

# Business connections

Inspiring insights for business success

- Stay local, think global
- Be the first, not the biggest
- Prepare your war room!



HSBC   
Commercial Banking

# Thinking business

Amid global economic uncertainty, businesses are looking to grow through innovation and seeking new markets.

HSBC is actively supporting these 'thinking businesses'. As a truly global bank, we are in an ideal position to use our international connectivity on behalf of ambitious companies.

Business Connections is a collection of some of the best business thinking that we've come across, in Asia Pacific and further afield.

Front cover image: Cold Stone Creamery  
(see thought 26)



# Connect and thrive

**It's a stimulating time to be involved with business here. There is a sense in which all eyes are on Asia and the South Pacific.**



Having come from a role managing commercial banking in the UK, I can certainly attest to the fact that business people elsewhere look to the opportunities in this region with some awe – and not a little envy.

It's an exciting prospect to be asked to look after our operation in the fastest growing economy in the commercial banking world – Asia Pacific. In arriving here, I face similar challenges to those of companies who enter new global markets: the need to adapt to the new business pace, new cultures, new markets and customer sentiments, and most of all, building business networks in an unfamiliar region.

One of the other striking impressions is the sheer amount of ambition and ingenuity among the business people I meet. There is real innovation here and a boldness of approach. And culturally, one of the biggest differences I've noticed is a strong impulse to connect – across organisations, sectors and borders.

It is in the forging of such connections that firms achieve and fulfil their ambitions for growth as businesses can leverage each other to build networks, relationships and enhance innovation.

The results are demonstrable: superior profit, greater resilience, greater business results, and a larger customer base. Businesses that harness the power of global connections will survive and thrive over time.

It's our job to foster and promote these connections for the benefit of our customers. We are well placed to do so: we've around 7,500 offices in over 80 countries and territories in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa. And, for over 70% of world trade flows, we have people on the ground.

Only you know where you want your business to go. But HSBC will be there, step by step, to match and connect your business worldwide.

## **Noel Quinn**

Group General Manager,  
Regional Head of Commercial Banking,  
HSBC Asia Pacific



# 02 Stay local, think global

**You run a fading local theme park – and Disney is about to set up in direct competition. Do you concede defeat and withdraw from the market?**

That was the situation facing Hong Kong's **Ocean Park**. The government, which owned the 30-year-old attraction, was on the verge of closing it down.

Instead it appointed entertainment and business tycoon Allan Zeman to take over. By his own admission, Zeman knew nothing about theme parks. But he set about giving the park a radical face-lift to take on the “800-pound gorilla” of Disney.

He decided to capitalise on the park's seaside setting by focusing on the ocean and live animals, including dolphins, pandas, sea-lions and jellyfish, among others.

He also hired top designers from around the world to develop unique new themed rides, restaurants and shops.

The result: the local park has seen off the threat from the import. It has become a well-known brand, respected around the world, and attracted 5.4 million visitors last year.

“I reasoned that Disney was about a castle, a fantasy, a mouse,” says Zeman. “They are the best at what they do.

“Ocean Park is different: we've made it about education, environment, conservation – all the buzz-words of the moment. We combine education and entertainment and call it edutainment.

“We set our standards very high, and I made sure the staff understood the vision. If your staff get it, your customers will get it.

## Next steps

- ▶ Who are the global players in your sector?
- ▶ How can you compete on standards while serving your specific market?

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“I always say there's only first-class in my world. Even if you're a local business, think of the global market – think world-class.”







# Keep the family at the centre

Many businesses start as family enterprises. By the time they grow to multi-national level, the family input has often been sidelined.

**Lee Kum Kee** is an exception. Founded as a family company 123 years ago, it is now a global household name, selling its sauces and condiments to nearly 100 countries – yet it remains firmly in family hands.

Lee Kum Kee Sauce Group Chairman David Lee is part of the fourth generation to be involved in the business – a direct descendant of Lee Kum Sheung, who invented oyster sauce in the Guangdong province of China in 1888.

“A family business sometimes doesn’t have a global vision, and a global company rarely has

a family ethos,” he says. “For us, everything starts with the family and we treat everyone in the company as part of that family.

“*Si Li Ji Ren* 思利及人 (Considering others’ interests) is our core value, at the heart of the company’s philosophy. We practise it in the family first, and then in the business.”

It’s an approach that has spread the popularity of the firm’s 200-plus products across five continents. “We used to say ‘where there are Chinese, there is Lee Kum Kee,’” says Lee. “Now we say ‘where there are people, there is Lee Kum Kee.’”

# 03

## Next steps

- ▶ Could you apply family values to achieve your global vision?

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# Humility before honour

HTC is hardly a household name. More have heard of the Google Phone, and as the manufacturer of that phone, the \$4.5bn Taiwanese mobile giant is keen to be recognised for its own products.

As with their competitors, **HTC** works hard with innovation labs and flexible working practices. But what's interesting is the edge HTC believe they can get from their core cultural value – humility.

“My inspiration comes from Proverbs 15:33: ‘humility before honour’,” says Cher Wang, cofounder and Chairwoman.

‘Quietly brilliant’ is at the heart of HTC and forms the focus of all marketing activity. “We don't

spend a lot of time worrying about promoting the HTC brand,” says John Wang, HTC chief marketing officer. “We'd rather earn our customers' respect than spend a lot of money on brand recognition.”

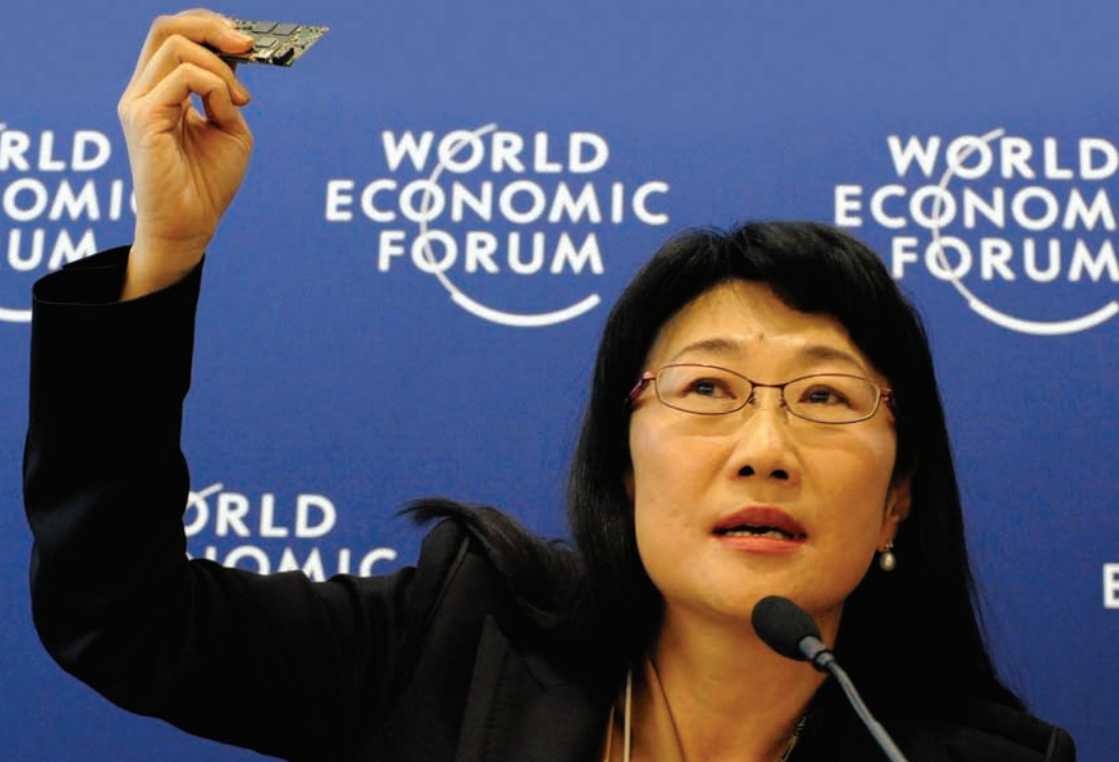
It comes through in product development. “Humility is about admitting our own faults. That way we can change and improve,” says Wang. “Our whole organisation is designed to fail. The way to getting a great idea is to have

lots of ideas. So our focus is to get these ideas to fail fast and fail cheaply.”

## Next steps

- ▶ Is there an extra service that you can provide for your customers?
- ▶ Can you provide an online service that will make their lives easier?

