Course: International Marketing
Instructor: Mahmood Hussain, PhD

Understanding Consumer Behavior in the Asia Pacific Market and Developing Appropriate Marketing Strategies.
Country: Australia & Hong Kong

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Student Name 2
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Executive Summary

The purpose and scope of our project is to understand consumer behavior in Australia and Hong Kong and developing appropriate marketing strategies. First of all, from the first part, country profiles, we planned to get a general idea how these two countries performed in terms of GDP, exports and imports, foreign direct investment, stage of economic development as well as any significant economic/social changes in the part 10 years. In addition, we analyzed cross-cultural differences in these two countries regarding to different marketing issues including sensitivity to advertising, negative product assessment, Internet buying behavior, product customization, purchase experience and value of promotions. Based on our analysis, we came up with a brief solution in order to satisfy consumers in these two countries. Moreover, given a specific product, anti-aging for Australia and whitening for Hong Kong market, a series of marketing strategies including how to position the target market and a brief discussion with four P’s, were developed so as to successfully introduce our new product in a new market.

The methods we used for our project were varied. In order to get the most updated data, we searched from some official and professional website for both countries, such as WTO, Bureau of East Asian and Pacific Affairs, U.S. Department of State, and so on. Additionally, school library database was a good resource center. From there we got plenty of information we need. The major database we used were ABI/Inform, EIU, Factiva, Lexis Nexis, etc. Also, journal articles, newspapers, internet data were helpful for our research.

The results of our project were positive and important. Basically through the project we know it is true that operating business in foreign markets is more that just having offices and production facilities scattered throughout the globe. Understanding the foreign consumer behavior and develop appropriate marketing strategies to satisfy their needs become very important issues for marketers. More important, through the project, we learned how it is vital and difficult for those marketers to keep their strategies successfully in a long run.
Introduction

Australia and Hong Kong, two major countries of Asia Pacific Region, are playing important roles in world trade activities. According to WTO’s statistic of world trade profile released in 2003 (WTO, 2005), Australia’s export and import performance ranked No. 26 and No. 19 respectively in merchandise category in the world; Hong Kong ranked No. 11 in the same category of both export and import performance. Hong Kong government is deepening its economic interaction with the Pearl River Delta in an effort to maintain Hong Kong's position as a gateway to China (U.S. Department of State, 2004). Since China has relaxed the restriction about Chinese people travel in Hong Kong, more and more affluent Chinese people come across the river for sightseeing and shopping. Therefore, the market scale is extended rapidly and market potential is unlimited. Looking at Australia, it commenced various economic reforms in the 1980s and has successfully transformed itself from agricultural, import-substitution country to an internationally competitive one. Its role in global business is becoming critical. As result of growing business opportunities and increasing global competition in both markets, Corporate America has to understand and respond to different cultural values and different consumer behavior as well in order to successfully explore local markets.

Country Profiles:

Population, age/gender distribution, literacy rate

**Australia**—Australia had a population of 20.2 million with an annual growth rate of 1.2% (U.S. Department of State, 2004). People between 0 and 14 years old distributed 20.1% of total population. People between 15 and 64 years old occupied 67.2% of total population and others aged over 65 years were 12.8% of total population. And in Australia, the gender distribution was found that female and male distributed almost equally in half (Nationmaster.com, 2005). The literacy rate was 85% (U.S. Department of State, 2004).

**Hong Kong**—Hong Kong’s population in 2003 was 6.81 million with 0.2% of growth rate (U.S. Department of State, 2005). People between 0 and 14 years old distributed 14.2% of total population with 52.3% male and 47.7% female, people between 15 and 64 years old occupied 73.3% of total population with 49% male and 51% female,
others aged 65 years and over were 12.5% of total population with 46.1% male and 53.9% female (Nationmaster.com, 2005). The literacy rate was 92%, specifically with 95% male and 88% female (U.S. Department of State, 2005).

**GDP, GDP per capita**

Australia—Australia’s GDP in 2003 was $504.4 billion and per capita real GDP (2002) was $21,233.

Hong Kong—Hong Kong’s GDP (2003) was $158 billion and per capita GDP (2002) was $22,988.

**Foreign Trade and Investment:**

**Export-Import-by products, 1990-2004**

*Australia*—Australia’s major exports were fuels and mining products, agricultural products, manufactures, and food. Generally, from 1990 to 2003 all four major exports products were in an increasing trend. Specifically, fuels and mining products increased over the years. Agricultural products, manufactures and food products increased from 1990 to mid 1990s and then decreased from that time (See Graph 1 & Table 1). Three major imports products for Australia were manufactures, machinery and transport equipment, office and telecom equipment. Specifically, manufactures increased a lot from 1990 to 2003, especially from 1990 to mid 1990s. The trend for machinery and transport equipment was kind of stable over the years with an increasing but not much. Office and telecom equipment didn’t increase a lot over the years but in a kind of stable situation (See Graph2 & Table 2).

*Hong Kong*—It is very interesting that major exports and imports products for Hong Kong from 1990 to 2003 were same. They were manufactures, machinery and transport equipment, office and telecom equipment. Over the past years, they were all increased, especially for manufactures for both exports and imports (See graph 3 ,4 & Table 3, 4).

**Foreign Direct Investment:**

*Australia*—One of Australia’s biggest challenges was finding sufficient capital to finance growth. Partly in response to the country heavy burden or external debt, both the conservative Liberal-National coalition and the Labor Party have relaxed limits on foreign ownership, even in such traditionally sensitive areas as broadcasting, airlines and telecommunications. So, from 1996 to 2004, the largest concentration of foreign investment has been in finance and insurance. Also, the USA was Australia’s largest single foreign investor, with ranging from 24% to 29% of total investment and the UK
was next with ranging from 12% in 1996 to 27% in 2004. In 2004, the accumulated investment for the US was A$242.1bn (up 3% on 2000/01), A$223.9bn for the UK (up 9.2% on 2000/01) (EIU—Australia, 2005).

