 3.6%. The epicenters of growth across all OIC member states concentrate in countries having the opportunity to exploit their demographic dividend, Indonesia, Malaysia and Bangladesh being three examples. The economic performance in these countries will outshine their counterparts in the Middle East.

Many countries and multi-national corporations have unfurled plans to realize the opportunities in the Muslim markets. Some of the more obvious examples include Spanish government’s investment in Muslim-friendly facilities to attract Muslim tourists. The OIC member states primarily import meat from the United States, France, Brazil and Australia. The multinational food company Nestle and supermarket giants such as Carrefour and Walmart are venturing into the Halal space. MasterCard also offers a halal benefits programs targeting Southeast Asian Muslim consumers.

For the aspirants wishing to board on the train to Muslim markets, it is important to understand the unique lifestyle shaped and defined by Islamic values. Let’s explore the international Shariah-compliant marketing campaign by perusing Islamic finance and fashion.

Finance: Aspirant Eyes Slice of Growing Islamic Finance Pie

The Islamic finance is established based on the conviction of self-sufficiency and distributive justice within the Muslim communities, as well as the absolute commitment to compliance with Shariah rulings and decisions. As a continuum of such belief, all forms of interest in Islamic banking activities are prohibited; the parties to a loan jointly share the associated risks. Furthermore, Shariah-compliant funds are prohibited from investing in activities involving narcotics, fire arms, sex or non-halal food (e.g. pork).

The global size of Islamic financial assets

was only USD150 billion in 1990 but climbed to USD2 trillion in 2015. It is projected that the total value of Islamic financial assets will reach USD3.46 trillion by 2021. Malaysia has the largest Islamic finance sector in the world (see Fig. 1), boasting enormous portfolios under management, plentiful operators and the most comprehensive regulatory framework in the region. The government of Malaysia continues to invest in the related industries and support new start-ups to secure its position as an Islamic financial powerhouse.

Other Muslim-majority countries that have successfully tapped into the Islamic finance market include Indonesia, Dubai and Saudi Arabia. Blossom Finance, a local start-up



► Young Muslims are the primary target consumer group when corporations break into the Muslim market.

in Indonesia, offers a Bitcoin-based Islamic microfinance crowdfunding platform.

Non-Muslim countries are vying to invest in Muslim-friendly infrastructure and develop Shariah-compliant goods and services. Singapore is one of the Asian countries that showed very early interest and ambition in expanding its financial sector into Islamic products. As early as 2005, the Monetary Authority of Singapore (MAS) approved a form of Islamic financing tool known as Murabaha, a cost-plus-profit contract where a bank buys a product on behalf of a client and resells the product to the client at a price equal to the cost incurred in buying the product in addition to the margin or the mark-up charged.

Although Hong Kong does not have a significant Muslim presence, the city state has signaled its intention to seek Islamic market by offering tax incentives, approving the establishment of Hang Seng Islamic China Index Fund, and authorizing Islamic bonds. The introduction and development of an Islamic bond market in Hong Kong has been the most active across all finance markets in the region.

The Japanese finance sector also notices the rapidly growing Islamic financial market. According to Gulf Times, the Bank of Tokyo-Mitsubishi UFJ (BTMU), Japan's largest lender, has issued Islamic bonds (sukuk) currently worth USD25 million through its Malaysia unit as of this date. Mizuho Bank followed suit this April by offering USD300 million in credit facilities. Nomura Holdings, Aeon Credit Service and Toyota Capital Malaysia have been issuers of sukuku.

Tokio Marine & Nichido Fire Insurance Co., Ltd., a Japanese insurance company with a long-standing tradition, is making inroads to the international markets in Indonesia, Singapore, Malaysia and Saudi Arabia by offering Islamic insurance products. Strategic Business Innovator Holdings (SBI Holdings), a Tokyo-based financial services company, and the Ministry of Finance of Brunei launched SBI Islamic Fund (Brunei) Limited together as a joint venture that provided two Shariah-compliant financing facilities to private investors to fund a logistics business and fish processing plants.

More real estate deals in Australia are made with Islamic financing tools. Woori Bank, a South Korean state-owned bank, agreed to work in collaboration with Quarter Islamic Bank and extended USD10 million in loans as the first credit facility deal under the new cooperative framework.

