

GRAB&GO



Group member list

- 刘泽铖 Jacob 1830024174
- 刘宝欣 Yenny 1830024156
- 杨紫淇 Frances 1830024326
- 刘滢 Dorothea 1830024170
- 陈嘉滢 Cassandra 1830024012
- 刘长赫 Eden 1730012019
- 张茵蕾 Ray 1730002166

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Course Instructors Dr. Mei Chun KONG

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Executive Summary

Our company, named G&G (refers to Grab&Go), aims at building the first and leading brand of checking-free shops in China's high-speed railway stations with originality and convenience. Targeted at the passengers who put the speed first, we will utilize the related technology to achieve unmanned selling, providing our customers with highest shopping efficiency as well as excellent services. Meanwhile, varieties of daily necessities, ready-made meals, and other packaged food will be sold at competitive prices in our shops, benefited from the reduction of labor costs.

Currently, one of the major problems we encounter is how to increase the sales, so that our company can penetrate deeply into the competitive supermarket industry and sustain over time. G&G will not only offer detailed guidance on the whole purchasing process for customers (e.g., from registering an account to finishing payment), but also use advanced information system to monitor the situation such as stocking the shelves, analyze our customers' purchasing preferences, and timely adjust the inventory level of a particular shop.

With the help of information system and a few marketing strategies, it is in our sincere belief that G&G can establish strong brand awareness as well as customer loyalty in the near future.

Due to large initial investments, we expect G&G may suffer some losses in the first three years and start to gain profits in 2024. For the initial stage of our company, the goal is to increase our market share, and thus we have to bear the costs of installing the system and opening more branches for expansion. However, with updated information system, effective business collaboration, and cohesive customers on our platform, the loss will eventually offset by revenue. It is expected that the deficit caused by the previous construction will be made up predictably, and G&G can maintain a steady increase in profits in the long run.

1.The Business

1.1 Business Description

Our company aims to open checking-free shops, which will take the form of unmanned selling, at high-speed railway stations and other transportation hubs to help the hurried passengers save their time.

The whole business process will be supported by our unique technology “Grab and Go”. Customers first need to register accounts on our app. When they have their member accounts, they can use the face-scanning machine at the gate to enter the shop. The cameras in our shop will cover the whole area, and we will use motion sensor and person re-identification technology to track customers’ movement. After entering the shop, customers can grab things

they want from the shelves directly, and if they change their minds, they can just put the things back on the shelves. Our cameras will catch customers' movements and analyze them, and the video object detection technology will identify the objects they take, along with the sensor fusion technology used on the shelves to identify the change of gravity then judge the number change of the objects. The result of our system's judgment will be sent to the customers' e-shopping cart synchronously. And our back-end system can calculate the storage change at the same time. Customers can directly leave the shop when finishing shopping, receipts will be delivered to their phones later, and they can pay via their accounts online. After the bill is paid, our back-end system will perform data analysis, to collect information such as customer preference.

Specially, we will provide family account service for members. They can enter the elders' information and combine them into the family accounts, then, when the elders consume in our shop, the receipts will be sent to the family accounts and their children can help pay the bill online.

In all, our checking-free shops will improve shopping efficiency at railway stations and other transportation hubs and benefit the elders who have a problem with online paying.

1.2 Industry Analysis

1.2.1 PESTLE Analysis

Political factors

Back in 2017, the national ministry clearly supported the development of the unmanned shop industry for the first time. Unmanned shops are a useful attempt to promote structural reform on the supply side from the perspective of the demand side in the field of commerce and circulation, which can better meet personalized and diversified consumption needs. In order to encourage the relevant industry, the Ministry of Commerce will also release the "Framework for Technology Innovation in the Retail Industry" and typical cases of technology application in due course to guide the majority of retail enterprises to increase the application of advanced technology.

Economic factors

With economic development and rising per capita income, labor costs are increasing, and China's demographic dividend is gradually disappearing, while the fundamental starting point for unmanned shops is that they are sold unmanned, reducing the salary and welfare expenses of this part of the staff.