**Hong Kong**— Hong Kong’s market is small which is attractive to foreign retailers because of the population’s high disposable income and the sophistication of its brand-conscious consumer market; also with its geographic location, communications network, infrastructure, free-port status and the relatively low level of taxes. Moreover, there are no restrictions on foreign ownership of property or companies and no foreign-exchange controls. Hong Kong is a premier capital-raising centre, especially for mainland Chinese companies. From 1996 to 2004, the major sources of inward direct investment were mainland China with average of 29% of total, The British Virgin Islands with average of 28% of total, Bermuda, and the United States. Since the services sector generated more than 80% of Hong Kong’s GDP, the Hong Kong government actually made a push to attract more investment in service industries, such as transportation, insurance, regional header quarters, environmental consulting and building and project management (EIU—Hong Kong, 2005).

**Multinational Enterprises Investment operations and performance**

*Australia*— According to OECD guidelines for multinational enterprises, government addresses guidelines to multinational enterprises operating in or from 30 OECD member countries and non-member adhering countries. The Guidelines are a set of recommendations for responsible business conduct covering a broad range of issues including information disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation. The guidelines aim to ensure that the operations of business enterprises are in harmony with Government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises. Moreover, the ANCP has formal procedures in place to address specific issues of multinationals operating in a manner which is not consistent with the Guidelines. The ANCP offers a forum for discussion and will mediate discussions where appropriate to help resolve the issues (Legg, 2003).

*Hong Kong*— As at June 1, 2001, there were a total of 3237 regional operations, representing a 7.9% increase over 2000, a record high since the survey started 11 years ago. More and more multinational corporations (MNCs) are flocking to set up
beachheads in Hong Kong, taking advantage of the territory's competitive advantages over other Asian cities, in particular, as a gateway to China. With China's accession to WTO, Hong Kong's status as the preferred location for regional headquarters for multinationals was strengthened further. United States topped the list of countries with the largest number of regional headquarters in Hong Kong with a total of 221 companies. This was followed by Japan with 160 companies and the UK with 90 companies. The major lines of business of these regional headquarters were wholesale, retail and trade-related services and financial services. Japan topped the list of countries with the largest number of regional offices in Hong Kong with 533 companies. The United States was next, with 420 companies, and followed by Mainland China, with 172 companies. Major lines of business for the regional offices were wholesale, retail and trade-related services as well as business and professional services. Japan topped the list with 220 companies setting up local offices in Hong Kong. The United States and Mainland China followed with 167 and 160 respectively. Major lines of business for the local offices were wholesale, retail and trade-related services and financial services (Foreign-owned regional operations in HK…).

**Stage of economic development—size of manufacturing/service sectors vs. agricultural sectors**

*Australia—* In Australia, services was the largest distribution section in terms of percentage of GDP from the past years, followed by industry and agriculture.

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(Source from EIU—Australia)

*Hong Kong—* In Hong Kong, services distributed most as % of GDP followed by industry and agriculture.

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<td>86.80%</td>
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<td><strong>GDP</strong></td>
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(Source from EIU—Hong Kong)
Any significant economic/social changes(s) in the past 10-20 years

_Australia_—Australia was one of the OECD’s fastest-growing economies throughout the 1990s, a performance that owed much to the economic reform program. Despite a transient slowdown in late 2000, it has been 14 years since Australia experienced a recession and economic growth remains robust. Economic growth should be around 3% in 2004, despite the negative effect of the prolonged drought on Australian agricultural exports. The latest predictions suggest that GDP growth will exceed 3% Political condition: Over the next 2 years (U.S. Department of State, 2004).

The liberal Party/National Party coalition came to power in the March 1996 election, ending 13 years of ALP government and electing John Howard prime minister. Howard’s conservative coalition moved quickly to reduce Australia’s government deficit and the influence of organized labor, placing more emphasis on workplace-based collective bargaining for wages. The Howard government also has accelerated the pace of privatization, beginning with the government-owned telecommunication corporations (Country Watch--Australia, 2005).

_Hong Kong_—Being a free port, Hong Kong has become a manufacturing, commercial and tourism center with few equals. Its achievements make it one of the four "small dragons" in East Asia characterized by its rapid economic growth and high per capita income. Negotiations started in 1982 between the British and Chinese governments for the future of Hong Kong. In December 1984 the Sino-British Joint Declaration was signed for the British to hand over Hong Kong to China at the end of their lease on July 1, 1997. China agreed to make Hong Kong a special administrative region (SAR) after its handover. According to the agreement, as an SAR, Hong Kong would enjoy considerable autonomy except in areas of defense and foreign policy. The Chinese government also promised to let Hong Kong retain its political, economic and judicial systems for 50 years after the reversion. All these measures for taking over Hong Kong are known as the "one China, two systems" policies. (Country Watch—Hong Kong, 2005).