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# Think beyond marketing

**Japan Post, the Japanese postal service, is a central pillar of Japanese life. So when former PM Junichiro Koizumi announced plans to liberalise it, advertising agency JWT saw the potential of pitching new ideas to a previously traditional organisation.**

Tasked with creating a new campaign for the **Kit Kat** confectionery range in Japan, the agency JWT noticed that students had connected Kit Kat with the Japanese phrase Kitto-Katsu, meaning 'surely win'. It linked with the tradition of sending good-luck wishes to students facing tough exams.

In order to amplify this word of mouth, JWT approached Japan Post with something bigger. Together they created the KIT KAT Kit Mail, a 'chocolate postcard' in a cardboard sleeve

on which you can write a message and send to someone facing exams.

Japan Post loved the opportunity to build closer bonds with customers. Overnight it took Kit Kat into an additional 20,000 locations free of competition. They sold 250,000 Kit Kat Mails, and it has proved so popular they have made it a permanent feature.

It shows the beauty of turning your marketing into a product, and the power of partnering.

## Next steps

- ▶ Could you turn your marketing into a new product?
- ▶ Perhaps a partner could give you access to a wider market.

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# 06 Leapfrog technology

**Frugal innovation – stripping sophisticated products down to the bare essentials – has become an important part of developing technology in emerging markets.**



It allows companies manufacturing sophisticated medical imaging devices to get them to market at a fraction of the cost of western machines.

But innovators within emerging markets have another distinct advantage: there is no industrial legacy. So rather than copying Western technology they have been able to bypass generations of technology.

Kiko Kumagai of GE Healthcare says: “In designing new products, firms in emerging markets are leapfrogging to the latest technologies, such as miniaturisation, mobile communications and advanced materials. That enables them to build devices that are both

cheaper and better than rich-country models.”

GE’s own **Brivo** range of products, which include MRI and CT scanners, were developed in China and use the latest in miniaturisation and materials science to leap ahead of any western product on the market. And the lower development costs mean they can be produced at around half the price.

## Next steps

- ▶ Could you skip ‘redundant’ stages while designing your products, or investing in new technology?
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# 07 Self service grows legs

**Self service is growing in some industries. What other sectors can it be applied to?**

**MiNiBAR**, in the heart of Amsterdam, is a self service bar. When you arrive, a concierge gives you the key to your own fridge which is stocked with beer, wine, spirits and snacks. You and your friends help yourselves over the course of the evening, and settle up your account before leaving. The minibars are

stocked from the back, making for easy re-stocking. It’s simply extending the concept of the hotel mini-bar to the high street – but it’s new and is bound to attract interest.

From the customer perspective, it’s fun, convenient and there’s no more queuing at the bar. From a business perspective it also means fewer staff members, and more customers can be accommodated because less space is taken up by the bar.

## Next steps

- ▶ Could you take on a franchise in your city?
- ▶ What points of contact with your customers could be streamlined?
- ▶ Could taking a self service approach give you competitive stand-out?

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# 08

## Help others, help yourself

**TAIPEI 101, a landmark skyscraper of 101 storeys located in Xinyi district Taipei, is the tallest 'green' building in the world, and has served as an icon of modern Taiwan since its opening in 2004.**

Ringo Chao, Executive Vice President, says the building itself brings together both sides of the Strait in Taiwan and by doing so is improving relationships. Improving relationships for the greater good is what Mr Chao, appointed in 2009, is all about.

Says Mr Chao: "Of course the building itself is unique, but its multifunctional nature is also unusual. It brings together three distinct groups and their markets. Tourism – we house the Observatory; retailers and shoppers – the luxury shopping mall serves the high end of the market; and businesses – we lease out prestigious office space to companies ranging from the Taiwan Stock Exchange to global financial enterprises.

"My career background spans several disciplines – the media,

airlines and the luxury goods market – which means I am well placed to work here!

"Most business people with my remit would see the smooth running of the building with independent companies working in isolation as fine, but to me it doesn't do enough. I see my remit as bringing together the separate areas and making sure we all work together. If you help others, you help yourself. In personal relationships this is true, in business sadly less common. For me it is what makes TAIPEI 101 work well and effectively for all.

"I combine the service ethic of all three divisions so we all work to help each other, and it makes TAIPEI 101 more than the sum of its parts."



### Next steps

- ▶ Do you seek out relationships outside your own business sector?

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09

# Buy one, give one

Australian start-up **Baby Teresa** makes and sells 100% cotton babygrows, with one important difference. For every one bought the company donates another to a child in need, somewhere in the world.

The idea is that people buy once and give twice, says co-founder Kirsty Dunphey.

The company launched in 2009 and the first babygrows went to charities for families in need in the company's home state of Tasmania. The next shipment went to Uganda. They have also sent outfits to many other countries, from Cambodia to New York City.

Baby Teresa's first goal is to donate 1,000 baby outfits, and then to send one to every country in the world. The idea is part of a wider trend for companies to help their customers give painlessly – and buy from a company that they admire. The suits cost around £20 and come in long and short-sleeved styles.



## Next steps

- ▶ Does your business have a higher purpose?
- ▶ Is there an appropriate cause to which you could link?

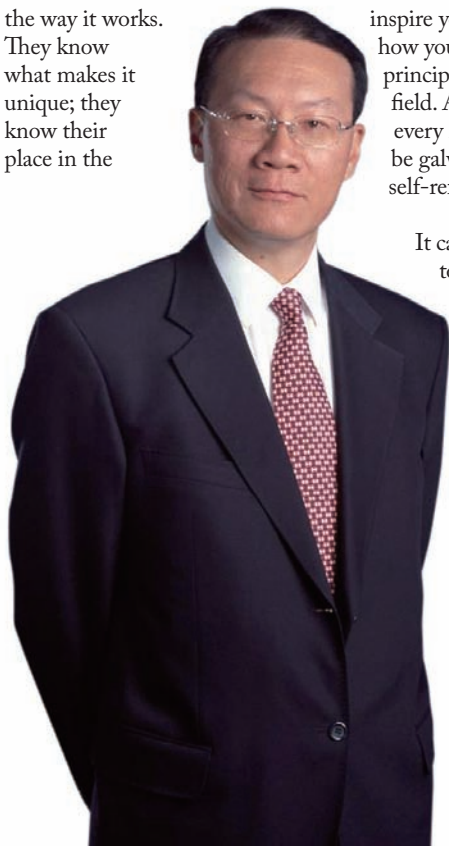
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When were you last able to take some time to think about your business – not only its strategy and its future prospects, but the founding principles upon which it's built?

# 10 The power of thought

The people featured in this booklet work in diverse enterprises across our wide region. But they have one thing in common. They have thought deeply about the objectives of their business and the way it works. They know what makes it unique; they know their place in the



mosaic of the market and what they want to achieve.

I hope you find their thoughts and stories illuminating, provocative, sometimes out of the ordinary. Some may inspire you to consider how you might apply the principles in your own field. At the very least, every reader is likely to be galvanised into a little self-reflection.

It can, of course, be tough to find the time for such contemplation amid the constant pressures of business life. As one of the leading banks in the world, HSBC recognised this and has tried to do our bit. For instance, as part of our ongoing efforts to support small and medium enterprises in Hong Kong,

our recent SMElearning videos ([www.hsbc.com.hk/smelearning](http://www.hsbc.com.hk/smelearning)) provide a wealth of business banking information to help the employees of small businesses to quickly gain a thorough understanding about relevant banking products and services that can help their companies succeed. This initiative removes some of the training burden from the owners and management of small and medium enterprises – freeing them up to focus their valuable time on business growth.

It's just one of the ways in which we strive to fulfil our customers' needs. We aim to get better at providing them with the most useful market insight, and offering the most suitable banking solutions.

What we don't claim to be able to do is the fundamental thinking about your business. That's down to you.

**Albert Chan**  
Head of Commercial  
Banking,  
HSBC Hong Kong

# Let your customers join your team

Sometimes the best talent isn't just within your own walls. 'Crowdsourcing' allows you to engage customers in new product design.

# 11

British drinks firm **Firefly** took this idea to heart and asked customers to design their new drink, including the flavour, label design and name. The result is 'Britannia', a raspberry, blackberry and apple drink, which is now on sale.

"We had so many wonderful entries, it was hard for us to choose, so we got customers to vote for their favourite," says cofounder Marcus Waley-Cohen. "The winning design is just what we were looking for – fun, creative, and a well-rounded concept!"

## Next steps

- ▶ Rather than running focus groups on your ideas, push your customers further to come up with actual ideas.
- ▶ Identify your most loyal 'fans' and work on ways to bring them inside the organisation.
- ▶ Set up a 'creativity lab' for sourcing new ideas.

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# 12 Focus on the end user not the buyer



**DigiValet is the ultimate comfort gadget for hotel guests. It gives them command of everything from the food menu and entertainment to room temperature, in one simple hand-held device.**

**Paragon** came up with the idea, after Indian hotel owner Sajid Dhanani charged it with finding an innovation that would excite his guests.

