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## **1.0 Market Features**

### ***1.1 General economic outlook of the macro-sector***

Hong Kong is facing with the challenge of the cyclical downturn of economy. Downward adjustment is a world phenomenon, not just the U.S., but for Europe and Asia as well. Hong Kong, with an open economic system that is easily affected by exogenous factors, is expected to have a negative economic growth in 2003, according to speculations from local government and various financial institutes.

Following rounds of interest rate cuts in the U.S., savings deposit rates in Hong Kong has been slashed down for individual banks. However, without a rebound in US economy and the local economy, the weak property and stock market will not improve through rate cuts alone. The slowing economy, due to plunging global demand for local exports, has crimped corporate earnings and prompted companies to shed job, thus hurting the appetite to spend. As for furniture, compared with other common commodities, is generally a postponable purchase when the consumer is feeling uneasy, especially in current prolonged weak economy. Therefore, it would be a rather conservative speculation to say that furniture imports market of Hong Kong will not gain much momentum this year, as persistent deflation in Hong Kong may knock out any benefits the local economy might have felt from the United States Federal Reserve's latest interest-rate cut.

The furniture industry is one of the oldest industries in Hong Kong. According to official figures from the Census and Statistics department of Hong Kong as of December 2000, there are about 1180 establishments operating as trading companies of furniture and fixture in the Hong Kong. Another 307 establishments are classified as manufacturers of furniture and fixture (metal & non-metal) as of September 2000. The numbers of establishments of wholesalers and retailers of furniture and fixture as of June 2000 are 165 and 1253 respectively. Around 90% of these establishments are small and medium enterprises (SMEs), employing less than 10 workers in Hong Kong.

In terms of market segmentation, the furniture industry in Hong Kong is generally divided into three main categories: Higher-end market, middle-end market and lower-end market

The higher price segment, the market is dominated by overseas imports and high quality Italian products have established a firm stand in this segment. The consumers are from the middle to upper income group and are willing to pay a higher price for a desired piece of furniture. Products in this category are



usually of premium quality and designs, with exquisite craftsmanship. Most hotels, service apartments and interior designers/architect would source from this category.

Due to the vast variety of products offered, competition in the middle-end market is strong; nevertheless, there are ample opportunities for Italian products. Local consumers have long associated Italian imports with quality products, and they would prefer to purchase European products instead of Asian ones if the price is similar.

Lower price market is represented by poor to medium quality products that are purchased based on their price and functions rather than their designs or quality. The operating tactic for importers in this category is to increase sales volume by decreasing the unit price in order to maintain a narrow profit margin. Products in this segment are mainly from China and Asian countries due to their lower production and transportation cost. In fact, it has become more and more common for manufacturers in Asian countries such as Korea, Malaysia and Singapore to “borrow” designs European furniture and introduce them to the Hong Kong market at much affordable prices.

Due to the high storage and production costs, many Hong Kong furniture manufacturers have set up offshore production facilities in the Chinese mainland. Some manufacturers, after relocation of production facilities offshore, are classified instead as import-export establishments. At the end of 2000, there were altogether 1,180 manufacturing establishments hiring 6,773 workers. It is estimated that around 150 Hong Kong furniture companies set up their production plants in China, as reflected by the continuous re-exports growth of China origin goods through Hong Kong. They take joint ventures with both foreign and China manufacturers in the mainland to lower their production and labour cost. However, to ensure production quality, the final finishing processes are still being completed in Hong Kong.

Apart from its growing significance as a production base, China is also the largest supplier of home and office furniture, electric lamps and lighting fittings, and household electrical lights. Imports of home and office furniture from China have been consistently high over the years, only a minor decrease of 0.8% was recorded in 1998 after the Asia Financial Crisis, which is in great contrast with the significant fall of import of Italian products of 23.5% in the same year. We may attribute the situation to the fact that after the Asian Financial crisis in 1997, Hong Kong's middle-class has suffered severely with the fallen figures in property and stock market. With stripped spending power and income, consumers now turn to cheaper furniture and goods (made in China or other Asian countries) instead of Italian goods. According to some of the importers



that we have talked with, the retail market is now mainly supported by price-conscious consumers who are more concern with the price tag rather than the design of the product.

