

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

Project Title : East China's Second-tier Cities Domestic Sales  
(Reference No.) : Support Program for SMEs (D10 004 003)  
Period covered : From 16 June 2011 to 15 August 2012  
(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

East China's Second-tier Cities Domestic Sales Support Program for SMEs (D10 004 003)

### Project Summary (in not more than 150 words)

#### The Success of the "China Domestic Sales Support Program for SMEs"

In early 2010, the Hong Kong Association of International Co-operation of Small & Medium Enterprises Limited (hereafter named as ISME) successfully applied for the SME Development fund and appointed Hong Kong Productivity Council (hereafter named as HKPC) as the implementation agent to run the "China Domestic Sales Support Program for SME". The project aims at providing SMEs with a comprehensive and practical analysis in regard to the starting-up of Domestic Sales business in the Guangdong Region.

Many SMEs reported that most of the Domestic Sales market information is only about licensing and distribution channel and this has created a false perception to them that secretarial licensing and marketing practices are the only concerns when it comes to Domestic Sales. However, the "Four Operational Frameworks for Domestic Sales" introduced by the "China Domestic Sales Guide Book" has given them a refreshing idea that technological and product development are also important elements to achieve business sustainability.

#### Needs raised by the Industry Associations

Many Industry Associations expressed their concern on the decline of export business and the rise of Domestic Sales business opportunities in mainland China that they believe expanding the Domestic Sales business to the East China Region has already been a growing trend. However, they could not find sufficient support in the market. Therefore, numerous Industry Associations have written a reference letter to ISME and HKPC to express their wish for relevant support.

#### Meeting with Industry Associations – The Opportunities Brought by the "Twelve Five Year Program" and the Highspeed Railway.

In order to better understand the needs of SMEs, HKPC has conducted interviews with numerous Industry Associations. After consolidating the opinions and issues raised by the association representatives, the project team has concluded that:

1. The "Twelve Five Year Program" has placed a huge emphasis on Domestic Sales that it is no doubt a huge business opportunity for SMEs
2. The development of the Highspeed Railway will lead Hong Kong to be more economically attached with the second-tier cities in the East China Region.
3. The development of the Highspeed Railway will improve the standard of living in the second-tier cities in the East China Region.
4. East China is one of the biggest consumption engines in mainland China
5. SMEs are less affected by "Hong Kong Superbrand" in the East China Region
6. SMEs should take this golden opportunity to develop their business in the second-tier cities in East China

#### Official Data – The Rapid Development of the Second-tier Cities in the East China Region

In order to be more accurate in understanding the development potential of the second-tier cities in the East China Region, HKPC has done a series of research. According to the "China Second-tier Cities Competitiveness Evaluation Report", over 50% of the finalist cities are situated in the East China Region. Also, according to the a study about the development of new cities in China conducted by Jones Lang La Salle, numerous second-tier cities the East China Region including Hangzhou, Suzhou, Nanjing, Qingdao, Jinan are elected as the "Top 40 Developing Cities in China". These results have shown that the rapid development of second-tier cities in the East China Region is a trend that is expected to continue in a foreseeable future.

#### Survey on Second-tier Cities in the East China Region

In order to better understand the real needs of SMEs, HKPC has designed an online questionnaire. Among the 300 replies received, over 70% of the respondents expressed their desire of expanding their Domestic Sales business to the East China Region. For the 5 second-tier cities in East China Region that SMEs are most interested in, the respondents have chosen Nanjing, Hangzhou, Suzhou, Ningbo and Hefei. The reasons of choosing these 5 cities are: 1) great potential in these emerging markets; 2) well-developed infrastructure; and 3) customers are more willing to accept new products. However, the respondents have also reported that numerous challenges have prohibited them from expanding their business in East China.

### **Framework and new elements of the Project**

After consolidating the opinions and desire for different parties, ISME and HKPC decided to initiate the "East China's Second-tier Cities Domestic Sales Support Program for SMEs" in order to cater for the needs of SMEs.

The project aims at:

1. Conducting study on how SMEs can succeed in the East China Domestic Sales market through the use of technological and product development;
2. Focusing on the five second-tier cities in the East China Region that SMEs are most interested in. They are: Nanjing, Hangzhou, Suzhou, Ningbo and Hefei
3. Focusing on the six major industries, including watches, jewelry, household electronics, clothes, personal care and household consumable and food.

The successful models drawn from the "China Domestic Sales Support Program for SME" are adopted and at the same time several new elements are included in the project deliverables.

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

香港中小企面臨人民幣再度升值的壓力加上中國經濟繼續維持穩定的增長，即將出台的「十二五」規劃，配合高鐵網絡的相繼落成，擴大內需將會繼續成為國家重要的戰略之一。業界商會向本會及香港生產力促進局表示擴大內銷業務及拓展華東內銷市場為大勢所趨。不過，他們在拓展華東內銷時遇到許多困難，以致香港中小企在華東內銷處處受阻，步步為艱。

有鑑於不同行業在華東二線城市開展內銷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。因此，業界商會紛紛撰寫推薦信，期望本會與生產力促進局延續上一期計劃的成功故事，協助他們解決拓展華東二線城市的內銷難題。本計劃綜合了各行業商會及業界的意見和要求，建議進行一個為期十四個月的「香港中小企華東二線城市內銷拓展計劃」，希望延伸「香港中小企中國內銷支援計劃」的分析，為業界提供渴求的華東二線城市內銷支援指導，找出六大行業在該地區的成敗關鍵，記錄成功案例，協助中小企克服當前的難關，創造商機。