But when it came to develop the gadget, Paragon took advice not from the hotel owner but from those who'd actually be using the device.

"We don't think of hotels as our customers – we see hotel guests as the end users," says Rahul Salgia, the company's CEO.

"We believe that it's ultimately the end user who pays for everything you see. So we focused our research on the hotel guests.

"They wanted a device that would be utterly simple to use.

The technology needs to be felt, but it doesn't have to be visible. So we designed our product to look almost like a toy."

DigiValet was an instant hit. Occupancy at Dhanani's hotels soared, and half the top Indian hotel brands have now signed up.

Salgia salutes the enterprising nature of Dhanani and the other hotels who were prepared to bet on Paragon.

"Most hotels looked to bigger companies – especially from the west – to deliver exciting solutions," he says.

"In an industry where people are slow to adapt newer technologies our goal was to identify the trendsetters and early adapters who dare to do something

different. We found them, we challenged their mindset and they entrusted us to delight their guests with DigiValet.

"My advice to others would be: don't be afraid to challenge your customer and the conventional wisdom. Focus on simple solutions for the end user's needs."

## Next steps

- ▶ Could you improve your product or service by researching the end user's perspective?
- ▶ Would your buyers appreciate being challenged?

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## The Brunei Hotel

Bandar Seri Begawan



# Build from what you've got

**"In Brunei most of the property players are developers," says Albert Tan, executive director of Everon. "They buy plots of land and build homes and shophouses for sale or rent."**

**Everon** takes a different approach. It specialises in buying iconic but rather dated buildings, and revitalising them to draw in new customers.

First for the Everon treatment was The Brunei Hotel. Highly prestigious when it was built in the 1950s, the 65-bedroom hotel in the capital, Bandar Seri Begawan, had become outmoded. Tan kept the famous brand, but transformed the building into a modern boutique hotel.

"We used modern materials in upgrading the façade, but we also took elements of Brunei's rich culture to bring more vibrancy," says Tan. "For instance, the houses are

painted in bright colours, so we reflected that in the lighting."

Everon's policy of making the most of local resources extends to the workforce too. In a country where unemployment is high and most young people choose government jobs, the company targets local workers, promising to unleash their creativity.

Tan's next major project was to upgrade a once popular shopping centre which had fallen out of fashion, until Everon injected new life. The complex opened its doors in August 2011.

"It wasn't easy at first to get support for these projects, but

we saw the unrealised potential and dared to rise to the challenge," says Tan.

"Brunei may be a small place, but we want to show the market what we can do. And it's a great feeling when you turn an old property around."

### Next steps

- ▶ Could you revitalise an existing building for your premises?
- ▶ Could you incorporate local culture in your redesign?

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# 14 Virtually yours

**When veterinarian Dr Ron Hornbaker sells his customers products for their pets, they don't mind that the goods don't really exist. The pets don't either.**

Hornbaker's company, **FooPets**, has developed virtual pets on the web that owners visit each day to feed, pet and play with. They buy their pets virtual food and water, toys, and even virtual clothes, spending an average of \$25 a month on their animal.

An interesting oddity perhaps? Yet China's largest internet portal, Tencent, notched revenues of \$1.05 billion in 2008, 88% of which comes from sales of virtual goods.

South Korea's Nexon has built revenues of \$350 million from virtual goods. Through one of its games, BMW has sold more virtual Minis in Korea than actual cars.

Given that the estimated value of virtual goods transactions worldwide in 2009 was \$1.8 billion, it's an oddity companies ignore to their detriment.



## Next steps

- ▶ Could you take your brand virtual?

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# 15 Go one step further

**The latest marketing trend goes beyond simply shouting about how good your product is. It involves finding ways of helping your consumers in their everyday lives whilst delivering a subliminal branding message.**

Sportswear company **adidas** has done just that by setting up a running club in the middle of Tokyo. The adidas Runbase store is a place where busy office workers can drop in and get changed into their running gear before hitting the streets.

Situated near the Imperial Palace – an area that is already popular among runners – the shop is open from 7am to 10pm.

There are lockers and showers so runners can freshen up after their run before heading into work.

Unlike a running club, the Runbase gives customers the chance to try out the latest equipment, clothes and shoes, so if they are unsure about which style to go for they can put it to the test. And there are expert staff on hand to help with tips and suggestions.

## Next steps

- ▶ Could you offer an experience that goes beyond a mere product?
- ▶ How can you allow consumers to road-test your goods?

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# 16

## Solve your customers' problems

**Natural remedy experts Martin and Pleasance have a double dose of advice for business health. First – don't give your customers problems; give them solutions. And second – invest in what you're good at; let someone else invest in the rest.**

For more than 150 years, the Melbourne-based company has been developing, manufacturing and selling natural health products. Their range includes top brands such as Rescue Remedy, Harmony and Spatone. The company achieves double digit annual growth.

"We don't get bogged down in trying to educate the world about homeopathy or

traditional Chinese medicine; we provide effective products backed by evidence that they work and we put our effort into getting people to try them," says MD Richard Holyman. "Customers want a solution to their problems, and that's where we keep our focus.

"A lot of people get caught up in wanting to be 'vertical' businesses, controlling and investing in every aspect of their operations," says Richard. "We concentrate our financial and human resources in what we're good at – development, marketing and education. We contract out manufacture and distribution, so we stay flexible and don't waste capital."

### Next steps

- ▶ Do you focus on your core strengths?
- ▶ Could you shape products better to fit your customers' needs?

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# Pool your resources

# 17

**Things got rough for the shipping industry during the global downturn. As many operators found it hard to maintain their fleets, Singapore-based tanker company Navig8 was ready with a solution: a tankers pool.**

Entrants would commit to pooling their vessels for at least a year, with vessels evaluated on their earning potential. All earnings would be pooled together and distributed monthly.

The plan caught on immediately. Fleet operators quickly appreciated the scope for extending their geographical and marketing reach, and benefiting from diversification, network of relationships and economies of scale.

“It’s the ideal way for smaller as well as larger owners to gain a competitive edge, reduce risk and compete in international markets,” says Modi Mano, Navig8’s chief investment and finance officer.

Today there are 135 chemical and product tankers working in seven separate pools, controlled from offices in eight countries. China Shipping and Shipping Corporation of India are among the recent recruits.

Navig8 does not share in the pool’s financial arrangements,

but the success of the venture has helped propel it to a turnover of \$0.5 billion. Modi is convinced the concept has potential for other industries. “You need to have free mobility of assets. But

wherever you have machines or equipment which could be used in more than one place, there must be the ability to consolidate marketing power and increase your chance of winning contracts.”

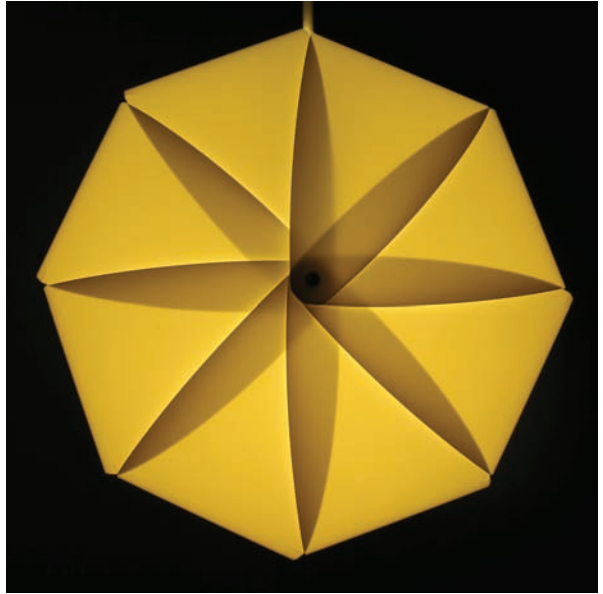


## Next steps

- ▶ Are your assets mobile?
- ▶ Are there potential benefits to sharing them with other businesses?

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# 18



## Let your customers design their own product

**New Zealand company Ponoko already makes products using designs sent in by creative consumers.**

Now they have launched a new service for people who have great ideas, but don't know how to translate that into a workable design.

Consumers can send in an idea, as well as a price and a delivery deadline – and Ponoko will distribute their request to several designers. The designers can then email their ideas to customers who will then choose their favourite design, and have it created by Ponoko.

It's a transparent process as both consumers and designers can review one another on each other's profiles.

The move is an example of the so-called intention economy, which takes power back from sellers and gives it to buyers.

“Consumers have grown accustomed to shopping at retail stores where mass produced items may fail to satisfy their needs,” explains David ten Have, Ponoko's CEO. “Ours is the world's first online service for getting unique products custom designed just for you, without the costs and hassles involved in finding a designer, manufacturer and materials.”