**Consumer Behaviors:**

**Differences in the purchase experience cultures:**

_Hong Kong_—According to the 2003 ACNielsen Asia Pacific ShopperTrends, Hong Kong consumers are by far the most impulsive shoppers in the region with 67% who make unplanned purchases. Specifically, in Hong Kong, a relatively small and
concentrated market, 44% of shoppers claimed to use 3 or more stores regularly for
grocery shopping, compared to an average of just two in South-East Asian countries
That might be a sign that Hong Kong consumers were less likely to be brand loyal.
Moreover, Hong Kong consumers might be in an increasingly price sensitivity as it
seemed that Hong Kong consumers were spreading their spending across more
grocery stores. They are more likely to shop around for special offers, promotional
activities, more attentive and responsive to store brochures. Actually, this kind of
shoppers are tending to be more open to new ideas and are willing to try new things.
In fact, several factors could influence the Hong Kong grocery shoppers’ decisions to
choose which stores to visit. According to the survey, first of all, location was most
important factor for Hong Kong shoppers to make choices of store. Ever since the
SARS incident, cleanliness and hygiene became the second important factor to choose
store. Value for money ranked 3rd and convenience ranked the fourth in importance.
More over, more than 70% of the main shoppers are women and men are usually the
influencers. One point are also worth of noting that despite the increasing popularity
of internet around the world, Asian shoppers prefer personal visits to the stores over
virtual shopping. (ACNielsen, 2004).

Another purchase experience for Hong Kong consumers was based on their
lifestyle and psychographic profiles. From the PAX survey from Synovate, a survey
samples 19,000 people in several Asian countries, including Hong Kong, Singapore,
Taipei, Sydney and Tokyo, etc., Asia's nouveau riche was the most brand-conscious,
gadget-hungry consumers. Across all markets covered by the survey, but excluding
Japan, 62% said they thought it was worth paying extra for good quality, and 23%
said they preferred to buy designer goods or brands. Respondents in top management
positions were more likely than other respondents to be among the first to buy a new
product or gadget, to pay extra for quality, and to regard international brands as
superior quality. They're more likely to treat themselves to something special, but
enjoy shopping less than those further down the corporate ladder (Bowman, 2004).

Australia—A record net 49.5% of all shoppers said it was a good time to buy a big
household item, according to the latest Westpac McDermott Miller consumer survey.
That was the highest-ever level of confidence to spend in the survey which has been
running since 1988. Record numbers of shoppers are in the mood to spend, chasing
big discounts on such things as fridges and falling prices for imported TVs, making it
a great time to buy. Actually, a rising number of low-income earners were feeling
better off financially and are more optimistic. However, high and middle-income consumers were showing increased uncertainty about their financial future and their confidence in the economy was eroding because of the anxiety about rising costs of living which could undermine their willingness to spend in the future. Moreover, the latest survey shows overall consumer confidence dipped a little this month. (Weir, 2005). Also, in Australia, the market with highest percentage of shoppers using the net to buy grocery store, according to the 2003 ACNielsen Asia Pacific ShopperTrends (ACNielsen, 2004).

Another mall-intercept survey also related to Australian female consumers’ purchasing experience with brand loyalty. This survey was created for customers who had had a shopping experience at the up-market department store in the previous six months. It evaluated how corporate image and its influence on customer loyalty. The results showed that corporate image had a significant impact on core service and customer satisfaction perceptions. Also, this study did find a marginally significant influence, which could be explained by the greater importance placed upon store image by retailers, as well as the overall more involved (both cognitive and affective) consumer storefront retail experience. Therefore, based on this study, we can have an idea that the Australian female consumers would be likely to more satisfied with their purchasing experience at the up-market department store as long as the corporate kept a strong image (Hart, 2004).

Cultural differences in negative product assessments
   -- Safety and Security Equipment

Australia:
According to the article “PERSONAL SECURITY EQUIPMENT” (US&FCS Market Research Reports—Australia), the Crime statistics provided by the Australian Institute of Criminology show that the most commonly mentioned crimes as assault and theft from the person, and during the same year, one in three households experienced an incident of personal crime. In Australia, there are increasing violent crime rate and property offense rate occurred in residential locations. Therefore, recently, the focus of security product market has turned to lower cost systems for residential use even though commercial and industrial premises still comprise an important feature of the market. The position of U.S. companies in this market is strong. Taxi security screens have been introduced recently to prevent attacks on
drivers by surrounding the driver's seat with a plastic shield. They are not universally popular and they are manufactured locally. It would be difficult for overseas suppliers to compete with these items. (Keeling, 2001)

Hong Kong:
According to the article “Safety and Security Equipment in Hong Kong” (US&FCS Market Research Reports—Hong Kong), since 911, Hong Kong has introduced tighter security checks at its airport, border crossings, and container terminals. Being one of the world’s major trading ports, Hong Kong has committed itself to safeguarding the global trading system against potential threats from terrorists. In 2003, the overall number of crimes reported was 88,377, representing a 16.5% increase from 2002 (75,877). As a result of the SARS outbreak in 2003, local hospitals are now investing in special access control systems to protect patients, visitors, and healthcare practitioners. With these systems in place, the movements of the patients can be regulated and the possible spread of infection contained. Although China has the largest import market share, Japan and the U.S. still dominate the high-end market in Hong Kong because of the technological superiority of their products. The reason it’s worth nothing that China accounts for 58% market share is that Hong Kong’s factory owners have been moving their production base to China to take advantage of Southern China’s lower rental and labor costs since the 1980’s. The finished products, which are largely low-end, transit Hong Kong for foreign markets such as North America and Europe. The Hong Kong market only absorbed a less than 10% of the total imports from China (Yim, 2004).