Moreover, infringement problem has worsened the deteriorating market scene of Italian furniture and lighting goods. In fact, if you walk into a furniture shop in the Hung Hom or To Kwa Wan area nowadays, staff would offer you with either official catalogues of furniture chain stores, or some of their own “specialty” product catalogues. These “specialty” catalogues are composed of pictures of various European brand furniture and photos of furniture that they have successfully “imitated”. If interested, orders are then placed in Hong Kong, while the production would take place in mainland. A typical IKEA bed frame that costs around HK\$5000 would usually be slashed down to \$2000 at these retailers. Besides, products can even be tailor-made to satisfy different needs of individual consumer. For instance, if you like the design of a particular IKEA bed frame, but at the same time fancy the idea of having practical side drawers for storage, going to these specialty shops would obviously be a more flexible and economical option.

Fortunately, not all Hong Kong consumers would go about this method in search of their ideal piece of furniture. Despite the problems of infringement and the decreasing consumer sentiment for premium products, Italian furniture and lighting goods remain strong and well sought after in the higher-end market, thanks to the fact that there are still a lot of Hong Kong people who puts quality lifestyle before dollar sign.

## **1.2 Product Features**

Each year, Hong Kong imports, and re-exports a wide variety of products. While a percentage of furniture and furniture parts are being re-exported to other parts in Asia, the remaining portion is consumed domestically. Imported item of larger scale (in terms of total value) include wooden furniture, metal furniture, bedding articles, seats of wooden frames and furniture parts. Other smaller-scaled imported items include seats made from other materials, mattresses of various kinds, plastic furniture, sleeping bags, and wooden kitchen furniture.

As for the direction of product trend, minimalism will continue to be big this year for home furniture, office furniture and lighting goods. The young, the educated, or consumers from the higher-end market in general in Hong Kong would prefer sleek and simple designs with a nostalgic touch. On the other hand,



furniture and lighting goods that are more traditional and classical styles are still in popular demand as well.

The following sections will explore some of the key items that would be relevant to the Italian furniture suppliers.

### **1.2.1 Home furniture**

Home furniture in Hong Kong can be divided into several main groups: living room set, dining room set, bedroom set and kitchen furniture. Since local apartments in Hong Kong tend to be quite small, furniture, especially those imported from the West, needs to be very “smart” in design and versatile in functions in order to maximize the living space. In the local market, furniture with simple design, which can easily match with other furnishing items, is often sought after. High storage capacity is another practical attribute that consumers consider when choosing a piece of furniture. Contrary to the solid wood furniture in the higher end market, most lower end market goods are made with fibreboard products.

The largest category of production in Hong Kong is wooden furniture, which can be divided into two sub-categories - traditional Chinese-style and contemporary Western-style. Traditional Chinese-style furniture and hand-carved lacquered furniture, including rosewood and black-wood tables, chairs, camphor-wood cabinets, plywood screens, teakwood trunks and chests characterised by Chinese designs, are popular for exports and domestic consumption. Contemporary Western-style furniture, basically targeting at the domestic market and the low- and medium-end markets in the region, is also available and gaining importance in recent years.

### **1.2.2 Office furniture**

Product varieties in this category ranges from system furniture, panel system, seat of leather or textile upholstery, conference table, partitioning systems to cabinets for filing and storage. While it is crucial for the interior design and the selection of furniture to reflect the company’s identity, they should also be closely in pace with the current trend and style. Under the influence of minimalism, many interior designs in Hong Kong involve the use of concrete block wall, glass partitions, metal panels and furniture of stainless stain to give a cool mood to the environment, especially corporations with business nature related to information technology.



High storage capacity, or space saving in another perspective, is also a major concern when it comes to choosing a piece of office furniture in Hong Kong, where living spaces and working spaces are so limited and treasured. For example, strong aluminium table structure with only one trestle element can liberate the space underneath for drawer unit or computer hard drive. The design itself is highly versatile and, although designed for the work environment, many people purchase office furniture for home use, due to its functional usage and simplistic design.

In the area of material procurement, many corporations today, in order to cut cost and remain financially fit, would choose to use direct method. In a lot of cases, professional advice is cut from the budget, and a client would go straight to a contractor to get a quick office thrown together at cut-rate prices with local materials and local office furniture. Clients also have to live with the results. In other cases, companies would hire interior design houses to furnish their offices, making sure that offices can meet the company's functional and design needs.