The completion of the HSR has combined the development of the stations with the city center, with the stations and the lots between them together forming the CBD, the core of the city's economic development, gathering a large number of business office buildings, shops and leisure venues, and a dramatic increase in the working population. Taking advantage of the high-speed rail traffic, it is in turn able to bring a large number of customers to the shops.

Social factors

In recent years, the rapid rise of e-commerce has led to the closure of a large number of physical shopping shops, coupled with the impact of the epidemic, pulling our shopping behaviors from offline to online. In the era of big data, unmanned shops can record and integrate information about consumers' purchases and sales of goods to find out which goods are preferred by consumers, which shelves are suitable for selling which types of goods through consumers' walking routes, which types of goods are specifically preferred by different groups of people, and so on. In everyday life, the pace of people's lives is accelerating, and a convenient and fast lifestyle is being pursued.

Technological factors

In the unmanned supermarket industry, merchants commonly use advanced computer technology such as deep learning neural network technology, bio-metrics, machine vision and intelligent retail customer service systems to accurately predict inventory to maximize sales effectiveness.

Ecological factors

Our company is continuously concerned about the relationship between humans and the natural environment. Therefore, we plan to provide biodegradable shopping plastic bags in our shops for customers to choose whether they want to buy them or not, and to self-pack their goods, thus achieving the goal of being environmentally friendly.

Legal factors

Information systems require the collection, storage and transmission of a large amount of user personal information and transaction data, which, if damaged, could cause serious damage to the legitimate rights and interests of consumers and fall within the second level or higher of information system security protection, and therefore care should be taken to determine the level of security protection in a timely manner in accordance with the provisions of the laws in force and to obtain a Certificate of Information System Security Level Protection Record from the public security authorities at or above the municipal level of the community in which it is located.

1.2.2 SWOT

Advantages

- Compared with the traditional supermarket business model, unmanned shop can reduce shop labor costs. Unmanned shops can operate unattended for 24 hours, improving operational efficiency.
- The intelligent management system helps the timely organization of shelves and timely replenishment of goods, promoting sales growth.
- Customer information management to accurately grasp the favorite preferences of consumers in responsive areas.

Disadvantages

- Artificial intelligence technology is not yet mature, and consumers often have problems during the purchase process.
- At the same time, the cost of this technology is high, resulting in the price of goods in the shop is also slightly higher than the traditional supermarket, in the price competition to form a huge disadvantage.
- In terms of monitoring, there is a high risk that damage from the lack of goods cannot be well protected.
- Compared to traditional supermarkets, unmanned shops currently lack brand influence and consumers lack perception of them. Lack of emotional experience.

Opportunities

- The cost of technology will gradually decrease, and the operating costs of unmanned shops will be significantly reduced.
- Compared to within communities, the market for unmanned shops located at high-speed rail stations is untapped and there is great scope for development.

Threats

- The homogeneity of the unmanned shop technology brings about the same experience to consumers.

- At present, the rapid transformation of traditional supermarkets has brought enormous pressure on the development of unmanned shops

1.3 Vision Statement

Create the first brand of checking-free shops in China's high-speed railway stations with originality and convenience.

1.3.1 Slogan

Just Take and Go!

1.4 Business Objective

A total of 10 shops will be set up across China in year 2021 and become profitable within five years after opening.

1.4.1 Specific

The first batch of shops would be placed in the high-speed railway stations which are top five in 2021 daily passenger flow (Guangzhounan Railway Station, Hangzhoudong Railway Station, Shanghai Hongqiao Railway Station, Shenzhenbei Railway Station, Chengdudong Railway Station, according to *Volume of railway passenger transport in China March 2021*), and two in each station.

The intended number and locations of openings in the following year are based on the changes in passenger flow at various stations, passenger demand for this service, and the development of our competitors.

