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HOW PIYO PIYO PEDDLES FROM A SMALL POND TO THE VAST SEA

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ABSTRACT

Piyo Piyo, yellow duck, from Cayman Tung Ling Industrial Co., Ltd. is not unfamiliar to those who were born in the 70's and 80's, merchandise and toys of the brand are their childhood memories. Tung Ling's Piyo Piyo was found in 1988, over the years, it has over 400 retail branches around the world; however, in this Internet prospered 21st era, even an old brand, such as Tung Ling needs to use its advantages to elevate itself from competitions, especially in e-commerce field. One of the major tasks for Tung Ling is to build and develop a method for e-commerce, and the founder of the company listed this effort as one of the ten key accomplishments within the next 10 years; moreover, it will have more professionals and active discussions regarding the matter in order to thrive in web commerce.

Key words: Web 2.0, e-commerce, mobile devices, mobile commerce, third-party payment

INTORDUCITON

Dutch artist Florentijn Hofman designed the rubber duck, which swam from Netherlands across Europe, than travel through America to Asia, people around the global were crazy about the phenomenon. When the Rubber Duck Project arrived the Hong Kong Victoria Harbour in May 2nd, 2013, the little toy known from bath tub suddenly became a widely discussed topic, and many people in Taiwan were anticipating if the rubber duck could swim to Taiwan. Finally, in September 19th, 2013 the rubber duck swam to Kaohsiung City Glory Pier, and the hive of this duckling rage crossed Taiwan. Fu-Chin Syu stood at the pier, looking at the crowd, and thinking that how can those people be so crazy about this giant rubber duck? As he was thinking for a period of time, an idea emerged out, and that is to make his yellow duck, Piyo Piyo, to swim over into the vast sea.

BACKGROUND OF TUNG LING AND PIYO PIYO

As it was 20 years ago, people in the 70's and 80's known Piyo Piyo as toys or gifts; in addition, Cayman Tung Ling Industrial Co., Ltd.'s yellow duck, Piyo Piyo, is not the same as Florentijn Hofman's giant rubber duck art display. Although the appearance of the ducks are different, they both can comfort people and are adored by individuals around the world.

Yellow duck, Piyo Piyo, is a Taiwan brand for child supplies, it is successful throughout mainland China, Hong Kong and Taiwan. The company was found by Fu-Chin Syu and his wife Bao-Sia Lin in 1988, they had the idea to transform traditional merchandise by adding fashion, trendy and safety elements into gift concepts. They not only target young mothers as their customers, but also define Piyo Piyo's brand, and bringing specialty, safety, and lovely goods to children.

Back when Tung Ling was not relatively a well-known company, an American customer placed a huge amount of order, but it ran away without any notices, and it almost cost the entire company.

Tung Ling went public in 2010, "I have suffered for 20 years!" Mr. Syu noted. How the always-serious founder did come out with the idea of making the cute little duckling? It was inspired by an order from Boston U.S.A., which were animal shaped toys to play with while taking a bath, and that gave Syu the inspiration to design animal characters.

OPPORTUNITY OF ENTITY OPERATION AND OWN BRAND MANAGEMENT

In the 80's, most of the Taiwan economics were exports, when Mr. Syu first started up his company in 1988, it went bankrupt due to a significant uncollectable account. Furthermore, the merchandise did not have distinctive characteristic, and those were difficult to be sold in the market, with this experience, he came to realized that if a company wants sustainable developments and expansions, it must develop its own brand.

Image is crucial to a brand, after doing market researches, it was found that duck, frog, elephant, antelope and dog are five most popular animals among children. The design team discussed over those animals, that elephant was used by a competitor, so it was out the table. On the other hand, duck made the team feel that it is cute, fluffy, and gives a comfort feeling; moreover, the company has had many orders of duck designs over the years, and so the design of the yellow duck was born (Figure 1). The name Piyo Piyo was named after duck's voice in Mandarin.