### **1.2.3 Lighting products**

Most Hong Kong lighting product manufacturers have relocated their facilities to the Chinese mainland to enjoy low operation costs there. Their offices in Hong Kong are mainly responsible for product development, management, marketing and logistic support. Amid intensified competition, most companies have focused on original design manufacturing (ODM) business, apart from original equipment manufacturing (OEM) orders.

Dropping trend of Italian lighting export to Hong Kong continues in the past few years while the Mainland China is taking a larger market share. This is due to the illegal imitation of style of the mainland manufacturers that can sell their products at a very low cost. Consumers can use an affordable price to purchase a lighting product with imitated style. As the number of shops selling imitative European style furniture increases, this poses threat to the Italian lightings directly. Products with classical design, for instance market for chandelier exists but in a limited scale. Ceiling lights are mainly for general lighting purpose while track lights are used for task lighting purpose to highlight specific objects or areas, while table lamps and floor standing lights are used for creating special moods.



One of the significant developments in the lighting industry is the booming of the DIY (do-it-yourself) market overseas. DIY products are increasingly popular, especially in North America and Western Europe. Hence, a wide range of hardware items, including lighting apparatus are offered for DIY purposes. As these products are intended for installation by household users themselves, the easiness of installation and maintenance have become the virtues to rely on.

### **1.3 Regulations and Technical Requirements**

Under the Import and Export (Registration) Regulations of HKSAR, Chapter 60, every person who imports or exports any article other than an exempted article is required to lodge with the Commissioner of Customs and Excise an accurate and complete import/export declaration within 14 days after the importation/exportation of the article. Since building materials are not falling into the category of exempted article, it is required to lodge the declaration as mentioned. Prosecution may be initiated against any person who fails to lodge the required declaration, or knowingly or recklessly lodges any declaration that is inaccurate in any material particular.

Under the basic Sino-UK agreement, Hong Kong and China are separate customs territories. Products entering either customs territory from the other are treated as foreign products and face the applicable duties and taxes.

### **1.4 Industry Forecast**

While office and home furniture will continue to dominate the furniture market, demand for hotel and restaurant furniture is emerging. With the government's plan to pump HK\$18 billion into the tourist industry over the next five years, it is anticipated that there will be a high demand for more new hotels and restaurants in the future. Since furniture in these categories are usually of higher-end products, quality Italian furniture suppliers can thus take the initiative to fill in this unique niche in the market.

On the other hand, steady expansion of the Chinese economy will continue to bolster Hong Kong's domestic exportation and re-exportation of furniture and lighting goods. Products will mainly be of the lower-end market and from the Asia Pacific areas.



On the import side, the sharp drop of consumer confidence is expected to hinder consumer spending on housing and furniture. As a majority of Hong Kong consumers are only willing a minimal amount on furniture and lighting goods, the demand for imported high-end furniture is likely to remain moderate in short term.

China's accession to the WTO will lead to the further opening of China's domestic market for imported furniture and stronger domestic sales by overseas-invested enterprises in the mainland.



## **2.0 Marketing Strategies**

### **2.1 Promotion**

Advertising is one of the main channels in doing promotions in Hong Kong. For retailers of larger scale, they have the options of choosing from a wide range of above-the-line advertising such as advertisements on TV, in newspaper or magazines, at the light box of most bus stops or MTR stations (underground transport system in HK). These measures are inevitably effective, only provided that furniture companies have got the amount of budget to spend. On the other hand, for retailers of smaller scale and do not have a whole lot to spare, the best way to make known to the public is to choose a retail location that is close to the so called “furniture districts” or “Furniture Street” where other specialty furniture shops gathered. In Hong Kong, these areas namely are sections of Wong Nai Chung Road in Happy Valley, sections of Ma Tau Wai Road in To Kwa Wan and Hung Hom and Furniture Walk in Causeway Bay. Many Hong Kong consumers would actually scour through these areas before they make the final decision, especially in times of economic hardship.