Fashion: Women Say Goodbye to the Dull Sartorial Choices

Female Muslim believers are required to comply with a certain set of rules concerning the



way they dress. In addition to wearing abaya and hijab in daily life, women often wear a burkini or clothing that provides full body coverage when engaging in water activities. The clothing style has continued for thousands of years until the emergence of the idea “modest fashion” in the past decades, pinpointing the moment when people realized the diversity and versatility of the perpetual dark-color clothes.

Muslim women are the momentum behind the rise of “modest fashion”. In 2015, Muslim consumers spent estimated USD243 billion on clothing and apparel, about 11% of the expenditure in the global market. Muslim women contributed USD44 billion to the figure. It is projected that Muslim women’s spending on apparel will jump to USD368 billion by 2021.

The mainstream fashion houses have taken note of the incredible buying power of their Muslim customers. Last year, the luxury label Dolce & Gabbana launched a collection aimed at Muslim consumers with a range of abayas, hijabs and accessories. Burberry and DKNY released special Ramadan collections, timed to coincide with the Muslim holy month that provides a commercial opportunity similar to Christmas in scale. The fast fashion retailer Uniqlo also launched a signature collection of modest garments in collaboration with a Muslim designer, hoping to attract young Muslim women with the refreshing aesthetics and colorful prints.

Of course, the E-commerce does not intend to miss out on the game, either. Hijup (meaning head covering), an Indonesia online fashion retailer, revamps the conventional hijab and abaya with vibrant colors, diverse designs and different fabrics. The company runs the largest Islamic fashion e-commerce website by market share. Modanisa, another e-commerce giant based in a Muslim-majority country, Turkey, has secured its position as a primary modest fashion retailer with the wide range of clothes to choose from. Modanisa’s lines of products include clothes for formal occasions, traditional clothes, sportswear, and swimsuits designed exclusively for Muslim women. Previously non-existent sportswear and swimwear are two categories that see the most rapid growth in demand from Muslim consumers.

In addition, Mayhoola for Investments, Qatar’s state investment fund, has made repeated advances on luxury brands with its acquisition of Italian fashion houses Valentino and Pal Zileri as well as the French brand Balmain. The moves make the Islamic investment a formidable force to be reckon with in the fashion world. **CPC**



Rui Yuan Co., Ltd.

Creating a Louis Vuitton for Muslim Hijabs

An entrepreneur who used to work in architecture plans to make hijabs out of functional fabric. Functional textiles can be breathable, comfortable and quick-dry, retain heat, keep the body cool or have other functions as desired. Is a hijab made of these types of fabric a ridiculous idea or an epiphany dawned on a forward-looking entrepreneur? The story began at a construction site.



► Rui Yuan Co., Ltd. develops colorful functional hijabs in response to the modest fashion trends and customers' grievances.

“I quit architecture and crossed over to apparel because I saw what construction workers needed when they worked on high floors.” Chen Chih-Ming, President of Rui Yuan Co., Ltd., made his debut in the apparel industry with functional jackets that conveyed Gore-Tex level of protection. The jackets retained heat well and had as many as 8 pockets, becoming wildly popular in the construction industry and making the young venture a great success.

At that time, Chen only saw himself as a product developer who created solutions to keep the construction workers warm. The unexpected popularity led to the birth of Rui Yuan Co., Ltd. and a permanent career change for Chen.

Chen’s parents are school teachers. Born to a “stable” family, Chen led a smooth but uneventful life after entering the workplace. However, at his architectural design job, Chen’s mind was often occupied with many good ideas. Commenting on how he changed course from architecture to apparel, Chen laughed, “Couldn’t resist the call for adventure. It was the voice from within.”



He then left his comfort zone and plunged into an industry that shared no similarities with his previous life. He created a clothing brand. After gaining the initial foothold in the market, the company made a surprising move by turning to the Muslim world and vowing to create a Louis Vuitton for Muslim headscarf!

One day, Chen was in Nanjing attending a trade fair. A staff from Taiwan Textile Federation asked leisurely, “Is it okay to use functional fabric to make hijabs?” That moment marks the beginning of Chen’s journey into the Muslim market.

Sharp Observation: Addressing Hair Loss in Women

“Most hijabs are made of yarn. The material is not breathable, causing receding hairlines. The problem has been bothering Muslim women for a long time but no solution is available.”