Cultural differences on Internet buying behavior --

Australia:
According to “Internet Shopper Demographics and Buying Behaviour in Australia2004”, the growth of online shopping in Australia has been predicted to be rapid. Based on the Australia Bureau of Statistics report ‘Use of Internet by Householders’ (2001), the acceptance of online shopping grew strongly amongst Australian consumers; more than 1.33 million Australian adults (one in every ten adults) purchased or ordered goods and services for their own private use over the Internet within the 12-month period to November 2000. According to MacDermott (2000), the share of online shopping in retail sales is forecast to increase to 2.1 percent by 2005 and 5.3 percent by 2010, to reach a total value of $10.3 billion. It is expected that the online purchasing frequency and expenditure patterns of Internet

12
users in Australia will be associated with different demographic profiles. The findings reveal that online shoppers who shop frequently tend to be male, aged 24 to 44, are high-income earners (with Aus$70,000 and above), and live in metropolitan areas. The dominance of middle aged (aged 24 to 44) shoppers suggests that they are young enough to be progressive, and old enough to be affluent vis-a-vis the age groups on either side of them. As for shoppers who spend higher amounts on purchases, the findings are similar to that reported above. The difference is that shoppers are older, i.e. in the 45 and over age group. The dominance of shoppers aged 45 and over spending higher amounts suggest that they are earning higher incomes, and hence more affluent. The implication is that the richness and reach trade-off, as manifested in online purchasing frequency and expenditure, has a variable impact by gender, age, income and location. (Chang, Sep 2004)

**Hong Kong:**

According to the article “Internet trumps 'old' media on influence2004”, there is more than 50% of working adults have made purchase decisions based on an online ad, according to the results of a report by the Hong Kong University's public opinion program. We can get the following result based on the survey which polled nearly 660 men and women over the phone, studied media consumption patterns and usage of traditional and online media, as well as perceptions of online advertising and its affect on purchase decisions. It provides agencies and marketers more information in considering the important role of the internet in (influencing) purchasing decisions of consumers. After seeing an online ad, half of the respondents said they wanted to know more about a product and would be aware of a brand, whether they clicked on the ad or not. The survey also found that while consumers first turn to newspapers and magazines when researching products or services, more than 50 per cent see the web as the fastest and most convenient medium to obtain product information. Generally, in Hong Kong, the population spends a similar amount of time on TV and the web. AnnyLeung, strategic planning and development manager at Yahoo Hong Kong said that "Over one-third of the consumers forwarded online campaigns to friends. This shows that viral marketing is getting popular. (Hargrave-Silk, Jun 18 2004)
Cultural differences on product customization—
In the 21st Century, telecommunication is an indispensable technology. However, based on the cultural difference, the demand tendency of Australia customers and Hong Kong customers would be different.

Australia:
According to “Digital Distribution Australia Selects SPECTRUM(R) Infinity”, Digital Distribution Australia (DDA) has selected Aprisma's SPECTRUM(R) Infinity(TM) to monitor the performance and reliability of its digital video broadcast and telecommunications infrastructure. DDA's network enables over 90% of Australia's Telco carriers and major television broadcasters to offer voice, video, data, and Internet services to consumers. DDA is a carrier's carrier, providing mission-critical services to broadcast and telecommunications customers. It has built and deployed one of the world's largest microwave radio networks, consisting of over 8,500 route kilometers with a capacity of 1 Gigabit-per-second along Australia's eastern coast and into Tasmania. DDA work behind the scenes to ensure that the solutions service providers offer to Australian consumers over our network consistently meet or exceed all service quality objectives. As DDA begins offering Digital Video Broadcasting (DVB), a new technology in Australia that requires extensive customization of multi-vendor devices, SPECTRUM's ability to easily discover and configure network devices will prove especially valuable in helping them quickly roll out and manage this new technology.

The major implications: Australia is the world's smallest continent but sixth-largest country; population concentrated along the eastern and southeastern coasts. Therefore, the core considerable factor for customer-oriented DDA to customize their service is to ensure that they can offer the good service quality for the Australian customers in the large local network.

Hong Kong:
According to the article “SKYPE, HUTCHISON TEAM UP TO DELIVER SOFTWARE TO HK MARKET”, the Global Internet Telephony Company(TM) and Hutchison Global Communications Limited ("HGC"), the operator of the largest fiber-to-the-building network in Hong Kong will bring Skype to Hong Kong through a co-branded "HGC-Skype" portal, which is scheduled to be in service in March 2005. Hutchison Global Communications Limited (HGC) owns the largest fiber-to-the-building telecommunication network in Hong Kong. With the scalability of its global
bandwidth capacities and direct links to networks in Mainland China, HGC provides instant connectivity around the world, including Asia, North America and Europe. The "HGC-Skype" portal will offer Hong Kong users free and unlimited Skype-to-Skype voice calls worldwide and the pre-paid SkypeOut service, which enables users to call any fixed or mobile phone in the world at special rates.

The major implications: Because of the special location effect of Hong Kong, providing instant connectivity around the world becomes more important than providing that in limited local network. "HGC-Skype" portal will not only provide Hong Kong users some personalized service which similar to MSN messenger but also deliver superior quality voice communications to its user.

**Cross-culture difference in sensitivity to advertising**

**Hong Kong**

According to H.C. Susan Tai, Hong Kong’s advertisers use more transformational messages strategy in service advertising, and this phenomenon is highly correlated to Hong Kong’s cultural values. Hong Kong can be characterized as a high power-distance culture (people see authority as a basic fact of society) and a culture with long–term orientation, idealism, and collectivism; therefore, people in Hong Kong illustrate their unique preference to advertisement. Here are some interesting findings (Tai, 2004):

1. **High power-distance culture:** Consumers in Hong Kong tend to prefer advertising offering expert advice and clear, specific recommendations.
2. **Collectivist cultures:** People prefer non-verbal communication; therefore, advertisers use more image-based or symbolic appeals.
3. **High context cultures:** Consumers are likely to be emotional, so marketers use more soft sell approach including indirect and harmony-seeking appeals, and depth brand image perception.
4. **Idealism:** People are more emotional and focus on subjective feeling. With eastern thinking oriented, people are less interested in factual objects. Due to this point, more emotional appeals are found in Hong Kong advertisement.
5. **Long term orientation:** Advertisements are more likely to use tradition as a symbol of quality.
6. **Materialism:** People are encouraged to pursue an affluent, prosperous and rich lifestyle. Therefore, price-related dimensions such as prices, discounts and special offers
are often to be highlighted in commercial advertisement.