Besides the methods above, participating in various international trade fairs is also an effective way to establish and expand business networks, explore market opportunities or establish product image and brand names abroad. Nowadays, Hong Kong manufacturers and distributors have started to participate more in those well-organized and influential international furniture fairs. These mainly include:

- In the US: the International Home Furnishing Show held in High Point, North Carolina twice a year around April and October annually.
- In Europe: the Cologne International Furniture Fair held annually in Germany around January, the Milan International Furniture Fair held annually in Italy around April, the Paris International Furniture Show held annually around January, and the Russia International Furniture Fair held in November.
- In Japan: the Tokyo International Good Living Show and the Tokyo International Furniture Fair.
- In Chinese mainland: the International Furniture Show in Beijing, the International Furniture & Woodworking Machinery Autumn Fair held in Guangzhou; the International Furniture & Woodworking Machinery Spring Fair held in Shenzhen; and the China International Furniture Expo held in



Shanghai. There are also 15 regional furniture fairs held in Dongguan, Shenyang, Kunming, Tianjin, Chengdu, Changchun and Dalian.

- In Singapore: the Asia Pacific Furniture Fair (an annual event organised by the Singapore Furniture Manufacturers & Traders Association); Office Furniture International; the ASEAN Furniture Show, the International Furniture Fair Singapore; FurniTekAsia. The above fairs are all annually held in the World Trade Centre in Singapore.
- In Philippines: the International Trade Fair held annually in Manila's World Trade Centre in November.
- In South Africa: the South Africa International Furniture Fair held annually in Midrand around August

## **2.2 Distribution**

### Wholesalers

-Large quantity of products is sourced directly from manufacturers. The products are then sold to local retailers, contractors or re-exported to other countries.

### Retailers

- Department stores, supermarkets, chain stores, specialty furniture shops, showrooms and home centres are main retail channels for furniture. Although retailers usually import via agents and distributors, some stores with stronger buying power would buy direct from the manufacturers. A number of Hong Kong manufacturers have also produced on the OEM/ODM basis for major foreign brands.

### Contractors/ Interior designers

-The contractors deal with interior furnishing projects for hotels, residential and commercial complex. They would usually source from local wholesalers to save time and cost in importing from various overseas suppliers.

Although chain stores are not very popular, larger furniture companies like IKEA, Ulferts, and G.O.D. usually operates two to three stores across Hong Kong Island, Kowloon and the New Territories. In addition, sales through specialized furniture markets like "furniture districts" and "furniture streets" are getting



popular in Asia, especially in the Chinese mainland, Taiwan and Hong Kong. Low- and medium-end products are usually sold by local "hypermarkets".

Meanwhile, a small number of Hong Kong furniture companies have established their own retail outlets in the overseas markets, particularly in the mainland, to sell directly to their customers. Lamex, Logic, Fortune, Dickson, for example, have established subsidiaries, branch offices and showrooms in those major Chinese cities to facilitate domestic sales.

### **2.3 Quality Control**

One way to define quality is to establish uniform standards to which products from around the world must conform. This is the intent of international standards Organization, a Geneva-based organization that does just that. A set of quality criteria was initially developed in 1987 to regulate product quality. To stay globally competitive, Hong Kong furniture manufacturers are increasingly aware of the importance of quality control in the manufacturing process and management. This is evidenced by a growing number of Hong Kong companies adopting the ISO 9000 / ISO 9002 certification, which is an internationally recognised standard for quality management system. With the emergence of the ISO 9001:2000 draft international standard, organizations certified to the 1994 edition of the ISO 9000 series will need to prepare themselves for re-certification. There is an increased focus on top management commitment, the process approach to quality management, and the move beyond 'compliance' towards 'customer satisfaction' and 'continual improvement'

