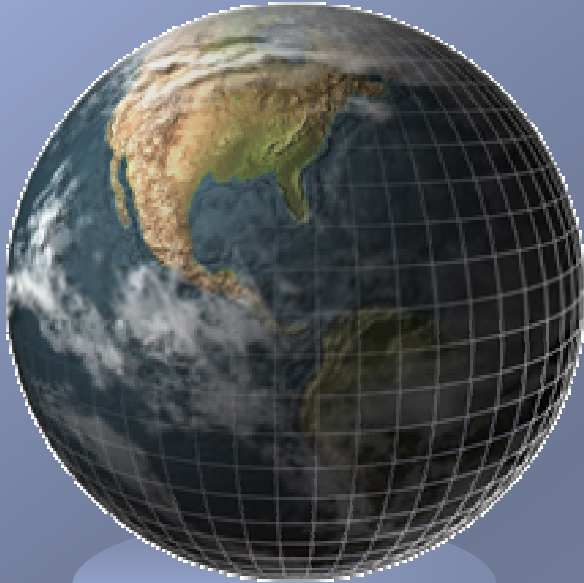


Hong Kong Your Fast Track to China



China - One Nation, Multiple Markets

Presented by :

Fanny Ting

Marketing Director

Victorinox Hong Kong Limited

Agenda

1. How Victorinox Hong Kong (VHK) sees the China Market
2. How VHK Manages the China Market from Hong Kong
3. VHK's 1st hand experience in enjoying HK's strategic advantages to the China market