1.4.2 Measurable

Ensure that all shops can be registered by the government before December 31, 2021 and run normally. Also, check if the gross and net margin rates turn positive before year 2025.

Moreover, questionnaires on brand recognition and shopping satisfaction distributed to customers within one month after opening for service improvement in the future. The two items in the survey are scored from one to five points. A score of two points and below are considered unqualified and the plan needs urgently reformulation, three points are considered qualified but still need to be rectified, four points and above are considered excellent and can continue.

1.4.3 Achievable

Since there are currently no checking-free shops in China's railway station, it provides a huge opportunity for us to gain market share and achieve scale expansion.

1.4.4 Relevant

For our main object is to build the brand awareness and seize the market share, the most straightforward way to achieve this goal is to open shops in the passengers must passes before other competitors settle in.

1.4.5 Time-bound

One year is the time limit for opening shops and occupying the major market. Considering the essential operating costs such as technology research and development, we are prepared to be unable to make a profit in the previous few years but gain positive gross within five years.

2.Business Operation

2.1 Marketing MIX

2.1.1 Product

Our checking-free shops will provide two mainly types of products. The first type is ready made meals for those people who are in a hurry for speed and efficiency to solve meal problems. The second types are those urgently needed daily necessities and other packaged foods in the context of high-speed railway stations. Such as snacks, beverages, stationery, personal sanitary appliances, napkins, etc.

For the ready meals products, the most important feature is to ensure the freshness and hygiene. Therefore, the information system will be applied to different links such as

procurement, supply chain management, tracking, and storage. Among them, the intelligent storage system can adjust the optimal temperature and humidity required for the preservation of ready meals to maintain the fresh taste of the product. The tracking system provides customer the power to view the production processed information about the product by easily scanning the QR code. Ensuring the high-quality of ready meals and the transparency of producing process is conducive to brand promotion and cultivating customer groups.

For the urgently needed daily necessities and other packaged foods, the key point is complete product range. We will apply the big data and cloud computing technology to collect the information. Search those products ranked high in the regional sales and in demand survey. We will priority choose and provide people with urgently needed daily necessities and package food. The use of big data can ensure the deployment of supplies to meet the demand and reduce the waste of unnecessary product purchases.

2.1.2 Price

In terms of product pricing, we will keep the price in line with the outside market, that is, has more price advantages in the market within the high-speed railway station. As the rent in the high-speed railway station is generally higher than the outside, the product prices of shops located here are normally higher than the outside market prices. Excluding the cost of early technical input, our checking-free shops' cost are lower than other shops because the reduction of relatively expensive labor cost. Therefore, cost deduction by using of technology to replace labor cost is a kind of subsidy for pricing. And at the same time the price can be

consistent with the outside market by using price monitoring mechanism supported by the electronic information system, which has the advantage of cheaper prices.

We will also apply the big data and cloud computing to control the cost of each chain.

For example, reasonable controlling the number of orders according to the accurate demand prediction brought by the procurement system. It meets the supplement to necessary demand which lower the waste caused by the purchased of unnecessary goods. Optimize purchasing locations and suppliers' information to ensure the quality of product and retaining enough profit margin. Managing and allocating the human resources by using system to analysis and integration the task needed to follow up, which reduce the unnecessary labor input.

2.1.3 Place

Our checking-free shops are located inside high-speed railway stations which are an innovation in the field of self-service store in the locations and the target markets. The high-speed railway station is chosen as the location because normally it is the core of city's economic development with numerous people. And the needs of some target groups are not well met in the current situation. Our target group is the person that is relative hurrying and pursuing efficient transaction.

In the early stage of our company's development, we will start form the high-speed railway station ranked top five in 2021 daily passenger flow (Guangzhounan Railway Station, Hangzhoudong Railway Station, Shanghai Hongqiao Railway Station, Shenzhenbei Railway Station, Chengdudong Railway Station, according to *Volume of railway passenger transport*

in China March 2021). As the important hub in different area of China, there is a large flow of people.