Based on these features of cultural values, Hong Kong advertisers tend to frequently use the transformational advertisement, which attempts to impact consumer’s emotion, and to stimulate his/her desire to make purchase in the end. For example, the most common strategy is using celebrities as their advocators on TV commercials and press media.

Australia

Although Australia was not covered in Susan Tai’s research, we think the same logic and method can be applied to explain Australia’s advertisement as well. Australia shares very similar cultural values with U.S.A. Compared with Hong Kong, Australia can be characterized as a low power-distance culture (Wikipedia, 2005) and a culture with realism, and individualism (Wikipedia, 2005). Again, based on Susan Tai’s research, we infer that Australian advertisers may employ informational message strategy in their advertisement. Here are some features related to Australian cultural values (Tai, 2004):

1. Low power-distance culture: Consumers may like to have presentation of information and facts which can assist them in reasoning.
2. Individual cultures: Advertisers are used to present facts that can help people make decision.
3. Short term orientation culture: Consumers seeks explicit and verbal information. Therefore, Australian advertising focuses more on the need to plan and be concerned about the short-run future.
4. Low context cultures: People tend to use more argumentation, data and facts. Therefore, advertisements are prone to be more informative, and have more direct, confrontational appeals
5. Realism: People tend to focus on objective evidence and prefer rational thinking.

Based on this reasonable inference, we think Australian advertisers should use informational advertisement more often. In other word, they tend to provide consumers with factual, relevant brand data in clear and logical manner. It allows consumers to make their own judgment by evaluating the merits of buying the brand.
The value of promotions across cultures

According to ACNielsen’s research across Asia (ACNielsen, 2005), Hong Kong consumers are the most responsive to price fluctuations. In other word, people are very sensitive to price change and have average brand elasticity well above the Asia norm. Therefore, Hong Kong people are used to wait for the traditional sales season to go in search of a bargain. This phenomenon becomes especially obvious during the recently economic downturn. Due to lack of confidence about the future economic situation, most Hong Kong people feel reluctant and conservative toward shopping, and they get used to seek various sales promotions like using the credit card offering additional sales discount, collecting coupons for grocery shopping or looking for interest- free payment (South China Morning Post, 2002). Based on the above information, we may conclude that price sensitivity is part of Hong Kong peoples’ characteristic, but the degree of price sensitivity may be varied by economic situation.

With an emerging trend of “Every Day Low Price” among Australian’s retailer stores, some media start to talk about the possible impact on Australians’ shopping behavior. According to ACNielsen’s point of view (ACNielsen, 2005), the absence of promotions may remove some of the excitement from the shopping occasion, particularly some consumers who thrive on finding a bargain. This argument might be partially true, but the other report maybe better reflect most Australians’ attitude toward price. According to “Precision Marketing”, Australians are becoming more price and time conscious, with an increasing proportion prepared to switch store for offers (Precision Marketing, 2003). This finding came from the observation when two largest supermarket retailers in Australia - Coles and Woolworths/Safeway tried to compete by using two different promotion strategies. While Coles introduced the EDLP strategy, Woolworths followed by introducing price roll back plus gas discounting for shoppers who spend over AUS$30. Woolworths’s promotion successfully enticed customers and help it slowly gain market share. From this report, one thing that we can assure that price promotion strategy is workable in Australian retailer stores.

The other interesting case was about McDonald’s promotion strategy in Hong Kong. McDonald not only used low price strategy (A big Mac here costs less than most countries in the world), but also exerted agile promotions in order to adapt to local market. According to Asian Wall Street Journal, “As thousands of people lined up for hours in front of the hamburger restaurants to buy Hello Kitty dolls, cute little
Japanese cat figures” (Asian Wall Street Journal, 1999). Customers paid $2.32 for a Hello Kitty with a minimum food purchase of $1.95, and this promotion helped McDonald boost sales about 10% at its 158 outlets (Business Week, 1999). McDonald successfully manipulated Hong Kong people’s obsession with speculating on everything. In addition, McDonald was good at using TV commercial to draw kids’ attention. According to Asian Wall Street Journal, “McDonald also made kids’ birthday party as a big deal, by promoting them in television ads”. Although many parents and nutritionists didn’t like McDonald’s promotion, which might encourage kids eating too much fatty food, they didn’t show any concrete action to against its promotion. In contrast with Hong Kong, McDonald in Australia seemed not so lucky. According The Jakarta Post, McDonald used very similar promotion to appeal kids’ attention and its TV commercial told kids to collect small toys by buying lots of Happy Meal set-menu. A lot of social workers including nutritional experts, medical experts and parent started to give pressure to government and called for stricter rules on food commercials (The Jakarta Post, 2005). From McDonald’s case, we saw people in two different cultures expressed totally different values when facing attractive promotions.

**How can we satisfy consumers in these countries?**

**Hong Kong**

In accordance with Hong Kong peoples’ consumer behavior and cultural values, we sum up several points that are worth for most markers to think about:

First, a lot of consumers’ buying decisions are led by impulse. In other word, they often make purchase without plans. Therefore, marketers can create more excited incentives via sales promotion in order to draw customers’ attention; this is especially for people who love surprise. A well-designed promotion not only stimulates customer’s shopping desire, but also makes shopping become enjoyable.