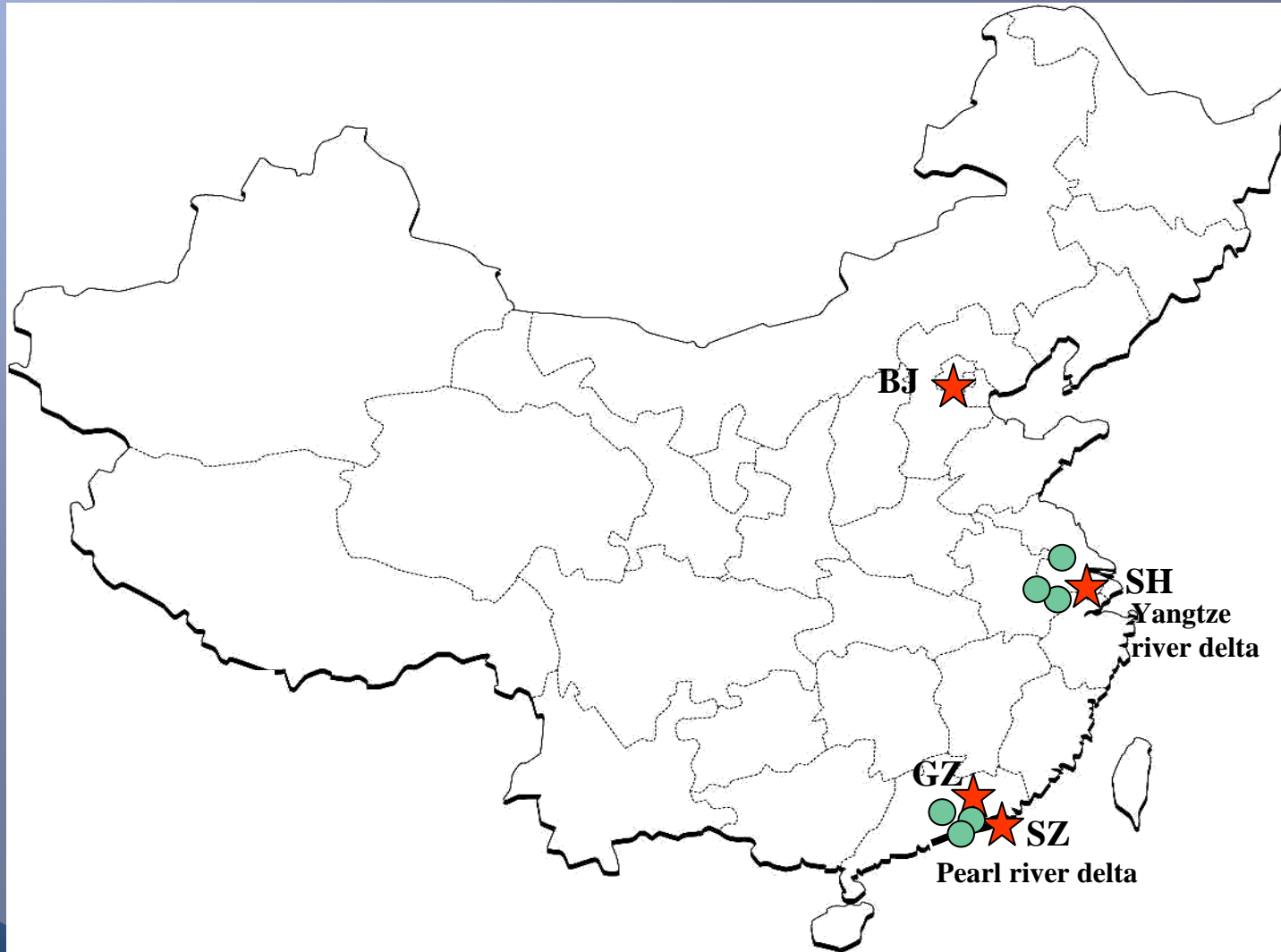
Fastest Growing Nation - China

- 2002 GDP growth 8.0%
- 2003 GDP growth 9.1%
- 2004 Expected growth 7%

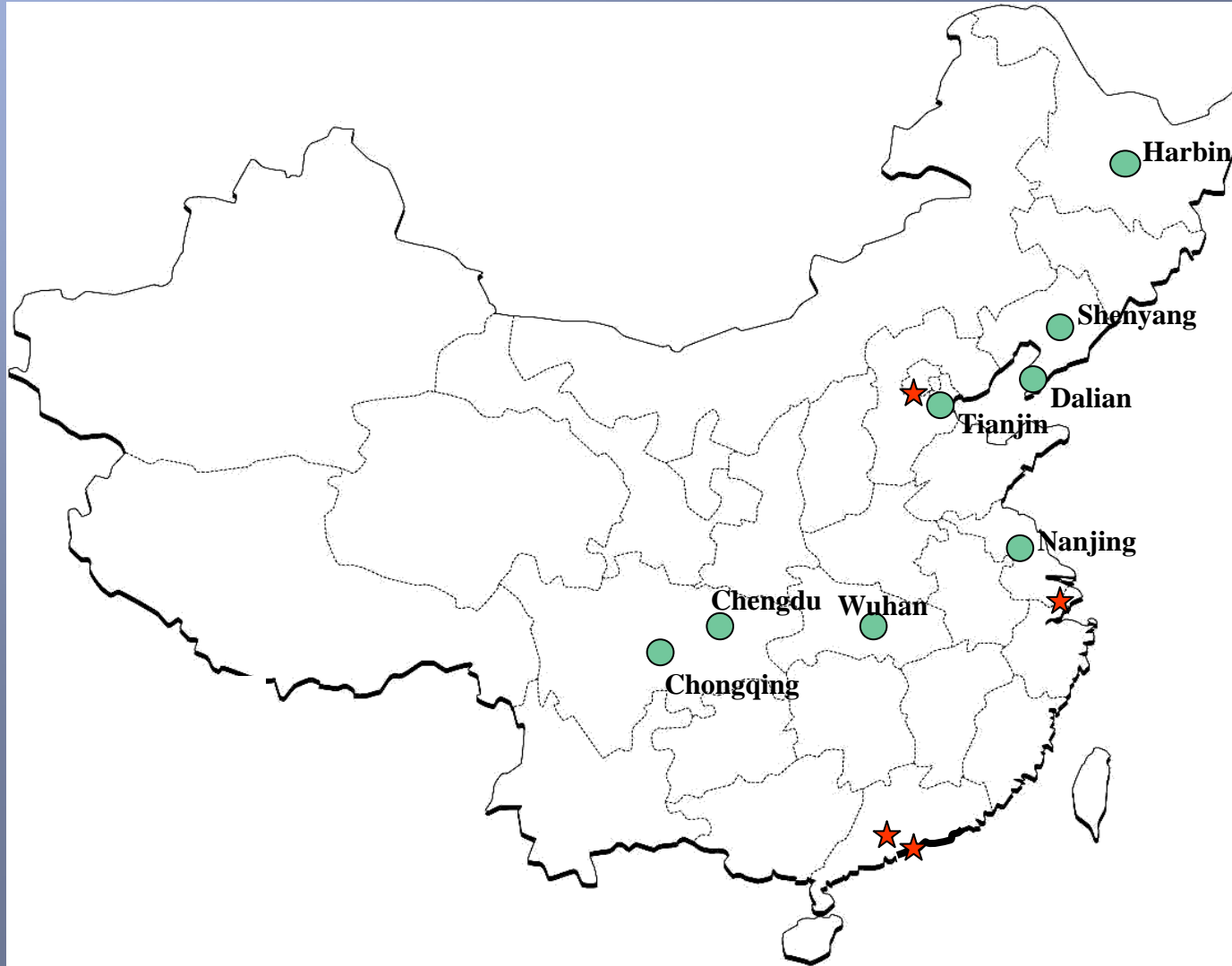


China = Beijing, Shanghai, Guangzhou, Shenzhen?

