

**SME Development Fund
Final Report of Approved Project**

(covering from [the project commencement date] to
[the project completion date])

Project Title : China Domestic Sales Support Program for SME
(Reference No.) (D09 001 008)
Period covered : From 1 January 2010 to 31 December 2010
(dd/mm/yy) (dd/mm/yy)

1. Project Details

Please mark with "*" if any of the following project details is different from that in the project proposal appended to the project agreement.

Project Reference and Title

China Domestic Sales Support Program for SME

Project Summary (in not more than 150 words)

Background

In response to China's adjustments to its processing trade policy, the Hong Kong Productivity Council (HKPC) has initiated the 'TURN' Project to help local businesses transform and upgrade their operations. At the same time, the global financial crisis is affecting Hong Kong businesses, causing a sharp decline in export sales. In order to overcome the adverse situation, many industrial associations would like to enter China's domestic market and therefore approached The Hong Kong Association of International Co-operation of Small & Medium Enterprises Limited (ISME) and the HKPC for assistance in doing domestic sales. However, many businesses have encountered tremendous difficulties in domestic sales. Manufacturers of OEM, for example, have many concerns like afraid of losing their major customers, lack of the financial capital required, lack of knowledge in choosing the appropriate sales channel, lack of domestic sales management skills and professionals, and brand-building experience etc. Currently, most domestic sales service providers in the market provide only "downstream services" such as organizing market promotions and exhibitions but limited "upstream services" to tackle the above problems. To address the needs of industries and in particular the SMEs, HKPC proposes to launch a "China Domestic Sales Support Program" that aims to offer a practical and operational guide to help SMEs to develop domestic sales business.

Industry Consultation Meeting

In order to better understand the problems encountered by SME in domestic sales business, HKPC organized the first industry consultation meeting entitled "Domestic Sales – Opportunities and Challenges" on 30 June 2009. A total of 23 honorable guests including the Commissioner for Innovation and Technology, Legislative Councilors, Chairman of HKPC and representatives from chambers and Associations of SMEs attended the meeting. At the meeting, industry representatives not only agreed on the aforesaid problems on domestic sales, but also raised the following challenges:

- How businesses can transform from the secondary sector to the tertiary sector;
- How to choose the appropriate domestic sales model (retail or wholesale);
- How to learn from success and failure cases and apply the critical success factors of success cases to business;
- How to do domestic sales for industrial goods of business-to-business (B2B) nature ;
- How to assess the corporate capability for domestic sales and formulate appropriate sales strategies and management systems

Representatives from the Hong Kong Trade Development Council (HKTDC) also agreed that most domestic service providers only provide "downstream services" such as marketing and promotional activities. Industry representatives strongly agreed that SMEs should focus on building and strengthening their competencies on domestic sales management with the following emphasis:

- Focus on one of China's fastest growing economic area, also culturally similar to Hong Kong and populous Guangdong Province as the proposed study research zone.
- Focus on conducting in-depth study on six major industries namely watches & clocks, jewelry, household electrical appliances, clothing & footwear, personal healthcare products and food processing

Following the consultation meeting and subsequent detailed discussions between the ISME and HKPC, we propose a one-year "China Domestic Sales Support Program for SME" to fulfill the above needs. The program consists of four phases:

1. Conduct a systematic and comprehensive research to study and analyze China's domestic market – In order to identify the factors for sustaining domestic sales and problems encountered by businesses (including B2B and B2C), we will focus on studying the domestic sales operation of the six industries in Guangdong so as to formulate industry-specific sales strategies.
2. Consolidate success and failure cases on domestic sales and their solid experience – Based on the findings from Phase One, we will conduct detailed analysis of success and failure cases so as to understand the critical factors that make businesses succeed or retreat in each of the six industries.
3. Organize domestic sales experience sharing seminars – Two large scale seminars will be held in the mainland and Hong Kong respectively to share our research findings and cases with participants.