### Next steps

- ▶ Could you enable your customers to design their own products?
- ▶ Could you connect consumers with designers?

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# 19 'Elevate the ordinary'

**"Our retail mission is to make our stores the easiest and most trusted place for working mothers to fulfill their basic needs and aspirations," says Bienvenido V Tantoco III, President, Rustan Supercenters Inc., in The Philippines.**

Beyond making the chore of shopping for necessities easy and efficient, **RSCI**, the family-owned company, founded over 50 years ago, is constantly finding ways to make the experience as pleasurable as possible. Its Shopwise chain was among the first in the country to support green shopping through its Bag for Life scheme, and among the first pioneers of a reward points system through the Wise Club.

"We call what we do 'elevating the ordinary'," says Tantoco. "We do our best to make the ordinary experience of buying groceries into a therapeutic, family bonding, personally rewarding and energising experience. The services we offer are tailor fitted to support not just the functional but also emotional needs of a cash-strapped, time-starved working mother."

The company deploys several tools to achieve this: the ambience of the store – there has to be comfort, rhyme and reason; the organisation – the product arrangement needs to fit the way customers search for solutions, seek enjoyment or discovery; the service – truly and genuinely helpful; the selection and quality of products – a basic assumption.

"We endeavour to be pound for pound the most customer-focused and best-managed retailer in our country, quickly converting insights gained from customers into actual products and services.

"Supermarkets are ordinary, but we have successfully created an elevated,

differentiated experience in this crowded space.

"We have defied the conventional wisdom in our country that the supermarket trade is a commodity business, where price rules and differentiation and customer loyalty are exercises in futility."

## Next steps

- ▶ Is your product a pleasure to use?
- ▶ How could you 'lift' your customer's experience?

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# Prepare the War Room!

**When MStar Semiconductor needs to meet a complex customer request, key employees retreat to a space they call the 'War Room'.**

Despite the name, this is not an underground bunker – just a dedicated office where teams can hunker down and spend a few weeks focusing on an issue without distraction.

“We’ve found that time to market is increasingly a critical success factor to our customers,” explains Han-Fei Lin, MStar’s Chief Financial Officer.

“So it’s effective to be able to put a team together in the War Room, which they can reorganise to their liking. Even their tea is delivered to them, so they can concentrate on solving the problem fast.”

It’s just one way in which the Taiwan company strives to meet clients’ needs in an industry which typically has yet to embrace customer focus.

“With a strong technology platform founded by our solid mixed-signal expertise, we are more customer-oriented to provide tailored solutions so help customers perfectly address their target market,” says Han-Fei.

“We embedded a customer focus from the start to enable us to grow – and we’ve been careful to recruit people who fit that culture.”

It’s a policy that has paid off. Supplying products to the likes of Samsung and Sony, MStar has grown swiftly since its establishment in 2002 – last year its turnover broke through the \$1 billion barrier.

## Next steps

- ▶ How can you free up your staff to concentrate on particular client?
- ▶ Could you improve your customer focus?

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# Go beyond 'cheap'

**'Made in China' doesn't necessarily mean inexpensive. As labour costs rise, many suppliers and buyers are waking up to this fact. But bus manufacturer King Long realised years ago that it couldn't rely on low price to help it grow.**

The company (full name **Xiamen King Long United Automotive Industry Co.**) entered the international market in 2000. Unlike many of its peers, it decided from the outset not to put cheapness at the core of its marketing strategy.

"We don't want to compete on price alone," says King Long's Vice President, Samuel Zhu. "We realised that Chinese brands would never flourish on this basis in the international market."

"Providing good value is not just about price. The bus industry is very customer-oriented, so we set out to design buses according to customer requirements."

"Customers also realise that the upfront price doesn't tell the full story. Operating costs over the lifetime of the bus are very important. We work with operators to minimise the total ownership cost, considering factors like maintenance, warranty and fuel economy."

Overseas trade now makes up some 28% of King Long's business, much larger than the Chinese average. The firm recently beat top international manufacturers to win a contract to supply 174 luxury buses to Arriva for their operation in Malta – its largest order yet from Europe, and an important opening to the high-end transport market.

"I'm not saying we are Benz or Volvo," says Samuel, "but we are getting closer and closer to catching up with them."



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## Next steps

- ▶ Are your prices unsustainably low?
- ▶ Could you provide greater value for money to customers in the long term?

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# Live with your customers

For some companies, trying to understand the way people in emerging markets use their products is a real challenge. One answer might be to go and live with them.

This is an approach taken by mobile phone manufacturer **Nokia**, which engages with communities, especially in the developing world, to spend time living among these potential customers.

These researchers have found that people who live on only a few dollars a day use their phones in a very different way to people in more affluent circumstances.

Nokia believe that living and working with their future customers will help them to develop device and service concepts, which could support

people in their daily lives and drive progress in ways that complement local culture and lifestyles. For example, they discovered that users in Africa and India would often share their phones, which prompted the company to make handsets with multiple address books.

To serve needs in outlying areas, Nokia has also used their findings in other practical ways. For example, they adapted their cheapest handsets by equipping them with flashlights, making it safer for people who live in rural areas with frequent power cuts. They also incorporated rubberised keypads and menus in different languages.

Quite often, the company believes designers are designing phones for markets of which they have little experience. Nokia takes its staff into the lives of their customers, to bring the world to them, and them to the world.

## Next steps

- ▶ Do you know enough about the way customers use your products?
- ▶ Can you spend some time with them to gain some insights?

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23

# Strip your product down

**Sometimes innovation isn't about complexity: it's about simplicity.**

Around two million children die each year from diarrhoea – 4,900 deaths each day. In India alone, it kills more children than AIDS, malaria and measles put together. So finding a cheap and efficient way of providing clean water to villagers has always been a major challenge.

Now industrial giant **Tata** has come up with a way of cleaning dirty water using one of India's most ubiquitous waste products – ash from rice husks.

The portable water purifier, named the Swach from the Hindi word for clean, came out of a larger device developed as part of the 2004 Asian tsunami relief efforts.

The Tata Swach water purifier provides families with a plentiful supply of bacteria-free & virus-free water for an initial outlay of \$24, and \$4 for a new purifier every few months. The Swach will purify up to 3,000 litres of water, and once the filter needs to be changed it stops working.

Despite the low price tag, Tata makes money on each purifier it sells. With 85% of Indians currently not purifying their water, the company hopes eventually to sell around 100 million of the water filters.



## Next steps

- ▶ Could you use frugal innovation to address a major health care problem?
- ▶ Could you bring this to market and still make a profit?

Why not contact us at HSBC to fund your next steps?

# 24

## Help to discover the obvious



**Japanese home products manufacturer and retailer Muji has a range of 7,500 items designed for simplicity. But they realise sometimes you can be too close to a challenge to see the obvious.**

To help their design process, they decided to open a competition for new product designs. Under the theme of 'Found Objects',

they asked for simple things that come from nature but could be translated to modern life.

The winning entry, selected from 1,986 submissions from 35 countries, is the Straw Straw – a drinking straw made from a wheat straw. What could be simpler? Yet their own designers hadn't thought of this in the 28 years since the company was formed.

### Next steps

- ▶ Can you embrace simplicity in your business?
- ▶ You might be too close to your business to see the obvious.
- ▶ Is there a way to bring in someone with a fresh perspective?

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# 25 Design for your market

**Tackling the high rate of infant mortality was a major problem for doctors in Vietnam. Despite encouraging more mothers to have their babies in hospitals they found that many newborn babies were still dying from respiratory problems.**

Machines which help these babies breathe until their lungs are developed enough to work on their own (called CPAP machines) are used routinely in the west but were too expensive to buy and run in Vietnam.

To get round this, NGO **East Meets West Foundation**

teamed up with a local Vietnamese manufacturer to design a version of the machine aimed at the local market. The new machine not only costs around \$2,200 (half the price of the western machines), it also uses washable reusable tubes and is robust enough to cope with occasional power cuts.

East Meets West has already successfully promoted this program in Laos, Cambodia and East Timor, and is now hoping to help buy the machines for hospitals in India, where around 350,000 babies die of respiratory problems every year.

### Next steps

- ▶ Is there a need for a low cost version of your product?
- ▶ Can you tailor make your product to fit your customers needs?

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The redesigned CPAP machines have been installed in all of Vietnam's major hospitals. These machines, together with other locally-built low cost machines provided by Breath of Life, have treated around 45,000 babies a year, many of whom would have died or been brain-damaged without them.