The later development will gradually expand to the high-speed railway stations across the country. Following the rules of from regional to regional and from the most important high-speed railway station of the important cities to other high-speed railway stations.

2.1.4 Promotion

Our publicity will be focused on high-speed railway users. Online promotion will buy the advertising space in the third-party high-speed railway ticket channels such as Ctrip to increase the company's reputation. For offline promotion, we will cooperate with high-speed railway operator and purchase high-speed railway seat advertisement to directly and effectively facing our target audiences.

At the same time, we have three major publicity selling points, which contribute to enlarge our attraction and market.

First, the price in our checking-free shops is relative lower than other shops inside the high-speed railway station, with a competitive advantage.

Second, underlying the high technology, our service is more efficient, convenient and considerate. Our checking-free shops adopt Grab-and-Go technology, without the traditional mode of queuing checkout and manual operation by staffs or customers. The transaction can be completed after selection of the product and then going out of the settlement channel. This greatly saves the time of the purchase process and provides convenience for the majority of

high-speed railway passengers. We also respect the choices of customers, they can choose the experience type either swipe the face or scan the code to enter our shops. If they choose to swipe the face as the fixed mode, the bind between personal account and face identification should complete for the first purchase. If necessary, customers also can supplement the family system information which is mainly convenient for groups that are not good at using electronic devices, such as the elderly. After the binding in our system, they can use facial recognition directly and the deduction bill will be paid by their children's account.

Third, it is still in the special period of epidemic prevention and control. Checking-free shops have more market demand because of the features of maintaining the social distance and reducing the degree of risk of customers to purchase and work for employees.

2.2 Competitive Analysis

2.2.1 KRS

KRS is a traditional convenience store brand based in traffic hubs which adopts the old method of checking at the cashier by the clerk. It is likely that during peak hours, customers of KRS would have to wait in queue for checking.

Since we both target busy travelers in the hub and they value efficiency, our brand would take advantage in our simplified and efficient shopping experience based on checking free service.

Besides better shopping experience, the advantages of our intelligent retailing over traditional retailing also include cutting down labor cost, and increasing operation efficiency.

The application of information system would help us build an accurate supply system which predicts the potential need of merchandise to reduce cost and loss.

With overall cost cut down, we can apply a competitive price to seize the market place, as KRS adopts a high price strategy.

2.2.2 Xiao E Wei Dian

Xiao E Wei Dian is an intelligent vending machine which is accessible in various shopping scenes including traffic hubs. As a vending machine, with size around a regular refrigerator, each Xiao E Wei Dian can provide only very limited choices of snacks and beverage.

Therefore, our advantage comes from a more diverse shopping option. To maximize the competitive advantage, we can provide more merchandises that are not available in Xiao E Wei Dian, for example, traveling specified products and ready meals.

2.2.3 Bingo Box

Bingo Box is an unmanned convenience store brand. The most significant difference between us would be the purchasing method.

Comparing the purchase methods of Bingo Box's and ours, we take advantage from a more simplified and efficient shopping process. Unlike our just-walk-out purchasing method, Bingo Box requires its customers to place the merchandises at a cashier to wait for the machine to scan the goods and process a bill to be paid by scanning a QR code with

customers' smart-phones. This purchasing method is relatively complicated and time consuming, which conflicts with busy travelers' demand of efficiency.

2.2.4 JD X Mart

JD X Mart is an unmanned convenience store owned by e-business giant JD. It is not easy for us to compete with the big company. But as X Mart has different target market, we can still differentiate and take advantage in our niche market to coexist and compete.

JD X Mart is generally located in urban area, near CBD to target white collar workers, who accounts for majority of the general unmanned convenience store customers. Meanwhile, located in traffic hubs, our store targets a smaller group, the busy travelers, thus the competition between us would not be very intense.

Due to the difference in target customer, the main products of the two business would differentiate accordingly. Comparing to JD X Mart who provides more ready meals to the targeted white-collar workers, our store would provide traveling specified merchandise such as local specialty and traveling kits, to attract our travelers.