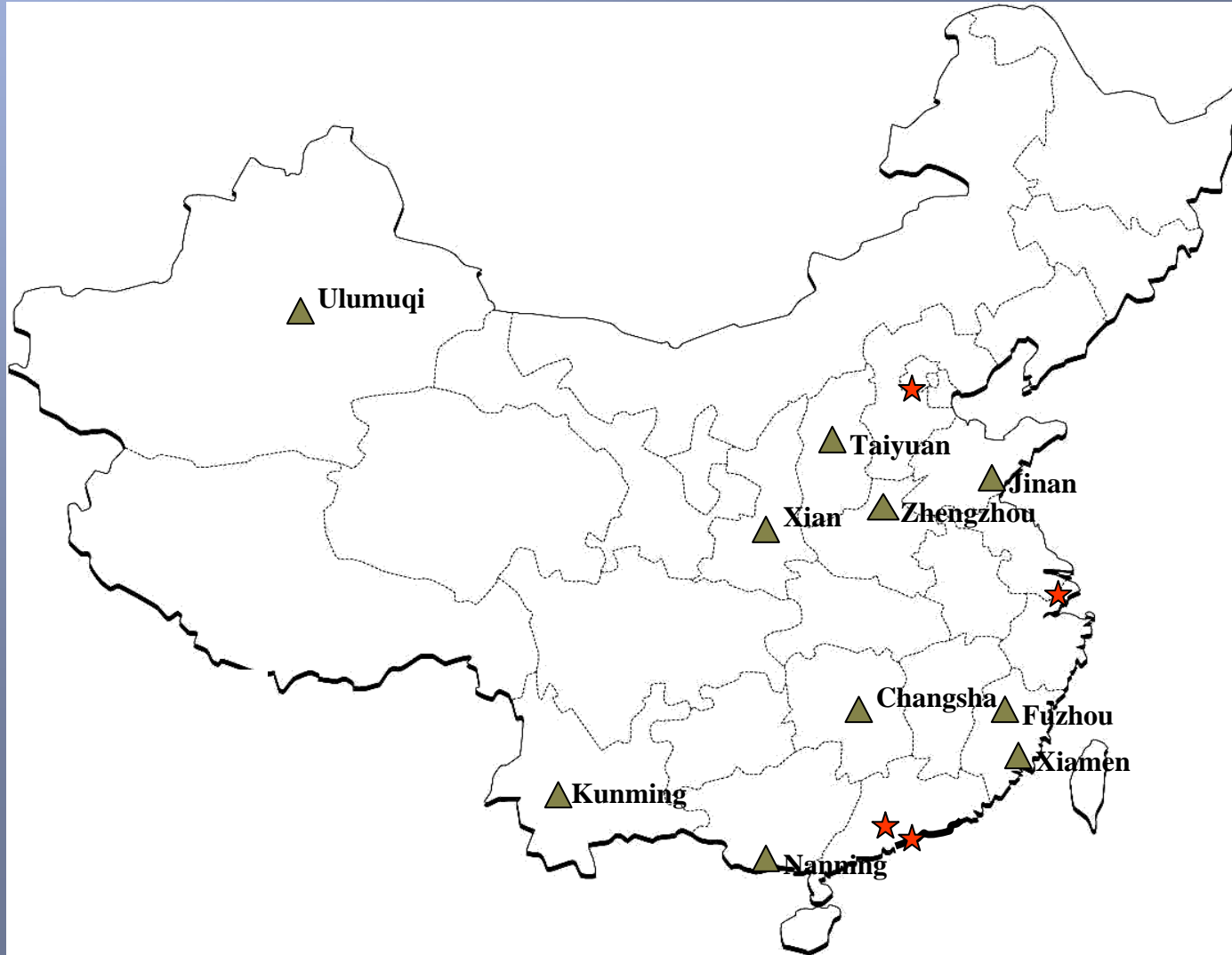
VICTORINOX



2nd Tier Market



3rd Tier Market



One nation, multiple markets

GAPs

- Income
- Infrastructure
- Sub-culture
- Consumer behavior
- Quality of retail outlets
- Government procedures