### **Recipient/Collaborating/Implementation Organisation**

Recipient Organisation	:	<u>The Hong Kong Association of International Co-operation of Small &amp; Medium Enterprises Limited</u>
Collaborating Organisation(s)	:	<u>Nil</u>
Implementation Agent(s)	:	<u>Hong Kong Productivity Council</u>

### **Key Personnel**

	<u>Name</u>	<u>Company/Organisation</u>	<u>Tel No.&amp; Fax No.</u>
Project Co-ordinator	Mr. Henry T.K. Chan	The Hong Kong Association of International Co-operation of Small & Medium Enterprises Limited	2540 2740 2547 2050
Deputy Project Co-ordinator	Mr. Raymond Cheng	Hong Kong Productivity Council	2788 6025 2788 6196

### **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>15/6/2011</u>	<u>15/8/2012</u>	<u>14 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.

- 1) Conduct Associations Meeting and 200 Questionnaire Survey to analyze the Domestic Sales problems in East China Second-tier Cities
- 2) Hold the Project Kick-off Ceremony for the Project
- 3) Conduct Government Interviews to study the favorable policies for foreign investments and opportunities brought by the Highspeed Railway
- 4) Conduct Company Interviews to consolidate success and failure cases by their solid experience
- 5) Hold the Experience Sharing Forum
- 6) Publish the "Domestic Sales Guide Book" and hold the Book Launching Ceremony
- 7) Hold the "Cases and Experience Sharing Session"

### 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 5,000 HK SMEs benefited from the collection of "China Domestic Sales Guide Book – Eastern China Region:
- About 200 HK SMEs benefited from participating in the "Eastern China Domestic Sales Experience Sharing Forum"
- About 10,000 HK SMEs benefited from installation on "China Domestic Sales Guide Book" App in Apple store and Google play.
- About 350 HK SMEs benefited from participating in the "Eastern China Domestic Sales Kick-off Seminar" and "Eastern China Domestic Sales Experience Sharing Seminar" separately.
- About 350 HK SMEs benefited from participating in the ten "Eastern China Domestic Sales Knowledge and Skill Workshop"

#### Indirect beneficiaries:

- Over 10,000 HK SMEs benefited from the online version of "China Domestic Sales Guide Book – Eastern China Region"
- Over 10,000 HK SMEs benefited from the highlight of the 'Eastern China Domestic Sales Kick-off Seminar' which is available on the HKPC's website
- Over 10,000 HK SMEs benefited from the highlight of the "Eastern China Domestic Sales Experience Sharing Forum" which is available on the HKPC's website
- Over 10,000 HK SMEs benefited from the highlight of the two "Eastern China Domestic Sales Experience Sharing 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 HK SMEs 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 – Eastern China Region" provides an integrated and comprehensive framework in Eastern China especially on Shanghai, Suzhou, Hangzhou, Nanjing, Ningbo & Hefei for HK SMEs to take reference of in regard to sustain on Domestic Sales business in Eastern 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>	<u>Original target completion date</u>	<u>Revised target completion date</u> (if applicable)	<u>Status</u> (C/D/N) #
(as set out in the project proposal appended to the project agreement)			
(a) 成立項目委員會	4-Jul-11		C
(b) 成立華東二線城市內銷問題研究小組	4-Jul-11		C
(c) 進行商會訪問	15-Aug-11		C
(d) 「內銷啟動大典」	15-Jul-11		C
(e) 確立「華東二線城市內銷成功要素」的架構	1-Nov-11		C
(f) 展開華東二線城市內銷問題研究及分析	15-Nov-11		C
(g) 「華東二線城市內銷成功要素」初稿	5-Dec-11		C
(h) 「內銷經驗分享論壇」	31-Jan-12	2-Mar-12	C
(i) 「華東二線城市內銷成功要素」建立最後版本	15-Feb-12		C
(j) 《中國內銷實戰攻略－華東篇》：資料搜集及編寫	1-Apr-12		C
(k) 《中國內銷實戰攻略－華東篇》：校對及印製	15-May-12		C
(l) 「新書發佈會」	15-Jul-12	25-Jul-12	C
	30-May-12 a.m.& p.m.,		
	13-Jun-12 a.m.& p.m.,		
(m) 10 次的「個案經驗交流及研習班」	4-Jul-12 a.m.& p.m.,		C
	6-Jul-12 a.m.& p.m.,		
	13-Jul-12 a.m.& p.m.		

**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)
7-Jul-11, 2-Mar-12, 30-May-12, 13-Jun-12, 4, 6, 13, 25- Jul-12	HKPC database marketing	20,000
27-Jun-11, 17-Feb-12, 18-May-12, 13-Jul-12, 10-Aug-12	HKET Advertisements X 5	Over 10,000
21-Jul-11, 9-Mar-12, 3-Aug-12	HKET Supplements X 3	Over 10,000
Total no. of beneficiaries - no. of SMEs		: Over 40,000
no. of companies which are <u>not</u> SMEs		: N.A

**Future Plan for Promoting the Project Deliverables**

N/A

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