Second, general Hong Kong consumers show less brand loyalty for grocery shopping. They tend to be more sensitive to price and focus on value of money. In this case, using promotional activity like special offers, samples and coupons is one of these options. Or marketers can consider winning loyal customers by offering a fairly low price for high quality products. They may take” every day low price” strategy into account.
Third, Hong Kong customers prefer face-to-face shopping instead of on-line shopping. They regard convenience, cleanliness and hygiene as three important factors when they choose shopping location. Thus, how to create a comfortable and convenient shopping environment is an important issue. By the way, although on-line shopping is still unpopular, lots customers are used to collect product information on the internet. Consequently, marketers should put more efforts on maintaining a user-friendly website and it is good for companies to create positive brand images.

Fourth, in response to Hong Kong’s cultural values, marketers should skillfully use transformation message strategy in advertisement. From marketers’ standpoint, employing more imaged-based appeals can stir customers’ buying desire. In addition, marketers should provide more experts’ advice or recommendations in their advertisement, because many customers like to listen to experts’ opinions and believe products will be more reliable if these advocates are trustworthy. It helps customers confidently make decision.

Australia

According to our study, Australian’s consumer behavior is somewhat very different from Hong Kong people. Here are some points that are worth to know:

First, marketers should always offer safety and health products. Without saying, this is a norm that every marketer should follow, but we want to emphasize that Australian has relatively high standard to exam marketers’ practice when compared with most Hong Kong people (Asian people). In McDonald’s case, we see that Australian much concerned about whether this product is offering public good (like hamburger will cause obesity). They behaved more rational when see promotional activities (Like Hello Kitty promotion). Moreover, Australian may take action to against any inappropriate practice.

Second, Australians pretty enjoy on-line shopping, so creating a safe and user-friendly on-line shopping environment is definitely a key. Besides, marketers should offer a high-quality customer service, which is consistent with the service that physical stores provide.

Third, since Australians are becoming more and more price conscious, marketers should use various sales promotion or change pricing strategy in order to entice customers.

Fourth, Australians in average are rational shoppers, and they like to read product information before making purchase. Therefore, Australian marketers should
apply more informational message strategy in their advertisement. In other word, they should present more facts and verbal information related to products in logical manner.

**Three Potentially marketable products/services**

**Hybrid Car**—With the soaring gas price, people start to look at something that can save their pocket, so Hybrid car can be one of the suitable products in both countries. Hybrid car is still in the introduction stage of the product life cycle in both markets. Honda and Toyota, who own the technology, are current market leaders. Toyota’s Prius and Honda’s Civic are the only two hybrids available in Australian’s local market, and their sales records have been successful since launching in Australia in 2001, and 2004 respectively. Compared with the Australia, Toyota’s Prius is the only model of Hong Kong market. There are several factors that we believe purchasing hybrid cars will be the trend in the future.(Fallon, 2005)

1. **Environmental benefits of cutting emissions**: Hybrid car were designed to cut carbon—dioxide emissions by half, while those of carbon monoxide, hydrocarbons and nitrogen oxide would be reduced by 90%. Therefore, as people get rich, they are more willing to spend on ecological preservation.
2. **Being able to enjoy and show off the new concept car**: Since most people regard hybrid as a high—tech product, driving hybrid can be a cool thing.
3. **Improved fuel economy**: Because oil prices keep rising steadily, people may shift their preference from conventional cars to gas economy cars.

Our target markets of hybrid car will be people who are middle class, age between 30-50 and relatively high education level with upper middle income. In addition, their psychological traits tend to be more innovative. We think this group of people is more likely to be economical conscious and willing to try some high-tech products. Besides, due to their high education background, they are more likely to pay attention on environmental protection issue.

**Cosmetics**—One of the three potentially marketable products we choose to market in both countries is Cosmetics. Firstly, according to the US & FCS Market Research Reports-*Hong Kong Cosmetics and Toiletries Market Review*(2004), Hong Kong’s cosmetics and toiletries imports totaled USD897 million in 2003. The importance of Hong Kong for the international cosmetics companies is it doesn’t only represent its local market but also acts as a launch pad into the large Chinese market. In addition to
selling to China from Hong Kong, there are also opportunities for exporting to other Asian countries from Hong Kong. According to the research, a major resource of user of imported cosmetics and skincare is Hong Kong’s Mainland Chinese tourists. About 80% of the Mainland Chinese tourists “went shopping” and cosmetics and skincare products are among their top 3 shopping purchases. The reason is that there is wider choice of brands in Hong Kong and retail prices are about 30% lower than those in China. Therefore, there are tremendous opportunities for U.S. cosmetics and skincare companies to export to Hong Kong as cosmetic retailers are eager to increase the brands that they can offer to the Mainland Chinese tourists. (Cheong, 2004)

On the other hand, according to the US& FCS Market Research Reports- *Australia Cosmetics and Toiletries Market Review(2004)*, the cosmetic and toiletries market in Australia is valued at US$984 million, with the market for skincare estimated at US $220 million. Australia is the third largest in the Asia-Pacific region. The sector is expected to grow by three percent annually from 2004 to 2006. U.S. products have received considerable interest in Australian market, with many distributors searching the U.S. for innovative brands. The baby-boomer generation is a principle driver for growth in the cosmetic and toiletries sector, and in particularly, anti-aging product because older Australians are mindful of their appearance, with many encouraged to stay in the workforce longer. Furthermore, the older market (which includes baby boomers) encompasses women between the ages of 35-60 years old. This group accounts for approximately 37% of the total female population. In other words, concern about looks, a greater understanding of skin care and often a high disposable income means the consumers in this segment are willing to spend. In addition, a significant number of Australians (75%) suffer from allergies. Therefore, Australians prefer the products which are non-scented, based on natural ingredient, and suitable for sensitive skin (Ahern, 2004).

