

Slack.

Designer bean bags

Reference. Magazine: FEER Date of issue: JUN 2003

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FAR EASTERN ECONOMIC
REVIEW

June 19, 2003
www.feer.com

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DOW JONES



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NO SLACKER: Chang has expanded into new businesses even in the middle of a downturn



ENTREPRENEURS

Hong Kong's Backbone

Despite a prolonged recession, record levels of unemployment and a devastating health crisis, Hong Kong can count on its entrepreneurs to invest in its future

By Lara Wozniak/HONG KONG

HONG KONG WAS BUILT on the back of the little guy. The migrant worker who sneaked in from Guangdong, worked in a factory, saved every cent and then bought his flat for cash is a typical 20th-century Hong Kong tale. These labourers opened businesses and built sizeable-enough nest eggs. Some, like Li Ka-Shing, just kept expanding to become tycoons.

Call it chutzpah, a Yiddish word for temerity or creativity in the face of adversity. Small businessmen who take chances and figure out new ways of doing business are ideally suited to make the best of the bad times. And these are indeed bad times for Hong Kong.

The most common small-business success story is where a would-be entrepreneur finds new markets or new twists on old ones. Corina-Marie Goulet certainly seems to have found an ingenious twist with Bidlimit, an on-line auction market place that offers consumers a chance to buy brand new luxury goods for just 10%-20% of the listed price. Bidlimit kicked off on May 16 and within the first four days Goulet says the site, selling cars, yachts, jewellery and travel packages, had 10,000 "unique" hits.

Her timing was good. On-line shopping had been rising even before the outbreak of Severe Acute Respiratory Syndrome, or Sars. According to Websense Inc., the number of on-line shopping sites worldwide jumped to 213,764 in January 2003 from 151,240 a year earlier. Anecdotal evidence suggests the Sars outbreak gave the on-line shopping business a huge boost.

While she's not saying how much she invested—on technology, legal advice and publicity—she hopes to make her money back within the year. "If the last couple of days are a guide, my guess is that it'll be a lot shorter than that," laughs Goulet. Bidlimit employs just 11 people, including technical staff in Vancouver, Canada, and has investors in Britain, Germany and Hong Kong.

Her business model is based on a concept that combines an auction with a lottery. The bidder pays a small service fee, ranging from HK\$20 (\$2.56) to HK\$150, depending on the value of the item, to participate in a desired auction. Each auction item is assigned a fixed number of bids and stays open until the limit is reached. At that point, the collected entry fees cover the retail price of the product. So the vendor is squared up.

Identical bids are invalidated and the highest remaining unique bid gets the product. Bidlimit takes an average of 10% profit margin on each auction. To encourage loyal shopping, Goulet plans on offering deals to customers, such as giving them points every time they bid that will earn them access to future auctions not open to regular members.

If Bidlimit succeeds in Hong Kong, she plans to expand into South Korea, Germany, Australia, and Britain, all countries where on-line spending is already a fixed habit. "I believe this marketing method is a new wave of the future," says Goulet. "It's innovative, it's a win-win for all."

That win-win dream and Hong Kongers' endless drive to

Money

find a bargain is precisely what Tom Gartside is counting on in his upstart clothing business, Carrot, Banana & Peach. Times had been tough for manufacturers and retailers in Hong Kong even before the Sars outbreak, so Gartside had to come up with innovative ways to draw customers. He started by inviting friends and their friends to stop by his Sheung Wan office-cum-storeroom-cum-factory where he manufactures and sells sports clothes that retail in upmarket department stores such as Seibu. To lure customers in, he's kicked off Thursday-night soirées where he lays on South African wine and sushi for customers while they try on his surplus stock.

It's a fancy twist on the old Hong Kong clothing-retail model. Traditionally, "seconds" from factory floors in Guangdong appear a few days or hours later in open-air shops at the edges of Hong Kong street markets. The upmarket labels, only half cut off, are the main attraction for hordes of frenzied Hong Kong shoppers who jostle to get hold of the slightly defective skirts, shirts and lingerie at throwaway prices.

Gartside is tapping into that instinct, just putting a wine-glass into women's hands to make buying bargains less "undignified." And he figures it could pay off. He sells the clothes, which ranges in price from HK\$200 to HK\$500 for 35% off the retail price charged by the department stores. It's a deal for his customers and for him, because it's still 35% above what he sells the clothing to the retail shops for. It's not big business, but it covers the rent and operating costs and keeps the business ticking along during an economic downturn.

Conventional business wisdom says stick to what you know, and that's exactly what Felix Chang is doing. Three years ago Chang, who grew up in Australia, thought he'd stumbled on a gap in the Hong Kong personal-care market: the luxury bath. So he quit his job as sports marketing manager for Asia with Reebok and waded into the bath business. He now sells sell sumptuous mango and jasmine-scented bath oils and body gels in his TUB (the ultimate bath) and Bodysilk lines.



BARGAINS: Gartside goes out of his way to woo the customer

But even as he and his girlfriend started to experiment with "Asian-flavoured" scents and packaging for the lines, Chang became a consultant for a United States company which manufactured funky party hats in China. That experience introduced him to the world of fabrics and he kicked back in a beanbag and started thinking about a new line of business. It turned out he was literally sitting on it.

Last year Chang introduced a line of beanbags called Slack—brightly coloured, plush and faux-leather beanbags that cost from HK\$500-1,000. And his latest offering is Sleepy Heads, HK\$450-600 heavy-canvas-covered bean beds for pets that boast paw prints embroidered on the side. Beanbags and bath oils don't exactly go hand in hand, but that doesn't bother Chang. All of his lines sell in City'Super and Log-On, two upmarket shopping chains that help him build brand recognition.

WOONG THE CUSTOMER

But even the best-laid plans can go awry. City'Super and Log-On are located in some of the most densely populated parts of Hong Kong. As fear of crowds took hold in Hong Kong during the Sars outbreak, shoppers simply disappeared. So Chang went hunting for customers. He paid HK\$3,000 for his first-ever advertisement featuring his incense-clouded showroom in the factory and fishing-village neighbourhood at Aberdeen, Hong Kong. The ad included a 15% discount coupon for his beanbags. Chang says he got his money back in two days, thanks to a 40% increase in business at his showroom.

The struggle for every last penny is what makes small businessmen stand out. Chang has just signed a deal with a Hong Kong chain of eight bookstores, Bookazine. Launched on May 26 in four locations, they sell his Slack and Sleepy Heads brands. These aren't run of the mill, retro-1970s, soft chairs you can't get out of gracefully. There's the cheetah-spotted Vicious Jaw—shaped like a cat's mouth, with big white teeth and a Mick Jagger-styled huge tongue down the front. "I just think books and beanbags go together, I mean, what do you do? You flop into a beanbag and read, it's perfect," says Chang, kicking back into the Vicious Jaw and demonstrating that the tongue is an ideal resting pad for a book.

If you're wondering what's in it for Bookazine, it's about a sales and positioning move on their part as well. "We're moving away from the image of a traditional bookstore, and getting into more funky, lifestyle-oriented products," says Arti Mirchandani, general manager of the Bookazine chain, which sells magazines, stationery, children's educational toys and, of course, books.

Chang might appear to have come a long way, but actually he's just got started. He figures that with his line of relaxation products, he's got the bathroom and the lounge covered. Next up: the kitchen and bedroom.

The common thread that runs through these very different tales is that when the going gets tough, the tough get going. Their message: Don't expect the customer to come to you, go out and find new ways to reach the customer. But even more importantly, just don't give up. ■