Income gaps – Urban vs Rural

Gap Analysis - Urban vs Rural		
Average Income	1995	2001
Urban household average income (RMB)	4,283	6,860
Rural household average income (RMB)	1,578	2,366
Urban household vs rural household income	271%	290%
Consumption		
Urban household Consumption (RMB)	4,874.00	N/A
Rural household Consumption (RMB)	1,434.00	N/A
Urban household consumption vs rural	340%	

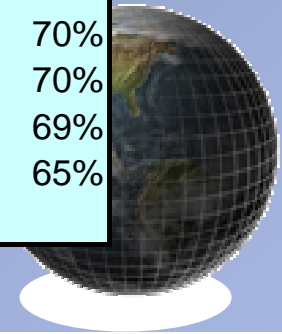
China Statistic Bureau



Income gaps – Urban vs Urban

Urban Household Average Family Income (Feb 2004)		
Province/ City	Average Household income (RMB)	Compare to "Overall average"
Overall average	1,018.00	100%
Shenzhen*	1,962.00	193%
Guangdong	1,741.00	171%
Zhejiang	1,715.00	168%
Shanghai	1,633.00	160%
Beijing	1,588.00	156%
Jiangsu	1,337.00	131%
Fujian	1,282.00	126%
Chongqing	1,194.00	117%
Hunan	1,141.00	112%
Tianjin	1,022.00	100%
Guangxi	955.00	94%
Hubei	926.00	91%
Shandong	939.00	92%
Sichuan	857.00	84%
Yunnan	863.00	85%
Shaanxi	842.00	83%

Urban Household Average Family Income (Feb 2004)		
Province/ City	Average Household income (RMB)	Compare to "Overall average"
Tibet	904.00	89%
Hainan	796.00	78%
Anhui	793.00	78%
Henan	766.00	75%
Jiangxi	758.00	74%
Liaoning	788.00	77%
Ningxia	772.00	76%
Inner Mongolia	749.00	74%
Hebei	752.00	74%
Xinjiang	775.00	76%
Gansu	756.00	74%
Guizhou	718.00	71%
Jilin	709.00	70%
Qinghai	709.00	70%
Shanxi	698.00	69%
Heilongjiang	659.00	65%
*2001 figure		



Income gaps – Urban vs urban

Gap illustration- Urban areas Shanghai vs Heilongjian

Area	Average Houshold income	%
Shanghai	1,633	248%
Heilongjian	659	100%

China Statistic Bureau



Victorinox Hong Kong (VHK) Managing Multi-Markets



Early Days of VHK

- Family owned trading business buying and selling a range of products
- Victorinox branded product was only 1 of the many brands represented
- Relationships and trust built up over 20 years
- Victorinox CH bonded with VHK in 1996, VHK became a subsidiary



VHK in China

- Direct sales to China distributors in Hong Kong
- “Hands free” to acquire market breadth
- Reduce business risk
 - China Government regulations
- China distributors penetrate all over China
- 270+ Point of sales at present



Managing multi-markets

- Overall
 - Standardize China retail price
 - Extend product range
- 1st tier market
 - Flagship store
 - Convert existing POS into Shop in shop



Managing multi-markets

- 2nd tier market
 - Promote outstanding dealer to 1st tier distributor
 - Shop in shop in selected prime locations
 - Standardize concession counter display
 - Reseller's meeting to strengthen corporate communication



Managing multi-markets

- 3rd tier market
 - To be absorbed by 2nd tier city, reduce VSB (very small business) player



VHK's 1st hand experience – Enjoying the strategic advantages of Hong Kong



Hong Kong's Strategic Advantages

- Speak international & local languages
- Understand local culture
- Understand customers
 - Product localizations
- Access to high quality of professional HR
- Guanxi - People Network
- HK Government policy
- Chinese government support - CEPA



Created in HK, Made in Switzerland



Hong Kong = ideal for starters

- Small, flexible
 - 90% of HK companies are under 50 people
- Easy to scale up
- Local staff – free to move in & out of China
- Professional people & service providers
 - product designers, international logistic providers, legal services,.....



Hong Kong = ideal for starters

進可攻

- Allows you to strike when you advance

退可守

- Allows you to reinforce when you retreat



Thank You