According to Chen, he knew Muslim women meticulously covered their head and sometimes face with a hijab, but he had little understanding of the attire other than a piece of Muslims’ religion-compliant wardrobe, not to mention identifying any business opportunity associated with the outfit. However, after physically interacting with Muslims, he learned that a Muslim woman has on average 40 hijabs for altering on a daily basis or attending different occasions, from short getaways, weddings and celebrations to religious worship.

Hijabs can be made with functional textiles of all sorts depending on the occasion a specific hijab is used for. The functionality of the textiles will help keep the hijab wearer cool and comfortable,

avoiding the usual stuffiness. Combined with the trendy aesthetics in design, the new product will satisfy women's love for beauty and fashion. Despite his limited experience and a completely unfamiliar market, Chen had an entrepreneurial roadmap for the new venture in his head and decided to commit the company to development of hijab-related products.

Chen needed to learn the design and specification of a hijab. He attended an international traditional outfit show in Malaysia to seek out more information. Luckily, he met an extraordinary designer at the show. Two individuals bonded right away and came up with many creative ideas in the ensuing brainstorming sessions. The plan to create better hijabs was on its way to materialize.

"I didn't know anything back then. All I could do was to ask. Keep asking and keep learning until I get it. The process took more than two or even three years, but it was totally worthwhile." In his previous career in architecture, Chen learned to immerse himself in the customer's lifestyle. The attitude applies to all sectors and industries, certainly more so when it comes to hijab design.

Chen likes listening to customers' complaints because that's the best chance to gather information about customers' needs and preferences. The odds of receiving orders are greatly enhanced when products are improved according to the grievances aired by customers. In the duration of doing while learning with setbacks one after another, Chen did not falter in a sector previously completely strange to him. Rather, he finally found his niche in the market. His hard work also receives much-deserved



► Designing Muslim products is only a beginning. Incorporation of Taiwanese elements into hijab design will be an interesting undertaking in the future.

acknowledgement from many sources. A domestic retail giant has eagerly invited Rui Yuan Co., Ltd. to collaborate on developing a Muslim section in the retailer's stores after being introduced to the Rui Yuan Co.'s products.

Moreover, a female designer from Qinghai, China, found Chen through contacts. The designer, as a Muslim, was well-versed in the pros and cons of hijab designers. She had a hard time finding the right material for hijab. Both parties had a very insightful discussion about hijab. The headscarf not only provides a window for women

to see the world but also expresses women's everlasting pursuit of beauty and style.

The female designer is now an important partner in Chen's venture.

Design for and By One of Your Own: Work With Muslim Designers

"Two Muslim-majority countries best demonstrate the vitality of Muslim fashion, namely Turkey and Malaysia," declares Chen. He offers an in-depth analysis of the hijab market. The common misconception about hijab is that it is used to cover the head and immune to changes. But with aesthetic trends in flux and Muslim women's increasingly determined inclination to self-expression, we are starting to see colorful hijabs in addition to traditionally black ones.

Drapes to outline the shoulders and the neck, designs incorporating unique patterns and prints, floral elements preferred by women, and many other ideas are tossed around. To meet Muslim women's craving for style, Chen and the designers have put all heads together to look into all possibilities. But fashion design for religion-compliant wears is more complicated than meets the eye.

"Each country has an inherent hijab style that reflects its unique cultural and historical heritage. There are also regional differences. Each of the five provinces in Northwestern China has a hijab style particular to the region, not to mention the variations across Southeast Asia and the European continent. Understanding the nuances between different styles is never easy. Nevertheless, with greater challenge comes with greater success,"

said Chen, beaming in confidence.

In general, hijab producers purchase fabric from textile suppliers and tailor-make to a customer's desired style as stated in the order. The process has limited potential for growth as it is not oriented to mass production. Therefore, on the successful entry of Rui Yuan Co.'s hijab collection to the Muslim world, Chen believes the indigenous resources hold the key. The quality of the products can speak for itself. So, Chen hires the local sales to market the products through the word of mouth.

However, finding suitable designers for the line of products has been a challenge in Taiwan. Chen explained with a hijab in his hand, "Muslims



in different regions have varying preferences for color and pattern based on religious reasons. Creation of a design that is well-received at the local level requires very thorough understanding of the religious, cultural and artistic elements of Islam. So, I decided to collaborate with professional Muslim designers to ensure our products meet Muslim aesthetics.”

