

**SME Development Fund/
Dedicated Fund on Branding, Upgrading and Domestic Sales
(Organisation Support Programme)**

Final Report of Approved Project

Project ref. no. : D11 001 017
Project title : Program to Explore Automotive Parts Aftermarket in
Mainland by Collaborative Showcasing, Distribution
Channels Building and Promotion
Period covered : From 1 October 2011 to 31 July 2013
(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

Program to Explore Automotive Parts Aftermarket in Mainland by Collaborative Showcasing, Distribution Channels Building and Promotion

Project Summary (in not more than 150 words)

Hong Kong auto parts manufacturers anticipate that there is a great potential in the automotive aftermarket of Mainland China due to the substantial number of vehicles in use as well as the foreseeable continual growth in coming years. However, there are some obstacles hindering local SMEs entering the enormous Mainland's aftermarket that they can hardly handle by their own resources and require to solicit external support.

According to the China Association of Automobile Manufacturers (CAAM), Mainland China became the largest automotive market in the world in 2010. There are already over 100 millions vehicles in use and it is forecasted the average annual growth rate will be over 5% for the coming 5 years. Consequently, it is expected that there is a great demand on auto parts for the aftermarket service such as maintenance, decoration, tuning and facilities enhancement while Mainland citizens are now seeking for higher quality and better functional products with raising life standard. Currently, there are more than 300 Hong Kong auto parts manufacturers and around 30% of them being engaged in auto parts aftermarket. The total annual sales turnover of HK's auto parts for aftermarket are around HK\$8 billion while over 80% of them are exported to USA, Europe and Japan. However, these traditional export markets are diminishing due to poor economy of western countries as well as increasing competition from the Mainland or regional counterparts.

In Dec. 2010, Hong Kong Auto Parts Industry Association (HKAPIA) conducted a survey among its members that there were around 85% of companies currently engaged in overseas aftermarket would like to explore the Mainland's aftermarket. Besides, over 50% OEM (i.e. currently without engagement in aftermarket) auto parts manufacturers were also interested in diversifying into the Mainland's aftermarket. The study also reveals that even though many Hong Kong SMEs had identified the potential opportunity in the Mainland's automotive aftermarket, they also realized the risk for market entry. Major obstacles can be summarized as follows:

1. **High Investment/Advertising Cost** --- Heavy investment is needed for Hong Kong auto parts manufacturers to enter the Mainland's automotive aftermarket. Advertisements placement in industrial magazines, Internet search engines, setting up of retail shops and exhibitions participation, etc., are major brand building and marketing approaches, but their costs are too high for a SME to afford, especially at the initial open up market stage.
2. **Inefficient Distribution Channels and Lack of Market Information** --- The 4S (Sales, Spare parts, Service and Survey) retail shops & auto parts distributors (i.e. key persons in the transactions) have first hand market information of end-users. Once the customers choose the appropriate products & services from the 4S shops, they are most likely to develop a loyalty to the shops. Therefore, the 4S shops have a stable and extensive customers base. In order to lower the marketing cost, it is crucial for Hong Kong auto parts manufacturers to develop a long-term cooperation relation with 4S shops and distributors. However, they have not yet developed a close relation with them because of lacking appropriate channels.
3. **Lack of Renowned Brand** --- Mainland's customers more likely prefer brand name products to products bought in roadside. They are not familiar with HK made products although both the quality & price are competitive against the original brands.

We propose a comprehensive interactive and multi-channel marketing campaign for HK SMEs to promote their products for the automotive aftermarket of Mainland China by promoting the brand image of "Original Products by Hong Kong" quality auto parts.

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

1. To build up a brand image of "Original Products by Hong Kong" in the Mainland's automotive aftermarket.
2. To establish channels for Hong Kong auto parts manufacturers to display and promote the overall capabilities in provision of auto parts for aftermarket, especially the advanced technologies and international recognized manufacturing system adopted for making quality products.
3. To establish a business network with 4S shop management teams and other distributors to foster the business cooperation opportunities.
4. To further evaluate and study the effectiveness of different direct marketing methodologies for exploring the Mainland's auto parts aftermarket, then provide references to SMEs to formulate their own strategies.

Grantee /Collaborating/Implementation Organisation Agent

Grantee : Hong Kong Auto Parts Industry Association Limited

1. The Hong Kong Electronic Industries Association
2. Hong Kong Diecasting and Foundry Association
3. The Hong Kong Mould and Product Technology Association
4. The Hong Kong Metals Manufacturers Association

Collaborating Organisation(s) : 5. SAE International Hong Kong

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>Dr. Chun WONG</u>	<u>Hong Kong Auto Parts Industry Association Limited</u>	<u>2788 5457/ 2788 5543</u>
Deputy Project Co-ordinator	<u>Mr Newman YIU</u>	<u>Hong Kong Auto Parts Industry Association Limited</u>	<u>2788 5457/ 2788 5543</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 October 2011</u>	<u>31 Jan 2013</u>	<u>16 months</u>
Revised (if applicable)	<u>1 October 2011</u>	<u>31 July 2013</u>	<u>22 months</u>

Methodology Employed

Task 1: To set up and operate "Hong Kong Pavilion" to showcase auto parts by Hong Kong with different thematic displays in different periods targeted for different aftermarket service sectors.

Task 2: To organize Products Release Conferences for Hong Kong manufacturers.