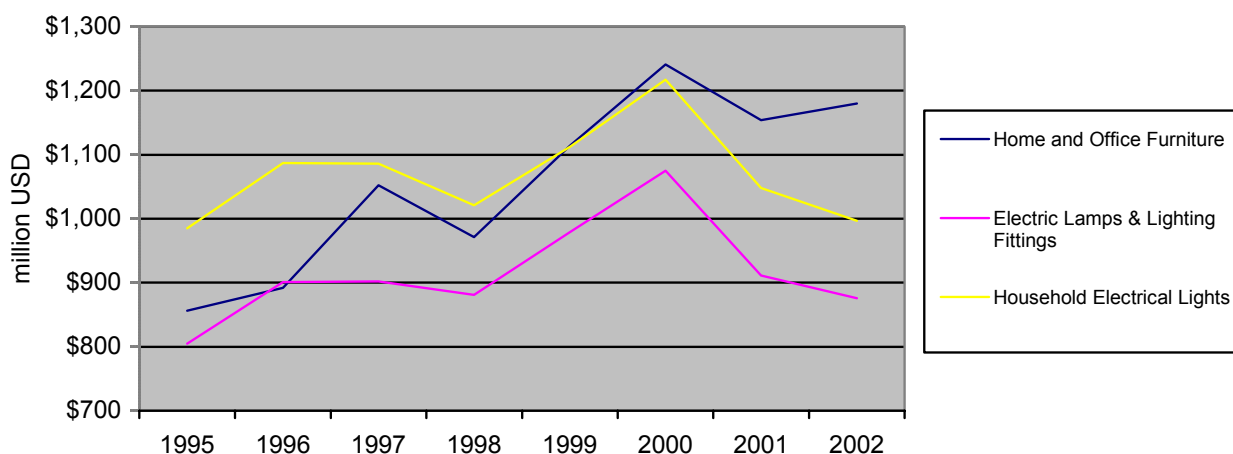
As for the local importers in Hong Kong, many of them have expressed that furniture and lighting goods from European countries are usually of high quality and have been certified to conform a certain international standard such as ISO 9000. Although there have been cases with unpleasant experience, most trading activities in general are resulted in mutual satisfactions.



### **3.0 Trade**

#### **3.1 Figures of the sector and principal products**

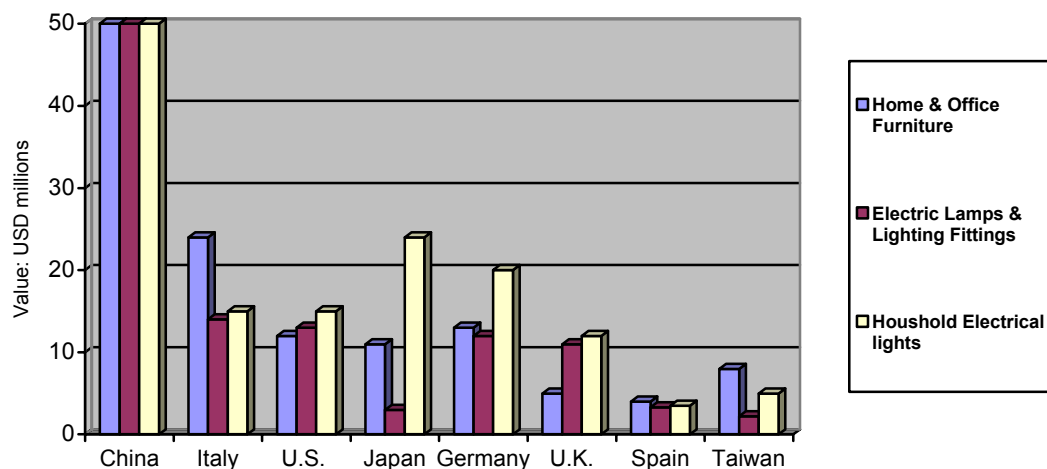
**Hong Kong's Total Imports of Furniture and Lighting Goods from the World in 1995-2002 (SPG 257, 268, 65)**



Source: Hong Kong Trade Statistics, Census & Statistics Dept.

As shown by the graph above, the importation of furniture and lighting goods have not been affected by the Asia Financial Crisis by a large extent, especially for household electrical lights where there is only a slight drop from 1997 to 1998. From 1998 and onwards, we can see an upward tendency for the total value for all 3 categories, soaring to the highest level in five years in year 2000. In 2002, a sharp fall in household electrical lighting is experienced at its lowest level since 1995. The demand for home and office furniture on the other hand had undergone a steady increase.