# 26

## Sell experience, not just things

**In 1999, ice cream retailer Cold Stone Creamery had 74 stores. CEO Doug Ducey had bigger plans. He wanted to expand to 1,000 stores in five years.**

In his mind, the route to doing this was through the ultimate ice cream experience. The Cold Stone brand was already unique. Customers mixed and matched their ideal combinations, with staff mixing it all up on a granite slab. Ducey wanted to go further by providing entertainment along with the ice cream. They started hiring staff based on their performance skills and personalities. Staff would then sing and dance while serving customers and encourage customers to take part in games. In six years, Ducey hit his 1,000th store.

Ducey says a huge part of their success is having staff with the X factor, “Franchisees

with exceptional customer interaction do better than those who are just adequate. The fact is, you can have a great product, a great location – but if your crew members don’t leave an extraordinary impression on your customers, you’ll limit your business.”

### Next steps

- ▶ In what ways can you differentiate your customer experience?
- ▶ Analyse what your customers are actually buying from you. What’s their bigger need?

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# Be brave – build space stations!

**Back in the 1970s, oil and gas exploration in Indonesia was completely dominated by foreign multinationals. So when entrepreneur Kris Wiluan decided to enter the oil and gas services business, everyone thought he was crazy.**



“It was like I had said I wanted to build a space station – serving and supplying

Indonesian-made products to major oil and gas companies,” he recalls.

He managed to persuade oil majors operating in Indonesia by providing cost-competitive storage facilities on the (then) deserted island of Batam, just 20km south of Singapore. He then repaired and produced oil pipes for their requirements.

In 1987 Wiluan’s company, **PT Citra Tubindo**, took part in a tender to supply pipes for one of the multinational oil and gas majors. However, the company

had reservations about his ability to deliver. “They said ‘we never take Indonesian-manufactured equipment’.”

After weeks of persistence the firm eventually won the opportunity to supply, but the client imposed very stringent and extreme inspection procedures. PT Citra Tubindo passed the tests. Twenty years later, in 2007, the same multinational awarded and recognised PT Citra Tubindo as its best worldwide pipe supplier, in terms of quality, on-time delivery and price.

Wiluan says he’s particularly proud of the fact that PT Citra Tubindo has created jobs in the oil and gas sector for local people. “It’s taken a lot of patience and grit but it has been worth it.”

Now things have come full circle. Today PT Citra Tubindo supplies pipes to the USA, Canada and Middle East.

## 27

### Next steps

- ▶ Are there areas of the market where you don’t venture, purely because conventional wisdom says they can’t be cracked?
- ▶ Are you missing out on opportunities due to entrenched attitudes?

Why not contact us at HSBC to fund your next steps?

# Get lean with your customers

**Rising costs in China have hit garment manufacturers hard. Fashion giant Luen Thai Holdings has responded by taking a steer from the automobile industry.**

**Luen Thai** supplies high-quality garments to upmarket retailers. Its 'design to store' business model sees it handling customers' back-office work – the firm even packs products to store level in some cases.

Such comprehensive service doesn't come cheap. But Luen Thai eases the overheads with a 'lean' approach – working closely with customers to eliminate waste from the process.

"We engineer our products to allow more stitches to go through per second," explains CEO Henry Tan. "But we also engage our customers: if they send a document by EDI, it means we don't have to key-punch all the data again."

Sometimes this involves a high level of trust across the supply chain: "We share computer data and we even operate our own internal control system. We reason that the product is

not going to be better if the customer inspects them all, and they accept that."

With the group on course to hit a \$1 billion turnover within two years, Tan is pressing for further savings, with car manufacturers as a model. "When an automobile company changes a component, the entire supply chain knows how to react. If a garment design team does the same, it may take weeks to filter through. It must be easier to make a garment than a car!"

## Next steps

- ▶ Can you work more closely with customers to mutual benefit?
- ▶ How could you engage your supply chain in efficiency measures?

Why not contact us at HSBC to fund your next steps?





# 29

## ‘Find customers with the same goal and passion’

**Peter Ho, Director, E.Jewelry (HK), began his company by developing an opportunity that presented itself when he worked at his father’s reputable loose stone wholesale jewellery business in Hong Kong.**

But that description is perhaps too passive. Peter Ho’s “opportunity”, when he established **E.Jewelry (HK)** in 2000, was a belief in his ability to design jewellery that really matched what people wanted.

That was the committed goal of his business that now, just over a decade later, turns over \$9 million-plus annually, with a dedicated customer base spanning North America, South East Asia, Taiwan and Western Europe.

Winnie Chan, Peter Ho’s wife and co-director, explains: “Since the beginning we have had a passion for style and design.

At trade shows, for example, we look to find customers who share the same passion and goals. Once we find them, we know we are all working together in the same direction.

“We don’t push customers to buy lots of samples at all; we talk to them until we can see things from their perspective. We listen and understand and develop designs based on the personality of the customer. Peter Ho has a small team that work with him now on the design side, but he oversees everything.

“Our customers become long-term friends and partners and, over the years, we talk to them

about much more than just business! It is very personal. We believe quite simply that doing business is sharing a passion. Working together for a common goal means nothing is impossible. Culturally, our company is very optimistic.”

### Next steps

- ▶ Can you forge a relationship with your customers?
- ▶ Do you spend enough time getting to know them better?

Why not contact us at HSBC to fund your next steps?





# Be the first, not the biggest

**Dunwell Enviro-Tech is an oil recycling company whose technology beat the likes of Shell and ExxonMobil to win prestigious awards.**

But owner Daniel Cheng has no hunger to grow to the size of the oil giants.

“I am proud to say we have fewer than 100 employees, and I plan to stay small,” he declares.

That’s not to say he’s unambitious. Cheng bought the Hong Kong business in 1993, when the prospects for environmental enterprises were far from assured. It was bought as a bankrupt concern – it had been run by an Australian outfit which lost US \$10m dollars on the venture.

Cheng rebuilt the firm using his pioneering VMAT technology. He now has over 80% of the market in Hong Kong and is well placed to capture the growing Chinese market.

But he will not be taking the path of many Chinese companies which have gone public in the US, and often failed to live up to their promise.

“Going public would take away a lot of my time in dealing with the investor relationship. What we are good at is being innovative,” he says.

“I don’t want to be the biggest, but I feel very strongly about being the first and the best in the field.”

## Next steps

▶ Could you grow by forging partnerships rather than expanding your business?

Why not contact HSBC to discuss your next steps?





# Survive the downturn through understanding

**Many well-established firms have been hit hard by the recent financial crisis – but what really matters is how they react to it.**

For Melbourne-based machine tool manufacturer **ANCA**, having a better understanding of what their customers wanted was the key to surviving the crisis.

With orders down by 50% in 2009, instead of starting mass layoffs ANCA invested strongly in market research and redesigning their products.

Now well over half of ANCA's 670 strong workforce are involved in market research, product development and sales. And of those more than 100 are permanently employed overseas.

ANCA's CEO Grant Anderson says "We send staff around the world to visit our customers

in their plants and get close to them – from the CEO to general manager level right through to operator level."

The market research helped engineers at the firm design a new generation of grinding machine, the MX7, which now accounts for a quarter of their sales. The company whose machines sell for up to £500,000 also developed leading edge in-built software for their machines which has also helped to increase sales.

This front-end investment has paid off. ANCA, which was set up in 1975, has gone from selling 15 machines a month in January 2010 to around 60 machines a month in July 2011.

# 31

## Next steps

- ▶ How has the economic downturn affected your sector?
- ▶ Where would you start from if you were setting up in business afresh today?
- ▶ Do you need to rethink your strategy?

Why not contact HSBC to discuss your next steps?

# 32

# Harness one billion minds

**Crowdsourcing has become a well-mined area for sparking innovation – but an Indian entrepreneur has now rolled this out on a massive scale.**

Online innovation platform, **One Billion Minds** ([www.onebillionminds.com](http://www.onebillionminds.com)) aims to get scientists, students and professionals from all over the world to solve real world problems.

Companies and not-for-profits are invited to post challenges in science, technology, design, business or social innovation. These can include anything from coming up with a shelter service for homeless people that is a sustainable business, to developing an emergency response for data loss.

While individual challengers can pose problems free, One Billion Minds charges companies success fees. They say that mid-sized companies who can't afford R & D departments are often competing against large companies who can. One Billion Minds say they offer an alternative route to innovation.

Successful problem solvers are rewarded, professionally



recognised or given the chance to be taken on as staff by the challengers.

Founder Sanjukt Saha, pictured with Daisuke Nakayama, a key adviser, says he set up the platform to stimulate innovation and to offer concrete rewards for innovators. “Early stage innovators don't need financing – they need a first client. We aim to connect entrepreneurs with that client.”