4. Publish “A Practical Guidebook to Smart Domestic Sales in China” and disseminate the project findings via promotional activities and seminars – Upon completion of the first three phases, a guidebook will be published to provide practical and operational guidelines to SME (for details please refer to page 11). The seminars will be videotaped and uploaded to the Internet for public viewing as well.

The applicant of this proposed project is the ISIM and the implemented agent is the HKPC. Upon completion of this project, over 10,000 SMEs will gain a better understanding of the practical approach in doing domestic sales in Guangdong. This project will lay a solid foundation for SMEs to prepare themselves for China's domestic market and their future development.

Project Objective(s) (in not more than 80 words)

由於國家調整加工貿易政策，推動工業升級轉型，香港生產力促進局推出「升轉一站通」(TURN)以協助港商業務升級轉型。同一時間，港商亦受到金融海嘯影響，出口銳減，很多業界商會向本會及生產力促進局反映希望成功轉型內銷渡過這次難關。不過，他們在進行內銷時遇到許多困難，例如很多OEM企業因擔心大客戶流失、缺乏內銷的專業人才而難於啟動內銷，需要龐大的投資、缺乏品牌打造的經驗和知識、難於選擇合適的內銷管道亦令中小企難以打開內銷之門。有鑑於不同行業開拓內銷過程中所遇到的問題各有不同，中小企希望找到行業成功的案例可效法，失敗的案例可借鑑，以免重蹈覆轍。然而，現時中小企幾乎找不到這樣的成功失敗案例作借鑑。

有見及此，本計劃綜合了各商會及業界代表的意見和要求，建議進行一個為期一年的「香港中小企中國內銷支援計劃」(China Domestic Sales Support Program for SME)，希望為香港中小型企業提供渴求的“上游”內銷服務，找出鐘錶、珠寶首飾、家用電器、服裝鞋帽、日化日用及食品加工這六大行業在廣東省進行內銷的成敗關鍵，記錄成功/失敗案例，協助中小企打造及強化內銷能力。

Recipient/Collaborating/Implementation Organisation

Recipient Organisation : The Hong Kong Association of International Co-operation of Small & Medium Enterprises Limited

Collaborating Organisation(s) : Nil

Implementation Agent(s) : Hong Kong Productivity Council

Key Personnel

	<u>Name</u>	<u>Company/Organisation</u>	<u>Tel No. & Fax No.</u>
Project Co-ordinator	<u>Mr. Henry T.K. Chan</u>	<u>The Hong Kong Association of International Co-operation of Small & Medium Enterprises Limited</u>	<u>2851 1638 2851 1482</u>
Deputy Project Co-ordinator	<u>Mr. Raymond Cheng</u>	<u>Hong Kong Productivity Council</u>	<u>2788 6025 2788 6196</u>

Project Period

	<u>Commencement Date</u> (day/month/year)	<u>Completion Date</u> (day/month/year)	<u>Project Duration</u> (No. of months)
As stated in project agreement	<u>1/1/2010</u>	<u>31/12/2010</u>	<u>12 months</u>
Revised (if applicable)	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>

Methodology Employed

Conduct survey, interview and compiling guidebook.

2. Summary of Project Results

Project Deliverables

Please list out the targeted project deliverables as stated in the project proposal appended to the project agreement and provide details of actual result achieved, including beneficiaries, for each of them.

- (i) A systematic and comprehensive research study on 200 SMEs to analyze China's domestic market.
- (ii) Consolidation of success and failure cases on China domestic sales.
- (iii) 2 experience sharing seminars on China domestic sales.
- (iv) Publication of "A Practical Guidebook to Smart Domestic Sales in China".

Actual Benefits to SMEs

Please indicate *in clear, specific, tangible and quantifiable terms* the benefits of the project and its contribution to enhancing the competitiveness of Hong Kong's SMEs in general or SMEs in specific sectors, in not more than 400 words.