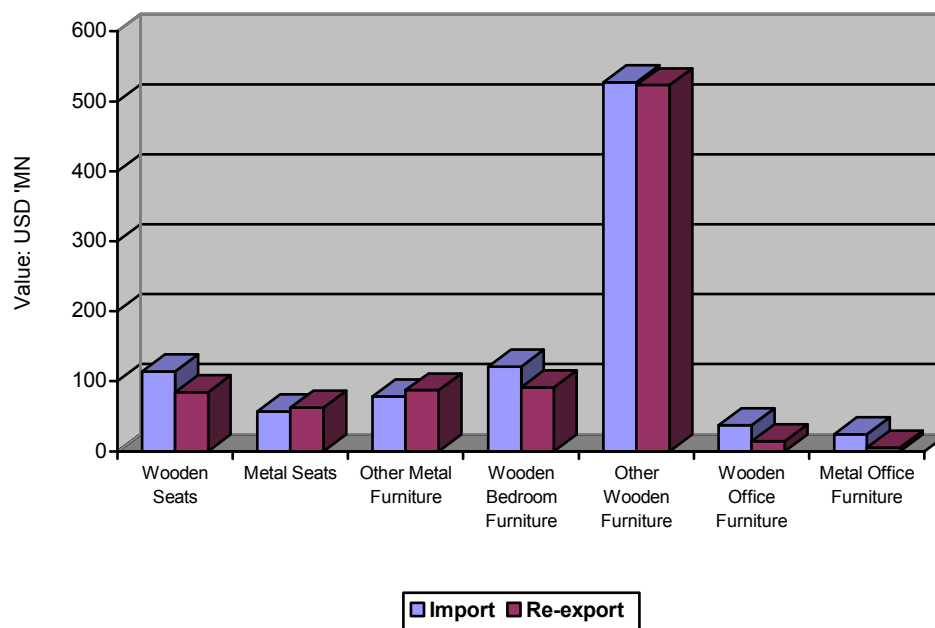
**Hong Kong's Import of Furniture and Lighting Goods  
by countries in 2002 (SPG257, 268, 65)**



Source: Hong Kong Trade Statistics, Census & Statistics Dept.

In order to serve the various needs in the local market, a wide range of furniture products are imported from different countries to Hong Kong each year. According to the latest trade figures, US\$1,180 million worth of home and office furniture was imported to Hong Kong in 2002. Amongst all countries, China was the largest supplier with a total import value of US\$1,046 million, outrunning others significantly with a market share of 88.7%. Import figures of home and office furniture for Italy, Germany, U.S.A and Japan, are US\$24 million, US\$13 million, US\$12 million, and US\$10.5 million respectively.

**Importation and Re-exportation of Major Furniture Items of Hong Kong in 2002 (SITC 821)**



Source: Hong Kong Trade Statistics, Census & Statistics Dept.

Other wooden furniture is the product category with the largest share of importation and re-exportation. A total value of US\$527 million worth of other wooden furniture was imported to Hong Kong, and among them, US\$523 million worth of goods were being re-exported to other countries. Other wooden furniture can be classified as wooden furniture other than wooden office furniture, kitchen furniture, and bedroom furniture.

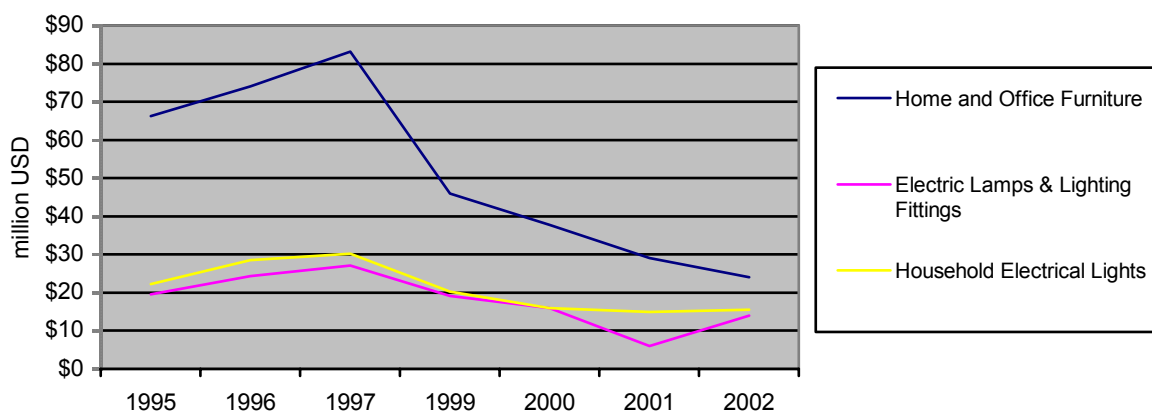
Imports of office furniture can mainly be divided into two categories: metal and wooden office furniture. Seat with variable height adjustment is one of the main items in office furniture. A rough estimation of office furniture trade can be calculated by the sum of seats, metal and wooden office furniture import, and it took a share of 17.2% of total furniture and parts import of Hong Kong in 2002 respectively. On the whole, China is the largest supplier of seats, metal and wooden office furniture to Hong Kong.