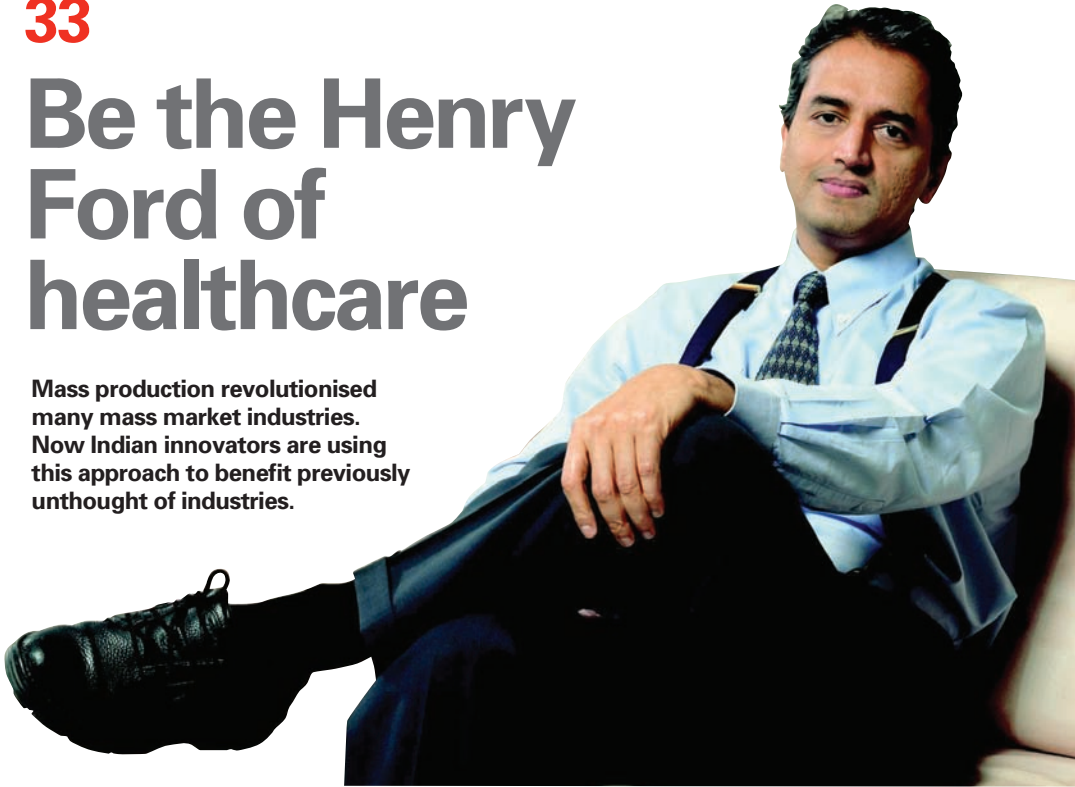
## Next steps

- ▶ Is your business innovating fast enough?
- ▶ Do you have a technical challenge you have struggled to solve in-house?

Why not contact us at HSBC to fund your next steps?

# Be the Henry Ford of healthcare

**Mass production revolutionised many mass market industries. Now Indian innovators are using this approach to benefit previously unthought of industries.**



At his hospital in Bangalore, heart surgeon Dr Devi Shetty has adopted an economic model pioneered by Henry Ford, to provide heart surgery to India's many poor.

By operating on thousands rather than hundreds of patients a year he has driven down the cost of heart surgery. In Dr Shetty's **Narayana Hrudayalaya Hospital** there are 1000 beds and surgeons perform around 600 operations a month. In contrast an average American hospital has just 160 beds.

With generous back-up and administration taken care of it

means the surgeons have more time free to operate. And it means they become extremely specialised and experienced in particular procedures; Dr Shetty himself has performed more than 15,000 heart operations and his team members more than 10,000.

The cost of open-heart surgery in Dr Shetty's hospital is around \$2000 compared with up to \$100,000 at American hospitals and the outcomes are just as successful.

Not only that, his hospital has a higher profit margin at 7.7% after tax, compared with 6.9% average for American hospitals.

## Next steps

- ▶ Could you transform your industry through investing in mass production?
- ▶ Might increased specialisation drive down your costs?

Why not contact us at HSBC to fund your next steps?



# 34

## Stop making sense



Ten years ago, a successful but little-known American insurance company introduced itself through a friendly but frustrated white duck. Since then, the Aflac Duck has entered the iconosphere of advertising as a fun, fanciful and ubiquitous corporate fact. More importantly, Aflac has grown the business by an additional \$5 billion since the duck came along.

Like many great innovations, it happened by accident. Tasked to come up with a TV commercial to make **Aflac's** name more memorable, the Kaplan Zaler agency had trouble remembering the name. "Aflac, Aflac, Aflac – you know – like the sound a duck makes," an artworker said. A seed was planted.

Despite advice from fellow CEOs, Aflac chairman and CEO Dan Amos decided to take a chance on the Aflac Duck, knowing, "If it went badly we were just going to pull it." But people just loved the duck. "Following our first day on the air we had more

visits to our website than in the entire year before," he said.

Taking the idea to Japan was a greater challenge. In Japan a duck doesn't say "quack-quack", it says "ga-ga." So it made even less sense, and staff were sceptical. But Amos persevered, offering his marketing director a \$50,000 bonus if he could make the duck work in Japan.

He did and it did. Aflac Japan's sales increased by 12% and they have overtaken Nippon Life as the country's leading insurer. All thanks to a duck.

**Amos's rules for backing an idea that doesn't make sense:**

- Trust the numbers.
- Don't tell the board.
- Incentivise those who you need to make it work.

### Next steps

- ▶ Make sure your incentives align to your marketing.
- ▶ Don't ignore the power of 'cute'.
- ▶ Is your marketing truly memorable?

Why not contact us at HSBC to fund your next steps?

# Stay a step ahead

**India today can truly be seen as an emerged, rather than an emerging, economy. With abundant natural and human resources, a young population, a robust financial system and investor-friendly policies, among other assets, there are huge opportunities to be seized.**

From Microsoft to McDonald's, multinational corporates have been quick to take advantage of the growing Indian market by launching products tailored to the Indian market. Cars designed for Indian roads and Nokia's exclusive low-cost mobile phones are among many examples.

But it's not only the corporate giants who stand to benefit: there are a number of small and medium-sized enterprises who also nurture global ambitions.

The key advice I would give overseas corporates is to stay tuned into the needs of the Indian consumer and focus on delivering value. A detailed market study and a well-tested product are essential to avoid going the way of the early global players, who simply launched an international variant of their products and got their fingers burned as a result.

Often, new entrants suffer from a lack of local knowledge as they seek to operate in the Indian environment. Having worked in diverse markets,

including the Philippines, the UK, Hong Kong and, most recently, Mauritius, I know that this is not an issue limited to India and applies equally to any international market. It is in such situations that a global bank like HSBC can help in a number of ways – indeed this is why we have set up specialised International Business Centres across the world.

We understand that support at an early stage can often help a business clear hurdles that seem insurmountable at first glance. I thus encourage every business to explore the help available from HSBC and use us as a springboard for success.

## **Sandeep Uppal**

Head of  
Commercial  
Banking,  
HSBC India





# 36

## Family – a competitive edge

**For Alvin Lao, business and family are inextricably entwined.**

Alvin's father formed **D&L Industries** 47 years ago with Alvin's four uncles. Remarkably, all five brothers are still closely involved in the manufacturing company, and Alvin is one of six second-generation family members with roles in the firm.

"There's a very strong bond among the brothers, and that has been passed on to us," says Alvin, who is group CFO.

"When you work with family, the level of trust is already there. This is one of our competitive advantages that is not easily copied. I've heard people in other companies say many

times that they admire and envy us for it."

The companies in D&L Group manufacture and sell various specialty materials for the food and chemical industries. Products include edible fats and oils, biodiesel, resins, powder coating, plastic colours and aerosols.

For Alvin, being a family concern is entirely compatible with the company's drive to grow and enter international markets. The first of D&L's subsidiaries was listed on the Philippines stock exchange in 2000.

"With 1,400 people working across the companies, it's impossible for the family members to be involved in everything," he says. "But we work hard to promote our sense of unity and build a family throughout the group."

### Next steps

- ▶ How could you promote unity within your business?

Why not contact HSBC to discuss your next steps?



## Start your own franchise

**It's tempting to try to buy into the success of a world famous name – but if they are prohibitively expensive why not start your own homegrown brand?**

Vietnam, with its young population, should be a magnet for fast food companies. But when local entrepreneur Ly Qui Trung tried to buy the franchise for McDonalds in Vietnam he found it was going to cost around a million dollars a shop.