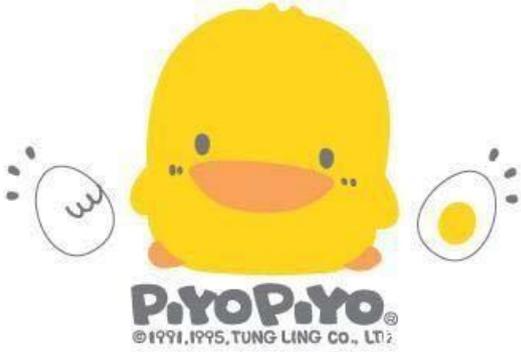


Figure 1. Image of Piyo Piyo and its Trademark

With Piyo Piyo this own brand, the company has produced over 5,000 items, including various stuffed animal, bag pack, carrying bag, mug, plate, wooden goods and household accessories (Figure 2). Tung Ling has grown from a 20 people trading company to 1,500 employee multi-country group. In the 80's, as one of the four Asian tigers, Taiwan's economic, importing and exporting were booming. Tung Ling was established in 1988, then entered China market and set up a Shanghai Tung Ling in 2002. It also has over 400 retail branches in China, Hong Kong and Taiwan. As the company expanded its business further to Los Angeles U.S.A., With Mr. Syu's success and past failure experiences as the foundation stone, Tung Ling can now challenge itself in a different field of business.



Figure 2. Various Piyo Piyo Products and Accessories

The 21st century is 3C digital era, Syu sees that it is common for people to use mobile devices, with the Internet, people can shop anytime and anywhere. Though the yellow duck has swam across to China successfully, if it wants to paddle even further, a traditional company must be transformed.

JOIN THE BATTLEFIELD OVER THE INTERNET

As time moving forward, in the last few years of 2010's, e-commerce is likely to exceed 50% of the retail market. E-commerce is a vital factor for traditional companies to be transformed, based on a research from the Institute for Information Industry, Taiwan's e-commerce industry has the opportunity to break a trillion benchmark in 2015. Alibaba Group broke the U.S. IPO record in 2014, and e-commerce related topics were widely discussed. Tung Ling and Piyo Piyo stand to the challenge and they are bringing themselves to another peak of business.

What troubles Mr. Syu the most is that Tung Ling can either choose to sale its merchandise on existing shopping platform, such as Taiwan's Yahoo, PChome, Ruten, ASAP, Pingle and etc., China's Taobao, Tmall, Yintai, JD, Dangdang, Yixun, Yhd, Tencent, Feiniu and etc. By utilizing those platforms Piyo Piyo has had sufficient exposures without a great deal of advertisement costs, and also gained experiences in e-commerce. In 2014, the China November 11th shopping fest generated NTD 162 million for the company, which is historic high comparing to October's NTD 153 million, a 6.42% growth (Table 1).

Table 1. Annual Report of Cayman Tung Ling Industrial Co., Ltd. 2009 to 2013

(Unit: in NTD thousands)

Item	2009	2010	2011	2012	2013	2012 and 2013
				First 3 seasons	First 3 seasons	Growth Rate (%)
Net Income	774,443	954,489	1,116,388	1,089,486	1,115,680	2.40%
Gross	391,021	540,154	628,555	687,684	717,585	4.35%
Gross Margin	50%	57%	56%	63.12%	64.32%	1.90%
Profit	106,943	174,823	156,792	140,349	120,748	-13.97%
Net income before tax	101,361	170,316	158,912	137,991	135,992	-1.45%
Net income after tax	64,634	125,157	104,927	91,750	89,094	-2.89%
EPS				2.89	2.81	-2.77%

Based on Chart 1, from 2009 to 2010 the income was growing, at that period of time, Piyo Piyo has not involved in e-commerce, which means retail branches has taken a great part of business effectively. However, in 2011, its income did not make to the next level but declined. Tung Ling has found that customers have the tendency to shop online rather than depending on retail stores. Therefore, Mr. Syu assembled his staff and also hired new specialized employees for a new e-commerce division. Finally, in 2012 and 2013, with profits from both retail and online stores, the company has seen ascending in income.