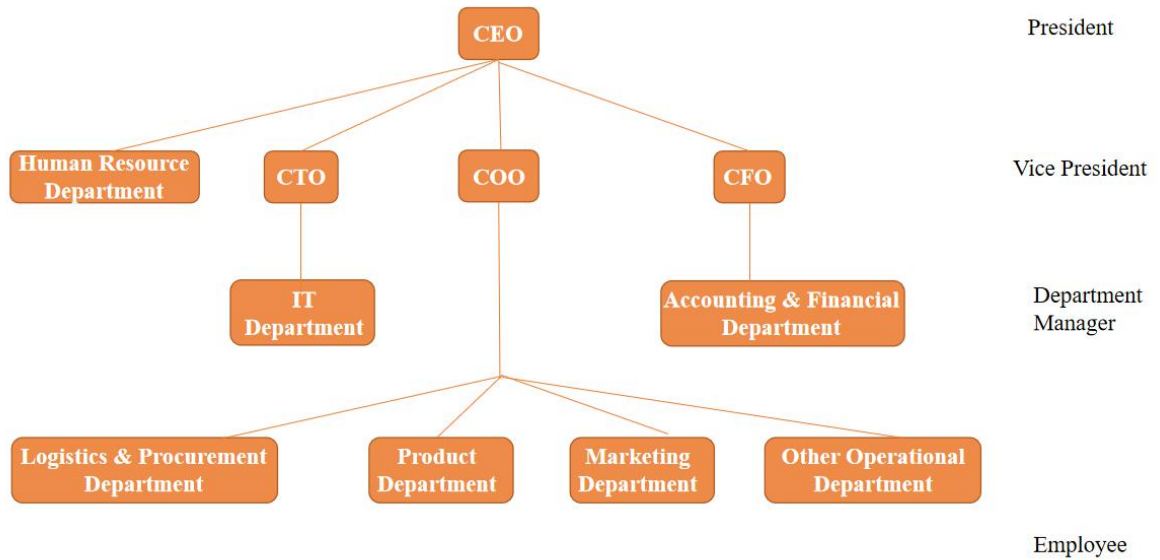
2.3 Legal Structure and Management Expertise

At the early stage, our company is an unlimited partnership, founded by five partners. When our business enter the maturity stage, we can turn it to a limited liability corporation, in order to further penetrate into the market (e.g. opening more stores in first-tier and second-tier cities). Under the form of partnership, each business partner owns 20% of the company's property and has joint liability for any misconduct of a certain co-partner. As for

our management expertise, we will recruit executives and managers who have rich experience in the industry to take charge of the management and daily operations of our stores. Besides, we will hire experts who are proficient in data and intelligence technology to construct and maintain our enterprise information system, supporting our competitive advantages. Regarding our employees, they are responsible to execute the strategic plans as well as tasks delivered from their superiors, and give feedback on some operational issues.

2.4 Organizational Structure

Our organizational structure is shown below, including 1 CEO (directly manage the HR department), 3 vice presidents and department managers. First of all, centralized IT department ensures that our supermarket system can run accurately and efficiently, and perform statistical analysis of collected data. Notably, external legal counsel may be essential for the company to protect our customers' interests (e.g. dealing with some privacy issues). In addition, accounting and financial department can provide strong support for short-term and long-term financial budgeting and other financial functions. In terms of operational departments, each department corporate and coordinate with each other to facilitate the whole process, from the selection of suitable suppliers to the final product sale.



The salary scale ranges from RMB ¥ 7,000 per month for an employee to RMB ¥ 70,000 for the management. The actual amount depends on each person's specific background, tenure, workplace, and so forth.