Direct beneficiaries:

- About 3,000 HKSMEs benefited from the collection of "China Domestic Sales Guide Book:
- About 3,000 HKSMEs benefited from the collection of "China Domestic Sales Guide Book" CD-Rom Version
- About 400 HKSMEs benefited from participating in the two "China Domestic Sales Experience Sharing Forum"
- About 400 HKSMEs benefited from participating in the two "China Domestic Sales Seminar"

Indirect beneficiaries:

- Over 10,000 HKSMEs benefited from the online version of "China Domestic Sales Guide Book"
- Over 10,000 HKSMEs benefited from the highlight of the two "China Domestic Sales Experience Sharing Forum" which is available on the HKPC's website
- Over 10,000 HKSMEs benefited from the highlight of the two "China Domestic Sales Seminar" which is available on the HKPC's website

Achieving Sustainability:

- China's rise to be crowned as the world's second-largest economy today is the latest milestone in a boom that has been running almost constantly since the country began to embrace the free-market principles, and the growth is expected to continue in the foreseeable future. The potential market for Domestic Sales is no doubt a huge business opportunities that over 10,000 HKSMEs are believed to be benefit from the "China Domestic Sales Support Program for SME", by which a comprehensive and symmetric exploration strategy is introduced.
- The "China Domestic Sales Guide Book" provides an integrated and comprehensive framework for HKSMEs to take reference of in regard to the opening for Domestic Sales business in mainland China. The "Guide Book" provides various real corporate examples and operational strategies that will still be applicable in a foreseeable future despite of the rapidly-changing business environment.

Milestones (in chronological order)

Please indicate if the milestone is completed (C), deferred (D) or not achieved (N). If it is deferred, please indicate the revised completion date. For those milestones which are deferred or not achieved, please also provide the reasons under item 2.4.

	<u>Milestone</u> (as set out in the project proposal appended to the project agreement)	<u>Original target completion date</u>	<u>Revised target completion date</u> (if applicable)	<u>Status</u> (C/D/N) #
(a)	成立項目委員會	15/1/2010		C
(b)	成立中國內銷問題研究小組	31/1/2010		C
(c)	展開中國內銷問題研究及分析	30/4/2010		C
(d)	確立「中國內銷成功要素」的架構	31/3/2010		C

(e)	「中國內銷成功要素」初稿	31/5/2010		C
(f)	中國內銷經驗分享論壇（一）	30/6/2010		C
(g)	中國內銷經驗分享論壇（二）	31/7/2010	19/8/2010	C
(h)	「中國內銷成功要素」建立最後版本	30/9/2010		C
(i)	「中國內銷實戰攻略」：資料搜集及編寫	31/10/2010		C
(j)	「中國內銷實戰攻略」：校對及印製	30/11/2010		C
(k)	中國內銷交流研討會（一）	15/12/2010		C
(l)	中國內銷交流研討會（二）	20/12/2010		C

Marketing/Dissemination Activities (in chronological order)

Please provide details of all completed and on-going promotional and/or dissemination activities for each of the project deliverables. Such activities may include advertisements, seminars, workshops, etc.

<u>Date/ Period</u>	<u>Description</u>	<u>No. of beneficiaries</u> (Please specify whether they are SMEs or not)
2,7,8,11,12/2010	HKPC database marketing	10,000
6,8,11,12/2010	HKET Advertisements X 5	Over 10,000
7,12/2010	HKET Supplements X 2	Over 10,000
24 June 2010	中國內銷經驗分享論壇（一）	260 participants
18 Aug 2010	中國內銷經驗分享論壇（二）	53 participants
24 Nov 2010	中國內銷交流研討會（一）	350 participants
8 Dec 2010	中國內銷交流研討會（二）	220 participants
Total no. of no. of SMEs beneficiaries -		Over 30,000
no. of companies which are <u>not</u> SMEs :		Nil

Future Plan for Promoting the Project Deliverables

N/A