Task 3: To launch an advertising campaign with the theme of "Original Products by Hong Kong" by advertisements placement in magazine & industrial index.

Task 4: To Promote "Original Products by Hong Kong" via Internet search engines

Task 5: Editing and dissemination of the electronic format brief program summary

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 “Hong Kong Pavilion” showcase gallery in Guangzhou to display the overall capabilities of Hong Kong’s auto parts manufacturing industry.

A “Hong Kong Pavilion” showcase gallery in Guangzhou was operated for 12 months, so as to display the overall capabilities of Hong Kong’s auto parts manufacturing industry.

(ii) A series of visit tours by the Guangdong and other potential distributors to the showcase gallery.

Two visit tours (38 participants in total) were arranged by the Guangdong and other local distributor associations to the Guangzhou showcase gallery.

(iii) A series of promotional seminars to promote the concept of “Original Products by Hong Kong”.

Two promotional seminars (38 participants in total) were arranged to promote the concept of “Original Products by Hong Kong” to the local distributors and 4S shops

(iv) Two products release conferences to build up business contacts with potential Mainland distributors.

Two products release conferences were held in Shenzhen (first-tier city) on 27th March 2013 and Hangzhou (second-tier city) on 14 June 2013 respectively. These two products release conferences attracted nearly 300 representatives from local 4s shops and auto parts distributors.

(v) A series of advertisement to promote “Original Products by Hong Kong” at Mainland auto parts monthly magazine and internet search engines.

A 12-month advertisement to promote “Original Products by Hong Kong” was published on a monthly auto parts magazine called “*慧聰汽車電子*”;

One advertisement was published on a yearly industrial index called “*中國行業資訊大全*”;

Two internet search engines in the Mainland were used to promote the “Original Products by Hong Kong” on Baidu and Sogou respectively.

(vi) A project website to promote Hong Kong auto parts to the Mainland distributors and end users.

A project website was created on <http://www.hkapia.com/gbactivitiesid.asp?id=422> to promote Hong Kong auto parts to the Mainland distributors and end users.

(vii) A program summary which contains findings on the effectiveness of the showcase gallery, visitors contact information, customer habits and market demand etc, for distribution to auto parts SMEs.

An electronic format program summary was compiled with overall project summary, market trend analysis, buyers’ habits and visitors contact information. It was sent by email to all the supporting organizations, trade associations & professional bodies, as well as those participating companies and SMEs.

Actual Benefits to SMEs/Enterprises

(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 / enterprises in general or SMEs / enterprises in specific sectors / assist Hong Kong enterprises in general or in specific sectors in developing brands, upgrading and restructuring business operations, and promoting domestic sales in the Mainland, in not more than 400 words.)

This project has setup a Hong Kong auto parts aftermarket showcase gallery in Guangzhou for 12 months. This is the first step for Hong Kong auto parts manufacturers to make a breakthrough to the Mainland aftermarket. During the 22 months project implementation period, two visit tours and promotional seminars were arranged to promote the Hong Kong auto parts in the Mainland aftermarket and to establish a business networking platform between the potential buyers and manufacturers.

Two product release conferences were held in Shenzhen on 27th March 2013 and Hangzhou on 14th June 2013 respectively. These two conferences recruited Hong Kong auto parts manufacturers to show their products and technology, while attracted near 300 local auto parts aftermarket companies to attend.

Advertisements campaign was initiated by promoting on one of the leading auto parts industry magazines for 12 months and on a yearly industrial index. Two leading search engines were adopted as marketing channels to advertise the Hong Kong auto parts capabilities in the Mainland auto parts aftermarket.

A project website was created on <http://www.hkapia.com/gbactivitiesid.asp?id=422> to promote Hong Kong auto parts to the Mainland distributors and end users. Finally, an electronic program project summary was compiled with analysis of the Mainland aftermarket buyers' behavior, current market trend and industry requirements in the Mainland. This information was obtained from the product release conferences and visitors at the Guangzhou showcase gallery.

All Hong Kong SMEs who would like to diversify and engage themselves into the auto parts aftermarket industry are benefited from the project deliverables, the size of beneficiaries was recorded as 119 participants from 94 SMEs.

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 approved 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) To set up and operate a "Hong Kong Pavilion" Showcase Gallery	31/07/2013	N.A	C
(b) To launch advertising campaign	31/07/2013	N.A	C
(c) To organize two Product Release Conferences	31/07/2013	N.A	C
(d) Editing and dissemination of the electronic format brief program summary	31/07/2013	N.A	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 (SMEs/Enterprises*)</u> *please delete as appropriate
28 December 2012	Visit tour to the showcase gallery	26 local Mainland distributors
28 December 2012	Promotional seminar to promote the concept of "Original Products by Hong Kong"	26 local Mainland distributors
27 March 2013	Product release conference held in Shenzhen	60 participants from 35 SMEs and 150 local Mainland distributors
15 May 2013	Visit tour to the showcase gallery	12 participants from 12 SMEs and 20 local Mainland distributors
15 May 2013	Promotional seminar to promote the concept of "Original Products by Hong Kong"	12 participants from 12 SMEs and 20 local Mainland distributors
14 June 2013	Product release conference held in HangZhou	35 participants from 35 SMEs and 150 local Mainland distributors
Total no. of beneficiaries :		119 participants / 94 SMEs/ 392 local Mainland distributors

Future Plan for Promoting the Project Deliverables

NA