**Wine Consumption**—

*Australia:*

According to Roy Morgan International Wine Industry Outlook, Australia has the highest per drinker consumption of wine compared to 3 or our top 4 export markets. For example, 21 glasses per wine drinker in Australia vs. 10 for American wine drinkers and 17 for U.K. wine drinkers. Around 30% of wine volume is consumed by people aged between 50 and 64 (See Graph 5). The step over to the 65+ age group sees
share of volume drop dramatically. And those younger segments, aged 18-24 represent only 6% of wine consumed. So, there is a need now to focus on the 50-64s of tomorrow and well into the future to ensure that domestic consumption remains supported as its current main supporters age and begin to reduce consumption. Moreover, Australian wine consumers are more likely to look for price and medals to guide them in their purchase decision. And they are more likely to be more highly involved in the category, purchasing wine by the case and being members of wine clubs (Harbour, 2004).

*Hong Kong:*

Wine consumption has increased worldwide by 5.6% since 1994. Asian recorded the world’s highest wine consumption growth rate. Specifically, not only has wine consumption increased in Hong Kong, wine-drinking patterns have also changed. Hong Kong people have shifted from drinking spirits such as whisky and brandy to drinking wine instead. This change has been motivated by an increasing awareness of the health benefits of wine, the escalating prices of spirits due to increased taxes, and the moving of business entertaining from Hong Kong to Mainland China. Also, wine sales show that Hong Kong people prefer red wine to white wine. In addition to the suggested beneficial health effects of red wine, the more full-bodied and fruity flavor of red wine is attractive to the Asian palate. So based on those factors, wine marketers, restaurateurs, and wine retailers should be able to better understand and target potential customers, segmented with college graduates working as managers, professionals and service and sales staff, with overall higher incomes. The future of wine sales in Asia is bright and according to predictions by Vinexpo (2002) there will be a 61.8% rise in wine consumption in Greater China by the year 2006 (Dewald, 2003).

**Cosmetics was chosen as our product to be marketed and positioned in Australia and Hong Kong**

**Target Market**

*Australia*-- The cosmetic and toiletries market in Australia is valued at US$984 million, with the market for skincare estimated at US $220 million. Australia is the third largest in the Asia-Pacific region. The sector is expected to grow by three percent annually from 2004 to 2006. The baby-boomer generation is a principle driver for growth in the cosmetic and toiletries sector. Furthermore, the older market (which
includes baby boomers) encompasses women between the ages of 35-60 years old. This group accounts for approximately 37% of the total female population. In other words, concern about looks, a greater understanding of skin care and often a high disposable income means the consumers in this segment are willing to spend (Australia Cosmetics and Toiletries Market Review (2004)).

Hong Kong—Imported cosmetics and toiletries meet 95% of local demand, as there is very little domestic production. Hong Kong’s cosmetics and toiletries imports totaled USD897 million in 2003. Hong Kong increasingly represents a launch pad into the Chinese market; it creates the trends and acts as a showcase for this market. Apart from selling to China from Hong Kong, there are also opportunities for exporting to other Asian countries from Hong Kong (Hong Kong Cosmetics and Toiletries Market Overview). Women aged between 25 and 45 are our whitening product’s main target market.

**Positioning strategy that matches needs/behavior of this target group.**

In order to design the cosmetics company’s offering and image to occupy a distinctive place in the mind of the target market, we, as marketers, must define the appropriate points-of-difference and points-of-parity associations. To avoid the commodity trap, we also have the differentiation strategies with product, personnel and distribution channel. (Textbook, Chap10)

Australia—Regarding to the differentiation strategies, our new anti-aging product is definitely safe to the consumers and with high quality. From the US& FCS Market Research Reports, a significant number of Australians (75%) suffer from allergies. Australians prefer the products which are non-scented, based on natural ingredient, and suitable for sensitive (Cosmetics and Toiletries Market Review (2004)). Therefore, the attributes of the new anti-aging product definitely include natural ingredients for sensitive skin. Also through our better-trained sales agents and expertise offering professional advice of skin care to our customers, our cosmetics company can gain a competitive advantage against other competitors. For the distribution channels, we use three main types of stores including high-end department stores, boutique cosmetic stores and online stores.

Hong Kong—Compared to Australia, we have a slightly different positioning strategies for Hong Kong’s consumers since our new product is whitening line. Be sure, like we mentioned in the Australian part, our whitening product is definitely safe to the consumers and with high quality. Some brands with whitening function contain
chemical ingredients, which might be harmful to human being’s skin. Therefore, based on the needs of Hong Kong consumers, our whitening product is containing such natural stuff as herbal extract. The rest parts of our strategies actually are kind of same as that of Australia with friendly and professional sales agent and expertise. For the distribution we use the local distributor/agent, high-end department stores and exhibiting at local trade fair as our main channel ((US&FCS Market Research Reports2004).

Positioning Statement:

Anti-aging in Australia:
To glamour, stylish and elegant (fashionable) women who want to have illuminated and healthy skin, (**--brand name) is the skin care product that we blend and balance several ingredients extracted from healing herbs, aromatic plants and sea substance; we give you the best answer to improve your skin and stay young!