As for wooden office and wooden bedroom furniture, increments were recorded for both categories. For wooden office furniture, the import has increased by 4 % in 2002, totalling US\$37 million. Bedroom furniture on the other hand has recorded a 12% rise and contributed a total of US\$121 million in 2002.



### 3.2 Trading activities with Italy

**Hong Kong's Total Imports of Furniture and Lighting Goods from Italy in 1995-2002 (SPG 257, 65, 268)**



Source: Hong Kong Trade Statistics, Census & Statistics Dept.

As reflected by the graph, the performance of Italian Products in the furniture and lighting sector has not fully recovered from the Asia financial crisis in 1997. The total imported values for all 3 categories (SITC 257, 65, 268) have plunged from 1997 and started to experience a downfall in recent years. In 2002, home and office furniture from Italy had a negative tendency, whereas household electrical lights had a steady performance and electrical lamps & lighting fittings is showing an increase. As discussed in the previous sections, we may contribute the negative tendency to the infringement problem in Hong Kong and the decreasing consumer sentiment for higher-end products. Moreover, the trading experience itself may also have a negative influence on importers' decision on what countries' products to source.

In recent years, few importers of Italian goods have expressed that trading with Italian companies has become very frustrating and ironic. As more and more Italian manufacturers have relocated their production lines to China in order to cut down their cost of production, the world-renowned Italian products are not "genuinely" made in Italy anymore. One importer of Italian lighting goods points out that there is no reason in travelling all the way to Europe only to find out that the products she has just ordered are from neighbouring China.

On one occasion, an importer placed an order of Italian lighting fixtures with design she thought to be very exclusive in Hong Kong. To her surprise, China-made imitations of the same design already appeared in the market in



advance. This importer suspected that problems of disclosure must be arisen during the stage of production in China. She warned that if Italian suppliers do not address to this problem accordingly in the near future, its leading market status would be seriously threatened.

**3.3 Performance of Italian products in the market**

**Hong Kong Imports of Home & Office Furniture  
(value: '000 US\$) (SPG257)**

Ranking (2002 based)	Fornitori	Value 2000	Market Share%	Value 2001	Market Share%	%change 00/01	Value 2002	Market Share %	%change 01/02
	World	1,241,263	100	1,154,846	100	-7.0	1,180,164	100	2.2
1	China	1,057,483	85.2	996,947	86.3	-5.7	1,046,377	88.7	5.0
<b>2</b>	<b>Italy</b>	<b>37,796</b>	<b>3.0</b>	<b>29,595</b>	<b>2.6</b>	<b>-21.7</b>	<b>24,292</b>	<b>2.1</b>	<b>-17.9</b>
3	Malaysia	15,094	1.2	14,791	1.3	-2.0	17,000	1.4	14.9
4	Germany	14,155	1.1	12,532	1.1	-11.5	13,103	1.1	4.6
5	U.S.A	20,577	1.7	16,710	1.4	-18.8	12,259	1.0	-26.6
6	Japan	9,934	0.8	18,505	1.6	+86.3	10,529	0.9	-43.1
7	Sweden	11,885	1.0	10,823	0.9	-8.9	8,768	0.7	-19.0
8	Taiwan	21,886	1.8	12,425	1.1	-43.2	8,218	0.7	-33.9

Source: Hong Kong Trade Statistics, Census & Statistics Dept.