Undeterred, Ly looked to Vietnamese street food for inspiration and came up with **Pho 24** – a fast food restaurant selling Vietnamese pho noodle soup. The broth, which is served with chicken or beef,

came from Hanoi in the early part of the 20th century and is a staple of street cafes. The name comes from the fact that there are 24 ingredients in the soup, and the restaurants are open 24 hours a day.

Ly's homegrown brand has been a big success. The first Pho24 opened in 2003 and there are now 60 restaurants in Vietnam.

He is now looking further afield: "My goal is to expand the brand to international markets

over the next five years." He has opened 22 restaurants in the Philippines, Indonesia, Cambodia, Hong Kong, Macau, Australia and Japan, and plans to have 200 outside Vietnam in the next five years.

### Next steps

- ▶ Is there a gap in your market that's not served by the big brands?

Why not contact HSBC to discuss your next steps?



# Simple! Sample

**Handing out samples is a well-tried route for gaining advocacy and feedback on a new product. But getting your products into the hands of influential customers can be tricky, much less getting detailed feedback.**

A new store in Japan has taken a more rigorous approach. **Sample Lab!** in Tokyo is dedicated to sampling. Its customers, mainly young women, pay a small annual fee. They can try out a wide range

of products like cosmetics, food and alcoholic drinks.

“The concept of going into a retail store and being able to shop absolutely free, exchanging no money whatsoever, is unique,” says Anthony James, founder and Global General Manager. “Nothing is behind glass. You can try, touch, or taste anything in the store.” They are planning to offer this around the world, and are looking for franchisees.

## Next steps

- ▶ Could a franchise work for you?
- ▶ Can potential customers sample your products in such a commitment-free way?

Why not contact us at HSBC to fund your next steps?





# 39

## Batteries included

**“Many people have asked why I bought a car company. We have the world’s best battery technology. We believe the age of petrol will pass and power will come from new energy sources,” says Chinese entrepreneur Wang Chuanfu.**

Wang clearly has a talent for spotting opportunities. He launched **BYD** (‘Build Your Dreams’ – or ‘Bring Your Dollars!’ he jokes) in 1995, while still in his twenties and with no financial resources. He harnessed ‘frugal innovation’ to bring down the price of lithium-ion batteries to that of the much less powerful nickel-cadmium alternatives. BYD is now the world-leader in the market, powering countless laptops and mobile phones.

But like most restless entrepreneurs, he couldn’t stop there. Wang saw that their expertise in batteries could

transform the car industry. So he bought a failing Chinese car manufacturer in 2003 and installed a team of 3,000 research and development engineers. They launched the world’s first plug-in rechargeable electric car in December 2008, selling for a ‘paradigm-shifting’ price equivalent to just £14,000. Warren Buffet duly took note and invested \$250 million for a 10% stake in the business.

Wang now plans to sell a commercially viable vehicle in the US and Europe by 2012. “Inside of ten years, the dual mode hybrid car will be worldwide,” he calmly predicts.

### Next steps

- ▶ How might you adapt ‘frugal innovation’ to your sector?
- ▶ What other industries could your company’s key expertise be applied in?
- ▶ Could competition enter your industry from an unexpected direction?

Why not contact us at HSBC to fund your next steps?

# Sustain it, scale it

**“Two words come to mind whenever we sit down as a group to talk about what we’re going to do – sustainability and scalability. They go hand in hand.”**

So says Douglas Benjamin, CEO of **FJ Benjamin** (Singapore) and executive director of FJ Benjamin Holdings. The fashion retail company has more than 170 stores and hundreds more distribution points throughout Asia. Their franchise portfolio includes major fashion and timepiece brands, including Gap, Givenchy, Guess and Rado.

“Sometimes we take a retail store or a brand for strategic reasons. It may not pay from day one – perhaps the store isn’t served by train links yet, or the brand is in its infancy,” says Douglas. “In the mid-term, though, we know the store will be busy and the brand will be hot.

“We have to be able to sustain the losses in this early stage, knowing that the long-term will mean profits to help us scale up and build more stores.”

As well as diversifying their brands and expanding distribution, they’ve protected themselves against over-reliance on franchise partners by creating their own label, Raoul. Their womenswear and accessories are now being distributed in New York, London and Milan; menswear will be added soon.

“At the investment stage of Raoul projects, we sometimes lose money, but we always have a plan for how and when we’ll break even and then make profit,” adds Douglas. “It’s not just about riding out that stage, but being able to add revenue and increase brand recognition.”



# 40

## Next steps

- ▶ Do you invest for the longer term?
- ▶ Could you gain a strategic advantage by anticipating trends?

Why not contact HSBC to discuss your next steps?

41

# Turn a Twitter profit

**Many MDs have become jaded about the hype for social media. They view it as the sole preserve of the digital cognoscenti.**

The challenge for major companies is to embed it as a useful tool for their mainstream customer base.

German airline **Lufthansa** is just such an example. Their recently launched 'MySkyStatus' service updates registered users' Facebook and Twitter accounts with their live flight position and actual arrival time, even if they are flying on other airlines.

It smacks of Big Brother until you consider a flight delay making you late for a meeting, yet you cannot use your phone to alert the other attendees. Or you're wondering whether to brave rush-hour traffic to meet someone at the airport. Again, the answer is a click away.

For Lufthansa, at heart it's an important way to enhance their customer experience. The free social media advertising is simply a spin-off benefit.







**Next steps**

- ▶ Could you offer live ordertracking for your customers through Twitter?
- ▶ How might you capitalise on the wider marketing benefits?

Why not contact us at HSBC to fund your next steps?

# 42 Go Retro

**Looking for your next successful product? It may be in your back catalogue.**

Companies on a relentless search for the new could consider bringing back some of their greatest hits.

**The Body Shop** has reintroduced a collection of the most requested best-sellers from the 1980s. Old favourites that have made it back onto the shelves include Banana Shampoo, Dewberry Shower Gel and Cucumber

Cleansing Milk, all available for a limited time.

Customers can also vote on their personal favourites – those that are most popular may be brought back permanently.

Lisa Gaynor, International Innovation Director, explains: “This range was inspired by Anita Roddick’s favourite beauty products. It was customers and store staff who were asking ‘why can’t you bring back Dewberry and Banana Shampoo?’ With so many

people asking us we thought we should really go back and see what’s available.”

## Next steps

- ▶ Do you have a product that might have become overlooked in a rush to modernise?
- ▶ Is there an element of your service from the ‘good old days’ that customers might miss?

Why not contact us at HSBC to fund your next steps?

# 43 Skill up your customers

**India’s largest car manufacturer has taken a practical approach to selling more cars – by setting up its own driving school.**

The **Maruti Driving School** was set up after the car makers, Maruti Suzuki, realised there were ten times more accidents in India compared with Japan, despite India having far fewer cars.

Pupils at the Maruti Driving School are trained using driving simulators. This gives them first hand experience of difficult conditions, such as rain, fog and night driving, before they go out on the road. Road safety is also a key part of the curriculum.

The school also employs female instructors for teaching women drivers, who make up more than half of the school’s pupils. Learner drivers are taught basic car maintenance, such as changing a tyre.

Maruti now has more than 177 driving schools in over 121 cities set up in association with Maruti Suzuki dealerships.

## Next steps

- ▶ Could you add customer value by offering tuition or guidance?

Why not contact us at HSBC to fund your next steps?



# 44

## Tough lessons from the Sales Empress of China

When Dong Mingzhu joined as a humble sales agent, Gree was a \$10m regional air-conditioning company

Her legendary toughness as a sales manager (she has not taken a day off work in 20 years) has transformed **Gree** into a \$6.2 billion global giant, and brings lessons for others.

When faced with a reluctant creditor in her early days, Dong camped-out for a week in his office. She then vowed Gree would no longer give credit (“I don’t believe in ghosts”) reasoning it gave retailers no incentive to sell. Her sales agents were horrified, so Dong went round the retailers one by one to win them over.

Dong refuses to discount, believing “the first casualty in a price war is the customer”.

To avoid such battles, she persuaded many competing distributors to merge and to buy shares in the parent company.

She has broken with the tradition of paying big sales bonuses; “It’s unreasonable for a mature product. We are successful because of the hard work of all our staff and scientists.”

She also avoids favouritism. She refused her brother preferential terms to run a dealership, and sacked her leading sales agent when he demanded special treatment.

It is perhaps through her strict personal example that she has

been able to bring these changes while retaining the respect of her staff who reverentially refer to her as ‘Sister Dong.’

### Next steps

- ▶ Do your bonus schemes serve the interests of your company as a whole?
- ▶ Could going tough on credit terms build respect?
- ▶ Can you set a personal example to help your business through tough times?