3. Financial Planning Tools

3.1 Cash Flow Projection

	2021	2022	2023	2024	2025
Cash flow from operating activities	¥				
Net income	1,000,000	1,250,000	1,400,500	1,650,000	1,750,000
Depreciation expense	8,500	8,500	8,500	8,500	8,500
Increase in accounts receivable	-700,000	-700,000	-700,000	-700,000	-700,000
Decrease in inventory	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Decrease in accounts payable	-500,000	-600,000	-75,000	-90,000	-115,000
Cash flow provided by operating activities	1,008,500	1,158,500	1,834,000	2,068,500	2,143,500
Cash flow from investing activities					
Cash received from return of investments	555,805	655,895	675,895	745,000	775,000
Capital expenditures	-2,500,000	-2,550,000	-2,550,000	-2,500,000	-3,500,000
Proceeds from sale of property	850,000	865,000	870,000	880,000	890,000
Cash provided by investing activities	-1,094,195	-1,029,105	-1,004,105	-875,000	-1,835,000
Cash flow from financing activities					
Borrowing of long-term debt	1,000,000	500,000	100,000	50,000	50,000
Cash dividends	-50,000	-65,000	-80,000	-225,000	-325,000
Purchase of treasury stock	-85,000	-95,000	-105,000	-295,000	-395,000
Cash provided by financing activities	865,000	340,000	-85,000	-470,000	-670,000
Net increase in cash	779,305	469,395	744,895	723,500	-361,500
Cash at the beginning of the year	2,000,000	2,779,305	3,248,700	3,993,595	4,717,095
Cash at the end of the year	2,779,305	3,248,700	3,993,595	4,717,095	4,355,595

Positive cash flow reflects that our company has the ability to utilize its assets to repay debts, invest in the business, and pay expenses and dividends to shareholders. In addition, in order to achieve scale expansion, we can increase long-term assets as well as investment.

3.2 Balance Sheet

	2021	2022	2023	2024	2025
ASSETS	¥				
Current assets					
Cash and cash equivalents	2,779,305	3,248,700	3,993,595	4,717,095	4,355,595
Short-term investment	1,050,370	785,600	764,600	653,200	630,000
Accounts receivable	80,456	75,000	80,000	76,000	80,000
Inventories, net	65,000	60,000	56,000	62,000	55,323
Amount due from related parties	40,585	56,523	61,324	63,856	74,326
Prepayments and other current assets	100,000	90,000	80,000	70,000	60,000
Total current assets	4,115,716	4,315,823	5,035,519	5,642,151	5,255,244
Property and equipment, net	70,365	75,656	78,635	81,626	83,635
Goodwill	30,565	30,565	30,565	30,565	30,565
Intangible assets, net	1,000,000	951,000	965,000	986,000	996,950
Operating lease right-of-use assets	170,000	110,562	132,203	135,300	143,250
Other non-current assets	8,500	9,843	9,986	10,365	11,268
Total non-current assets	1,279,430	1,177,626	1,216,389	1,243,856	1,265,668
TOTAL ASSETS	5,395,146	5,493,449	6,251,908	6,886,007	6,520,912

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Short - term loan	680,000	730,000	700,000	690,000	710,000
Account payable	98,451	103,000	110,236	108,395	120,536
Payable to riders	105,489	657,600	1,389,635	1,864,653	1,965,665
Amount due to related parties	9,789	14,632	15,653	16,635	15,965
Accrued expenses and other current liabilities	156,764	178,900	179,900	183,200	185,000
Operating lease liabilities	150,600	190,300	195,000	204,000	210,300
Total current liabilities	1,201,093	1,874,432	2,590,424	3,066,883	3,207,466
Long-term loan	2,000,000	1,900,000	1,800,000	1,750,000	1,500,000
Deferred tax liabilities	67,986	75,432	138,890	192,000	80,350
Non-current operating lease liabilities	55,900	66,300	68,900	71,200	73,850
Total non-current liabilities	2,123,886	2,041,732	2,007,790	2,013,200	1,654,200
TOTAL LIABILITIES	3,324,979	3,916,164	4,598,214	5,080,083	4,861,666
TOTAL EQUITY					
Paid in capital	1,494,689	951,532	1,020,000	1,080,000	990,000
Subscription receivable	86,549	90,665	116,750	130,260	135,000
Other equity instruments	56,323	65,323	57,000	64,700	69,000
Accumulated other comprehensive income	432,606	469,765	459,944	530,964	465,246
TOTAL SHAREHOLDERS' EQUITY	2,070,167	1,577,285	1,653,694	1,805,924	1,659,246
TOTAL LIABILITIES AND EQUITY	5,395,146	5,493,449	6,251,908	6,886,007	6,520,912