**Imports of Electric Lamps & Lighting Fittings  
(value: '000 US\$)(SPG65)**

Ranking (2002 based)	Fornitori	Value 2000	Market Share%	Value 2001	Market Share%	%change 00/01	Value 2002	Market Share%	%change 01/02
	World	1,075,672	100.0	910,773	90.2	-15.0	875,587	100.0	-3.9
1	China	967,032	89.9	821,728	1.9	-36.9	796,872	91.0	-3.0
<b>2</b>	<b>Italy</b>	<b>15,894</b>	<b>1.5</b>	<b>14,766</b>	<b>1.6</b>	<b>-17.9</b>	<b>13,894</b>	<b>1.6</b>	<b>-5.9</b>
3	U.S.A.	17,732	1.6	14,562	1.0	-15.0	13,145	1.5	-9.7
4	Germany	10,788	1.0	9,168	0.5	+21.6	12,087	1.4	31.8
5	U.K.	27,757	2.6	17,519	1.6	-7.1	11,279	1.3	-35.6
6	Denmark	1,180	0.1	3,022	0.3	156	4,150	0.5	37.3
7	France	3,973	0.4	4,830	0.5	+19.1	3,791	0.4	-21.5
8	Spain	4,336	0.4	3,756	0.4	-13.4	3,367	0.4	-10.4

Source: Hong Kong Trade Statistics, Census & Statistics Dept.



**Hong Kong Imports of Household Electrical Lights  
(value: '000 US\$)(SPG268)**

Ranking (2002 based)	Fornitori	Value 2000	Market Share%	Value 2001	Market Share%	%change 00/01	Value 2002	Market Share %	%change 01/02
	World	1,216,570	100.0	892,728	85.2	-13.8	996,716	100.0	-4.9
1	China	1,053,497	86.6	18,122	1.7	-15.3	865,947	86.9	-3.0
2	Japan	22,479	1.8	17,329	1.7	+34.7	23,858	2.4	-21.2
3	Germany	20,108	1.7	30,278	2.9	-9.9	20,388	2.0	12.5
4	<b>Italy</b>	<b>16,731</b>	<b>1.4</b>	<b>19,342</b>	<b>1.8</b>	<b>-2.8</b>	<b>15,539</b>	<b>1.6</b>	<b>-4.4</b>
5	U.S.A.	20,588	1.7	16,256	1.6	-15.8	15,131	1.5	-12.7
6	U.K.	29,925	2.5	12,627	1.2	-35.4	12,447	1.2	-35.7
7	Thailand	7,589	0.6	6,384	0.6	+66.4	7,966	0.8	-36.9
8	Taiwan	10,474	0.9	6,384	0.6	-39.0	4,685	0.5	-26.6

Source: Hong Kong Trade Statistics, Census & Statistics Dept.



#### **4.0 Suggestions for the Italian Companies**

Despite the infringement problem, Italian products remain very competitive in Hong Kong market. Hong Kong consumers adore the superior quality and the innovative designs of Italian furniture and lighting goods, yet many local operators criticize that Italian suppliers are slow in introducing new designs to the market in recent years and not as innovative as before. In contrary, products from Germany have greatly improved over the years, both in quality and design. They can meet deadlines better than the Italian does and can manage to make something according to order. In fact, the ranking of German imports (in terms of value) has overridden the Italian in 3 consecutive years since 1998.

While many importers in Hong Kong source their products from the latest catalogues from suppliers, it is essential for Italian companies to send out products samples to the interested parties, making sure that clients can see exactly what they are ordering. LC (letter of credit) is the most common payment method, though payment term for individual transaction may vary.

International Trade fairs are among some of the effective method in expanding business network and potential clients base. Besides the international trade fairs mentioned in the previous sections, Italian suppliers are welcomed to participate in trade events in Hong Kong such as the International Lighting Fair organized by the Hong Kong Trade Development Council. What is more, Italian suppliers can try to tap into the market of lightings for commercial purpose by sending business information to individual companies or wholesalers of office lighting supplies. Currently, most of the imported office lightings and commercial light boxes are supplied by the U.K. and the U.S. Unlike those of residential market currently, clients in this category will order in great amount instead of just one or two pieces

Another way to increase exposure in the international scene, Italian companies can place advertisement and articles of their products in interior design and architecture magazines that are circulated in Hong Kong so that their products can be introduced to local contractors and designers. Targeted publications do not necessarily need to be restricted to magazines of furniture and furnishings, lifestyle and fashion magazine provide another alternatives such as Space, City, Zip, Home Journal, and Today's Living.

In general, Italian companies with interest in expanding the Hong Kong or the international market should first strengthen the existing market by keeping in touch with the local importers and be ready to help when problems arise.