Why not contact us at HSBC to fund your next steps?



# Invest in safety – and save on recalls

The mantra 'If you think safety is expensive, try an accident' may have come from the airline industry, but it could usefully be applied to many other businesses.

## 45

At **Creata**, which manufactures promotional toys for Kellogg and McDonald's, safety is a key part of what they do.

The process starts at the design stage, where engineers put 3D models through stringent safety tests, including running a computer model to make sure that their toys won't harm

a child. The finished toys are then subjected to more tests at the factories in China and by third party labs.

Creata says that by testing their products to higher standards during the development phase than required by either their customers or governments, they iron out potential safety problems early on.

According to Creata's Vice President of innovation and technology, Isaak Volynsky, "the quality and safety of our toys is equal to or better than you would find in the retail world."

Putting safety first has reaped huge benefits for the company. As the company's founder Norma Rosenhain puts it, "Since our beginning in 1973, we've shipped more than 10 billion products – and we haven't had a single recall."

### Next steps

- ▶ Is safety an issue for your sector?
- ▶ Would it pay to exceed rather than simply meet regulatory requirements?

Why not contact us at HSBC to fund your next steps?





# 46

## Do your analytics to avoid costly mistakes

**CEOs of various companies are constantly being bombarded with data. However, converting the data into analytics-driven information drives Decision Management. And helps companies devise the right strategy which saves them costly resources and time.**

Indian start-up **Pythhos**, founded by industry leaders from IBM, Amex, GE etc., helps companies analyse information. It emphasizes that it is important to do your research – before you make any big moves.

Pythhos Co-founder Devesh Bahl says, “We were approached by a consumer durables manufacturer that wanted to set-up a large manufacturing plant. They asked us to figure out the market potential for a certain product. They also wanted us to estimate the market share they were likely to achieve, the pricing they could command in the market, and the likely revenue generated from the venture.

“We gathered market data through primary research, analysed the market potential over the next five years along with the price elasticity. Based on our analysis, we concluded that the market will not support an investment of this scale.”

Devesh adds: “Companies eyeing expansion into emerging markets can benefit from help in analysing the market potential, identifying competition, assessing price elasticity of demand, and identifying any new areas they might not have considered.”

Pythhos, which was only set up last year, recently acquired Boston Analytics, and Devesh says there is a huge demand for their services. “Companies are swamped with data – structured and unstructured – and it is becoming a daunting task on the part of decision makers to keep pace with the dynamic environment that businesses have to operate in,” he adds. Devesh concludes, “At the board level there is so much data around but very little information. Earlier, managers applied their gut instincts – now it is all about data and how leaders get quick insights to be ahead of the curve.”



### Next steps

- ▶ Do you have access to robust data on your target markets?
- ▶ Do you have the analytical skills to help you make the most of the numbers?

Why not contact us at HSBC to fund your next steps?

# 47



## Quality through control

**“My late father and his late partner started the business in 1969 on the simple wish to bring proper Halal chicken to the people of Brunei,” explains Yang Berhormat Haji Awang Ahmad Morshidi Bin Pehin Orang Kaya Di-Gadong Seri Diraja Dato Laila Utama Haji Awang Abdul Rahman, Chairman of Ideal Group.**

However, the poultry industry is notoriously low margin, and prone to risk and fluctuation. This means one thing to Ahmad Morshidi: “Our focus from the beginning has to be quality. With so many variables, to ensure that quality, you need uniformity.”

So in a move echoed by other emerging market champions such as India’s Reliance Group, **Ideal** have pursued a model of vertical integration.

Looking downstream, Ideal Group controls their supply chain. “To get the quality output you need to know the genetic issues related to the chicken right from the very beginning,” explains Ahmad Morshidi. “This level of control gives us good feed conversion,

and weight gain rates. It also means we can maintain rigorous hygiene standards.”

Ideal Group are then integrated all the way upstream to serving the cooked chicken on the plate in their own restaurants. The benefit of this to Ahmad Morshidi is a very close understanding of customer needs.

The other ingredient of Ideal’s success is a single-minded focus on one product – chicken. “I don’t have a degree,” says Ahmad Morshidi. “But in my working life I have focused solely on chicken. It would have been easy to diversify into lower risk industries, but that would mean starting back at the beginning. What I have learnt through long experience means

that our people can believe and trust in me.”

It is a business model that many Western businesses are following. “Brunei is a small country, but I believe we have a world-class management system,” says Ahmad Morshidi. “I don’t want to conquer the world, but I want to demonstrate how our quality standards can beat the best in the world.”

### Next steps

- ▶ How do you control quality?
- ▶ Could you benefit from gaining more influence over your supply chain?

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# 48 Hire a husband

The seismic demographic shifts of age, race and gender are easy to notice, but some of the most important shifts take place below the surface.

Spotting these changing social patterns can lead to brilliant business opportunities.

A Melbourne DIY enthusiast had such a light-bulb moment. He was hard at work fixing things at home when his wife's friend joked, "Can I hire your hubby?"

**Hire a Hubby** was born. What began as a local service is now Australia's

largest handyman business. The purple-clad hubbies, who are all security checked, can now be seen beyond Australia as the company is being franchised worldwide.

The key to its success lies in capitalising on the gap caused by the changing role of men who no longer define themselves by their practical skills, but rather by their parenting and work successes.



## Next steps

- ▶ Might shifting social patterns affect your product/service?
- ▶ Could you capitalise on new opportunities by adapting your offering?
- ▶ Is your service franchisable on a similar basis?

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# 49 Old heads. New ideas

**"To remain competitive in a global economy, companies must accelerate the pace of innovation."**

"Looking externally and strategically for new ideas is necessary for growth," says Brad Lawson, President and CEO of **YourEncore**.

In the knowledge-economy, your competitive edge comes from your team's brainpower. Yet the most knowledgeable workers are often pensioned-off in their early sixties. It is a huge loss of intellectual power.

US pharmaceutical company Eli Lilly and consumer-goods

company Procter and Gamble traditionally relied on the talent inside the company. But then they had the bright idea of harnessing the power of retired experts.

In 2003, they set up YourEncore to allow companies to connect with this amazing knowledge-base. Member companies contact YourEncore with specific project needs and YourEncore then matches an experienced 'Expert'. To date they have completed over 1,400 engagements and have thousands of experts enrolled.

The open nature has the advantage that people see, and

solve, problems that seem to be outside their field. Lawson gives an example: "A retired chemical engineer who'd spent 35 years at Kodak perfecting colour stability in photography was able to work with a consumer products client to improve colour stability in their hair-care products."

## Next steps

- ▶ Set up an 'alumni' base for your organisation or partner with other companies to pool brainpower.

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# 50

**This is an increasingly common story.**

One of our customers in China sells household appliances to a company in Brazil – which happens to be a customer of our Brazilian office.

For some time they had been dealing on an open account basis, but each was dissatisfied with the process. The buyer was keen to extend the credit terms from 15 days. The supplier, like many firms, needed to improve its cashflow and find a way of offsetting its mounting costs.

The dialogue between them had reached a stalemate. We were able to offer a solution by shaping our product in a way that would better meet the requirements of both parties.

Today, the Brazilian buyer benefits from 180-day credit, while here in China we receive an undertaking from our colleagues in Brazil that we can provide finance to the supplier. Both businesses benefit.



## A tale of two businesses

At HSBC, we can provide finances to the supplier against an undertaking from HSBC that the buyer will pay when the payment is due after the 90 – to 180-day credit. The supplier gets both finances, as well as protection from the buyer's risks. It's just one of the ways in which HSBC is able to use its connectivity to help the increasing number of enterprises in China, and across the world, which are looking to grow their businesses through international trade.

The moral is simple. There is a wealth of opportunity for businesses in our region. Even in an era of fast-rising costs, the benefits outweigh the obstacles to international trade – and with the right help, there is usually a way round those obstacles.

**Montgomery Ho**  
Managing Director  
& Head of Commercial  
Banking, HSBC China

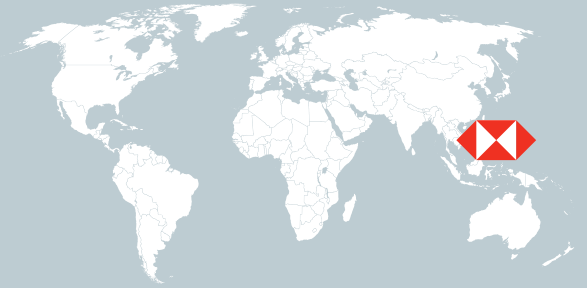


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# Local office contact details



**Asia Pacific**



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We hope you've found these thoughts inspiring.

Why not get in touch with us to discuss your own business thinking, and perhaps let us help you put it into practice?

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