LIMITATIONS OF DOING BUSINESS ON SHOPPING PLATFORMS

One of the simplest way to get into e-commerce is by doing business on shopping platforms. Most of the well-known platforms provide free posting and free transaction fee services at the beginning, but after a while, sellers will receive a notice that the platform provider is going to charge NTD 10 per each posting. When the virtual mall becomes more mature, sellers will receive another notice regarding 10% to 20% transaction fee. Nevertheless, Tung Ling or Piyo Piyo is unable to generate more customer flow and revenue, and most importantly, the company is unable to make marketing decisions freely, everything has to be checked with platform providers. There are also customer service issues, many problems were not able to be solved due to miscommunication and indirect services.

To address this issue, Mr. Syu called up Tung Ling's senior managers to discuss what and how the company can do to future e-commerce operations. John, the CEO from U.S.A., has thoughts about how Tung Ling can operate in e-commerce, and he knows how the whole company function very well. Syu decided to list e-commerce project as a critical part of company development and transformation in the next 5 to 10 year, and appointed John as the executor. As John was thinking ways to approach e-commerce, he attended a class at National Taiwan Normal University and met an instructor Mr. Tsao. After talking to Mr. Tsao, John has more clear ideas and thoughts about what to do next, and he invited Mr. Tsao as the consultant of this project. Tsao suggested John to discuss 3 main models, understanding Tung Ling's strength and weaknesses, then develop the

most beneficial strategy for the company.

CHOICES UNDER MATURE E-COMMERCE ENVIRONMENT

Mr. Tsao and Mr. Syu further discussed what their ideas are. "I would like to establish an e-mall for children and moms, since there is no such website at this moment in Taiwan, the growth can be huge. It should be creative and also an integrated website." stated Mr. Syu. Mr. Tsao reminded him that a new method of e-commerce always has its own risks, but Syu does not afraid of failures, he wants to be different and be top of the industry, and he can even give one more attempt if something went wrong.

After understanding what Mr. Syu has in mind, Mr. Tsao analyzed Tung Ling's strength and weaknesses in e-commerce, results are as follows:

Portal Website

BabyHome and MamiBuy has information and numerous articles for consumers to look up, it is quite a mature market, if Tung Ling was to build up all those information, it would take time and huge amount of labor.

B2C Method

It is quite competitive since there are services like delivery within 24 hours and even 6 hours, with the consideration of building warehouses, and also competitions from retail stores, it can be challenging to achieve.

C2C Method

Ruten Auction and Yahoo Auction are the major providers in Taiwan, whereas Taobao in China, if Tung Ling was to operate this method, it would be hard to see results in short amount of time, and the investment for IT infrastructure and customer service are high.

B2B2C Method

PChome and Yahoo are both successful cases, and both of them are large portals, which means they do not usually engaged deeply in each section and items; however, it can be a great opportunity for Tung Ling to activate an e-mall for children and moms, and integrate with retail stores and dealers; in addition, all of them can be benefited from the website, and one of the goals is to become the website with the most merchandise.

DECISION MAKING

With the analysis from Mr. Tsao, Mr. Syu, John, and other senior managers were discussing about which model to implement. Many voices were popping out, some consider that Tung Ling is a listed company, it should do better than just displaying products on existing platforms, B2C method has logistic and order distribution tasks to be considered, and C2C method may need to put much investments to compete with multinational companies. Finally, B2B2C method is the best choice for Tung Ling to integrate, to fight with others, and to win like a team.

MAKING PLANS AND STRATEGIES FOR B2B2C E-MALL

Imaging that Tung Ling is like the Uni-President Group, which operates 7-11 convenient stores in Taiwan, dealers deliver their merchandise to Uni-President, then Uni-President distributes those to 7-11 franchises. When there are new regions with new 7-11 stores, Uni-President and dealers make more. Therefore, Tung Ling and dealers will cooperate to generate the most amount of merchandise, then staff from Tung Ling only need to recruit new regions of distributors. With more distributors, dealers can make greater deal in return, and so to the growth in Tung Ling's revenue.

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