The balance sheet shows the net assets of the enterprise. It can reveal the financial health of an enterprise. From the above table, we can find that the current ratio of our company is relatively high, which indicates that the stronger the liquidity of assets, the stronger the short-term solvency.

3.3 Income Statement

	2021	2022	2023	2024	2025
Net Revenue	1,000,000	1,250,000	1,400,500	1,650,000	1,750,000
Cost and expense					
Operations and support	-550,000	-650,000	-850,000	-850,000	-850,000
Selling and marketing	-100,000	-150,000	-150,000	-200,000	-100,000
General and administrative	-350,000	-370,000	-400,000	-410,000	-450,000
Research and development	-250,000	-250,000	-200,000	-150,000	-100,000
Other operating expenses	-38,500	-35,600	-30,200	-34,320	-28,700
Total costs and expenses	-1,288,500	-1,455,600	-1,630,200	-1,644,320	-1,528,700
Other operating income	105,000	113,200	150,300	190,800	210,560
Profit/Loss from operations	-183,500	-92,400	-79,400	196,480	431,860
Other income (expense)					
Interest income	7,560	2,310	3,930	2,610	4,310
Interest expenses	-2,576	-2,160	-2,030	-2,130	-2,350
Total other income	4,984	150	1,900	480	1,960
Profit/Loss before income tax benefits	-178,516	-92,250	-77,500	196,960	433,820
Income tax benefits	1,300	1,090	1,010	0	0
Net profit/loss	-177,216	-91,160	-76,490	196,960	433,820
Other comprehensive income/loss	-10,500	-12,000	-15,000	-15,000	-12,000
Total comprehensive profit/loss	-187,716	-103,160	-91,490	181,960	421,820

In the first year, our goal is to seize the sales growth rate of the industry and penetrate into the market. In the next few years, we will expand our market to different regions, resulting in the rise in our costs. Apart from that, We will make long-term and short-term investments and issue bonds to finance. It is expected that our company will start to earn profits in the fourth year.

3.4 Break-Even Analysis

	2021	2022	2023	2024	2025
Sales	1,000,000	1,250,000	1,400,500	1,650,000	1,750,000
Gross Profit	-183,500	-92,400	-79,400	196,480	431,860
Gross Profit Margin	-18%	-7%	-6%	12%	25%
Net Profit	-187,716	-103,160	-91,490	181,960	421,820
Net Profit Margin	-19%	-8%	-7%	11%	24%

For the initial stage of our company, our goal is not to make profits, but to increase market share and penetration. As a result, we will not pursue high profits. Our fixed costs are mainly technology research and development, equipment, and rental, which require us to spend a lot. Therefore, in the first three years, our company will not be profitable, but our

gross profit margin and net profit margin will increase again. Starting from the fourth year, our enterprise has gradually become mature, and we began to have positive gross and net margin rates, so as to achieve our break-even point.

Conclusion

In summary, G&G would like to explore and lead the unmanned supermarket industry, by building its competitive advantages through unique locations and information system. We will provide our customers with various products at attractive prices and efficient shopping experience. Although the industry is newly developed and require relatively large investments at the initial stage, we expect the unmanned supermarket has great potential in the future. Before more competitors flood in, our company will reach profitability with the gradual reduction of costs, and become a well-known brand of checking-free shops in China's transportation hubs.

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