Whitening in Hong Kong:
To glamour, stylish and elegant (fashionable) women who want to have illuminated and healthy skin, (**--brand name) is the skin care product that we blend and balance several ingredients extracted from healing herbs, aromatic plants and sea substance; we provide you remarkable whitening benefits.

Develop successful Marketing Strategies dealing with differences in consumer behavior between these two countries/ cultures.

Product:

Australia--From our skin care product line, we choose anti-aging product which help to correctly prepare, restore, replenish and revive the skin for a more youthful appearance as the main product line in Australia market. According to “The Color Cosmetics Industry” (US&FCS Market Research Reports 2000), 75% of Australians suffer from allergies. Therefore, our anti-aging product will be non-scented, based on natural plant extracts, and suitable for sensitive. In addition, according to “Australian Cosmetics and Toiletries Market” (US&FCS Market Research Reports 2004), the skin care market in Australia are seeking the products with unique benefit. Therefore, we will highlight our product included unique natural marine ingredient which would reduce skin irritation while increasing its firmness, elasticity, and smoothness.

Hong Kong-- From our skin care product line, we choose skin-whitening product as the main product line in Hong Kong market. The reason demand for skin-whitening products will remain strong in Hong Kong market is local Chinese people prefer fair-
faced females than those with dark skin. According to “Hong Kong Cosmetics and Toiletries Market Overview” (US&FCS Market Research Reports 2004), 40% of a skin care product’s success is directly attribute to the visible results that consumers using the product are able to obtain, and local consumers view Japanese skin care product as most suitable to Asian skin type. Therefore, the benefits of our skin-whitening product would be a noticeably fairer skin, deep moisturisation, spot reduction, and “formulated for Asian skin”. Also, its intensive do-it-yourself treatment is easy to follow.

Price:

**Australia, Hong Kong**--Based on the chapter 14, the basic critical step to set the price is “Selecting the Pricing Objective”. To target at the high-end market, “PRODUCT-QUALITY LEADERSHIP” is the objective we pursue in both countries. Because skincare products are infrequent buying products, we assume skincare product is less elastic. Compared to other general cosmetic companies, the price of our product will be higher but affordable because of our high quality products to target at “loyalty-buyer”. We believe the best way to keep the loyal consumer is not lower the price but providing them the desirable high quality product and service. However, we will adjust the price in each country based on the currency exchange rate. Compared to Australia, because the target market in Hong Kong is from 25 years old, they are more price sensitive. Therefore, the pricing level between Australia and Hong Kong will also be different.

Place:

**Australia**--According to “Australian Cosmetics and Toiletries Market” (US&FCS Market Research Reports 2004), in Australia, around 45% of cosmetics and toiletries are purchased through major supermarkets, and pharmacies and cosmetic retailers, including department stores, now represent 35% of cosmetic and toiletry sales. Because our anti-aging product planned to target at high-end market, one of the places we sell through will be the high-end department stores, such as the two major department stores in Australia-Myer/Grace Brothers and David Jones., instead of supermarket. Secondly, according to “The Color Cosmetics Industry” (US&FCS Market Research Reports 2000), in these few years, one of the trend in retail sector is to move toward the stand-alone boutique cosmetic stores. Therefore, we will also
open our own boutique skin care stores in Australia. Moreover, although there are a handful of Australian websites selling beauty products, they are still very small and at this stage don’t offer much choice. Based on above internet buying behavior part in Australia, we know the acceptance of online shopping is growing strongly amongst Australian consumers. Therefore, we will offer as much as choice to our consumers through our website.

**Hong Kong**--According to “Hong Kong Cosmetics and Toiletries Market Overview” (*US&FCS Market Research Reports 2004*), to enter the Hong Kong market, there are two major ways. The best way is through appointing a local agent/distributor. In Hong Kong, selling to department stores such as the Hong Kong Seibu, Land Crawford, and Sogo is essential for cosmetic and skincare products that are branded. Those department stores will certainly be the place we sell through, and also Joyce Boutique, which is a high-end specialty apparel store, also retails a wide range of high-end skincare and cosmetic products. Another way is through exhibiting at local trade fairs. Cosmopro Asia which is an international cosmetics trade show is popular with U.S. manufacturers because buyers from around the world and local distributor. Furthermore, the U.S. Department of Commerce certified the show for the past few years.

**Promotion:**

**Australia**--According to “Luxury Packs in the Value”, with the recent proliferation of fragrance brands and their shorter life cycles, well-executed promotional packaging can have a significant impact on trial and sustaining sales. Especially for the consumers of Anti-aging market in Australia, choice, quality, and recognition are important, and they are willing to pay for personalized service and products because this group often has a high disposable income.

**Hong Kong**--According to “Hong Kong Cosmetics and Toiletries Market Overview” (*US&FCS Market Research Reports 2004*), local importers complain frequently about the large sizes of U.S. product because young consumers prefer small-sized items that they can carry with them. Therefore, we will adjust the packaging and product size adapted to local taste. To sell through department stores, we will support the promotional activities with free samples and promotional literature. To build awareness, we will also post the update product information and online ads on website based on Hong Kong consumers are inclined to search product information online more than shopping online. Furthermore, because many international women and
fashion magazines publish their Chinese editions in Hong Kong, to be featured in these famous magazines is also essential in building brand and product awareness.

**Reference**


Appendices

Australian GDP

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(Source from countrywatch.com)

Graph1:

![Australia Major Exports Trend](chart)

Table 1:

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Graph 2:

Australia Major Imports Trend

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Graph 3:

Hong Kong Major Exports Trend
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Graph 4:

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Graph 5:

The ageing wine consumer

Is the age of current wine consumers a threat to the industry in the future?

(Source from Roy Morgan, Wine Industry Outlook)