The line has received very positive feedback since the launch of products over time. “It’s really breathable. Very comfortable to wear.” “Not smelly at all after a whole day of wear. It’s great!” “It’s flowy and light, and so pretty....” Hearing the comments, Chen knows the products meet the needs of Muslim communities.

In addition to hijab, pants made of functional fabric are quick-dry and suitable for Muslims. Chen is waiting for a good timing to introduce the functionality and benefits of Taiwan-made functional textiles to Muslim communities.

Open Up Distribution Channels: Trade Fairs and Networking

“My previous career in architecture design limits my experience and exposure to Taichung. Now I get to see the world after starting to do business in Muslim markets.” There are 30 million Muslims in China, 20 million in Malaysia and as many as 200 million in Indonesia. More Muslim communities reside in North Africa, West Africa and Europe. There are 300,000 Muslims in Taiwan. The growth trend for Muslim population will only continue in the future. The colossal consumer market is replete with opportunities. Consumer demands for things to eat and use, including beauty and cosmetics, aside from

medical services and many other possibilities, constitute a very compelling reason for Taiwan vendors to put themselves out for a rewarding experience.

Gaining a share in the pie won’t be a walk in the park. Chen mused, drawing on his experience, “Muslims are a conservative people. They tend to stay in their own group and take care of each other. They also like to put up their guard against people and things not from the community. So you have to approach them with patience and continue interacting for a period of time before you can win their trust.”

Currently, Chen continues to focus on developing and manufacturing products for the Southeast Asian market. He has been very active in attending trade affairs and expanding connections for the business, expecting the right distribution channels will take time to build. It is hoped that the products, with an excellent quality, will gain more exposure and become known to more people.

Entrepreneurship has been consistently strenuous work, but Chen has only grown more interested in the venture than ever. He is planning to incorporate local elements of Taiwan into the design of hijab. Aside from that, new research and development is under way to add special material to the fabric, so the products will be smoother, softer and silkier to the touch. An overflow of ideas around how to improve the products happens on a day-to-day basis. For Chen, tapping into the Muslim market is more than hot air at the dinner table. He is living it. **CPC**

Bedding World

Selling More Than Bed But Also One-third of Happiness in Your Life

Exceptional customer service with a personal touch is the best marketing tool. Bedding World has been serving Taiwan in the past 45 years. The company began in a factory that focused solely on manufacturing, underwent production-marketing integration and transitioned to the leading bedding company we see today. The company pioneered the “sleep consultant” service that allows customers to try out mattresses before deciding on which one to buy. With the advent of the digital era, Bedding World releases the SweetCare APP that re-establishes its connection with customers. The company genuinely cares about customers’ quality of sleep and seeks to become customers’ best companion in the part of life one shares with a bed.





► Bedding World introduces SweetCare APP as an extension of the post-sale follow-up service.

A person spends one-third of his/her life in bed; however, most of us think of the bed only when we are making the purchase. We are so meticulous with the options in front of us, hoping to find a bed that guarantees quality sleep everyday for the ensuing years. For this reason, the business model for a bedding company is often limited to unilateral communication with customers at the time of purchase. The marketing strategy is in contrary to household appliances that require follow-up maintenance services and consumer electronics that are replaced regularly with a relatively short interval in between. “It seems that all marketing campaigns and services come to a halt as soon as a bed is sold,” says Chen Ying-Chieh, Vice President of Bedding World.

“We revolutionize our service with the Internet technology, turning it from a single-time one-directional experience to something you need on a day-to-day basis.” As the second generation that takes over the family business, Chen has been very active in applying computer technologies

to the operational and managerial aspects of the company. Bedding World is the recipient of the Service Innovation Research and Development Grant provided by the Department of Commerce, MOEA, for its mobile application SweetCare APP. The APP allows consumers to record their personal habits and preferences relating to the use of beddings on their phone, thereby helping to manage the environmental conditions of the setting where sleep takes place.

SweetCare APP was released in the middle of this year. The first group of users who download, register and log in the APP are the customers who have purchased products from Bedding World. The data stored on the APP server keeps the Bedding World sales team informed of how the customers use the products, allowing the team members to offer friendly reminders at the follow-up customer service calls.

“You have not changed your bedsheet for two months. We offer linen change service at your place if you are too busy.” “It is recommended that you flip the mattress over at least once a month and sleep on the other side, or rotate it 180 degrees because the rotation evens out the overall wear and prolong the bed’s lifespan.”

The consumers will know from the calls that what they’ve purchased is more than a bed but the company’s commitment to providing long-term services that ensure a good night’s sleep.

Production-marketing Integration: Turning a Crisis into an Opportunity

Bedding World, founded in 1972, began under the name San-Yen Mattress Co., Ltd. The

company has a long-standing tradition in mattress manufacturing for 45 years and is the nation's first professional mattress retail brand with its own distribution stores. Boasting 23 direct-selling stores across the country and about 250 employees, Bedding World was first listed in the emerging stock market in September 2016. The company expects to apply for over-the-counter listing (OTC) at the end of 2017. The company sells beddings and mattresses made in-house as well as mattresses of international brands for which Bedding World is a distributor. Bedding World also supplies mattresses to many domestic hotels that participate in the star rating system.

Business model overhaul and innovation are keys to sustainable operation of a business and even expansion of its market share. But the momentum behind the “overhaul” often originates in a crisis. In the nascent years of San-Yen Mattress, the products were distributed through conventional furniture stores. Consumers were not brand-oriented back then. Budget-friendliness was the number one priority in mattress purchases. Small furniture plants were able to cut down production cost and offer low prices to stay in the competition. San-Yen Mattress, on the other hand, had insisted on product quality and needed to maintain a large number of personnel, slowly being driven



out of the market. In 2000, the chain furniture store that distributed half of San-Yen Mattress's products suddenly went bankrupt without any step taken to meet its obligations. San-Yen Mattress lost not only millions of dollars in receivable accounts that became uncollectable over night, but also a primary distribution channel for the factory's output.

At the moment of life and death for the company, Chen Yen-Fei, the founder and chairman of San-Yen Mattress, decided to ride out the crisis by beginning an overhaul of the company. He took over one of the locations of the bankrupted chain furniture store and set up a "sleep section" in the store. He planned to transform the company from a manufacturer to a vertically-integrated vendor that combines manufacturing, sales and in-store distribution and customer service. Since 2003, Bedding World, the brand, entered the market, supported with a strong marketing campaign. The company seeks to position itself as a composite brand mattress specialty store in the market.

A Local High-end Brand Gaining Footholds Across the International Map

Bedding World set out to create brand awareness in the market by investing heavily in TV commercials and newspaper advertisements. Consumers quickly become aware of the brand especially through frequent commercials on local cable TV stations. Bedding World and its locations gained a lot of exposure with this wave of the brand image building campaign and commercials about discount offers. The sales surged. In 2007, the total value of sale was a record-breaking one billion dollars.

The company was in rapid expansion. But the financial crisis hit in 2008, ensued by a 5-year recession in consumer spending. The sales dropped year after year. Bedding World then changed the operational strategies. The business underwent a revamp of the internal operation and the brand image.

Companies can always take advantage of a market recession to implement an overhaul. Chen used the timing to introduce Enterprise Resource Planning (ERP) that digitalized the entire paper-based management system. All employees, regardless age or seniority, were required to learn computer skills. Those who resisted learning would be eventually phased out. As the group instant communication software slowly dominated over telephone, Chen also required all managers to join mobile communication chat groups to add real-time effectiveness to internal communication, thereby addressing the inefficiency as a result of reporting matters through layers of the corporate structure.

A local company wishing to maintain the rapid rate of growth over time needs to step out of the Taiwanese market and look for business opportunities elsewhere. In 2011, as Taiwan consumer market slowly recovered from the previous recession, Bedding World launched its products at a department store in Wuxi City of Jiangsu Province in China. The move secured a beachhead for the international campaign. The Chinese market is only more competitive. Bedding World positions itself as a luxury brand from Taiwan and targets the high-end customer group. Telling customers that the products are made in Taiwan and imported to China in their original packages, Bedding World is able to

secure its foothold in the Chinese market.

An APP that Makes You Feel Like Home

Bedding World distinguishes itself from other mattress companies with its refusal to subcontract manufacturing to external factories. The company implements strict quality and cost control throughout the entire process, from material preparation to product shipping. The factory in Chungli, tens of thousands of square feet in area, produces customized orders of all specifications that meets the requirements of all customers. Therefore, with respect to quality, Bedding World, with its many years of manufacturing experience, is capable of making the right products to meet the specifications of either standard or customized orders. With respect to brand, the company has invested heavily on the distribution channels and marketing campaigns to ensure its standing as the most well-known bedding company from Taiwan. Despite these achievements, the market is becoming increasingly competitive as consumers are becoming more informed and independent in determining the quality and brand of a product when making a purchase. Chen believes Bedding World can only differentiate itself from competitors by offering exceptional services.

As Chen recalls, “on-site customer service” has always been a centre pillar of the company’s operation. All Bedding World stores have carpets. Customers are asked to take off their shoes the moment they step into the store, as if they were walking into their own home. The store staff provides one-on-one service as an expert sleep consultant, during which all distractions are filtered to allow the customer to concentrate on

learning about how a bed affects the quality of sleep. Of course, the customer is welcome to try out the beds by lying on them. However, unless the customer comes back for replacement or repair, such connection with the customer ceases as soon as he/she leaves the store or buys the bed.

“Our sales people used to send greeting cards or make phone calls to old customers on holidays. But the utility of re-marketing to returning customers is limited,” says Chen. The marketing strategies employed in the past are restricted to passive actions or services relating to a single product. Customers’ information was at the disposal of each store to which the customer visited. The company relied on emotionless



greeting cards or telephone calls that sounded very much like a sales call to attract customers back to the stores. They were simply not effective.

“Personalized” Customization

For this reason, aside from launching an APP that connects the company to its customers, establishing a comprehensive customer management system is one of the primary objectives of the service innovation plan. An information system that increases the efficiency of communication within and between the headquarter and each store branch will be established, allowing the employees at the individual store branches to access customers’ service applications and personal information and to provide services accordingly.

“Information technology tools increase the employees’ autonomy in work planning.

Productivity goes up, too.” Chen points out the peak hours at stores are usually from late afternoon and well into the evening. The sales staff at the stores used to report to work at 11:30 in the morning, have lunch, take a nap, and wait for customers to come in. But after the system is set up, the sales staff can send out texts or messages from their phones and computers to customers, asking how they like the purchase and building up connection with customers in the process. Some customers who bought beds for their master bedrooms returned to the stores after receiving these messages, and decided to buy more mattresses for a second bedroom at home or for their children.

Gartner, a prominent market research firm, predicts that by the year 2020 customer experience will overtake price as the key brand differentiator. 90% of the companies will

provide customer service through social media and use customer experience as a marketing tool to keep up with the increasing consumer expectations. To that end, Bedding World’s SweetCare APP provides, aside from the latest promotional activities, a weather alert that reminds customers it’s time to bring the duvets and pillows out under the sun. The APP also publishes articles concerning how quality and cleanliness of the beddings affect the users’ health. For example, if your child has allergies, then the linen must be washed and replaced every week to prevent dust mite growth.



“The bed is where we sleep everyday but also often ignored.” Chen explains that reminders through the APP will educate consumers of the relationship between beddings and their health, accumulate goodwill for the brand and increase the odds of selling more products.

In addition, Bedding World has a product line known as “smart bed”. The mattresses that belong to this line have imbedded non-invasive fiber optic physiological monitoring technology (nFOPT) and Schumann resonances deep sleep induction technology, monitoring the breath, heart rate, blood pressure and sleep of the person who sleeps on the product and thereby taking necessary steps to manage the sleep. Chen explains that smart beds are highly priced tech products. Young people recommend this type of products to their parents because the APP that comes with the smart bed allows the children to remotely monitor the health of their old age parents who

live alone. They can check the data record on the APP and remind the parents of the benefits of sleeping early and the health consequences of the fluctuating weather in a telephone call. The population in Taiwan is rapidly aging. The smart beds will play a supporting role in remote care. In combination of the promotion of the long-term care, a new business opportunity is on the horizon.

Bedding World, through technological inventions, reminds people of the relationship between sleep and health. A bed is more than a functional furniture but also a part of our daily life. “People rely on the bed for solace. A bed silently provides the warmth and love we always seek.” Chen mused, using emotional metaphors. Some panel members who sit on the review panel for this year’s Service Innovation Research and Development Grant suggested that smart bed should have been promoted as the

service innovation instead. But Chen thinks otherwise. He believes high quality and reasonably priced products, in combination with Sweet Care APP, will help people reconnect with their bed and re-evaluate the environment they sleep in. Given the re-evaluation of life choices, consumers will fall in love with Bedding World again.

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