

HONG KONG: FASHION APPAREL EXPORT OPPORTUNITIES



Economic Snapshot

- Per Capita GDP : US\$30,800 (2nd in Asia)
- China the first major economy to recover from the global recession and is leading Hong Kong (HK) out of it
- Mainland Chinese consumer spending in HK is fuelling HK's retail and property markets
- Economy expected to contract 2% in 2009 (revised upwards by IMF in Oct 2009 from -4.5%) & grow 3-4% in 2010.



Retail Sales

- Retail sales over US\$32 billion per year
- October 2009, retail sales +9.8%;
November 2009, retail sales +11.7%
- Increase from Chinese visitors' spending in Hong Kong & increase in domestic spending – appreciation in stock & property markets
- In October 2009, sales of footwear, allied products and other clothing accessories highest increase, +17.8%.
Wearing apparel retail sales + 5.5%



Apparel Market

- **HK consumers are mature and know the current fashion trends in U.S., Europe and Japan. Have brand loyalty and strong beliefs in brands.**
- **Nielsen’s survey in April 2008: HK leads the Asia Pacific region as “the most designer brand-conscious.”**
- **High-end and luxury brands are usually directed at the Chinese visitors who buy in HK. All major European high-end and luxury brands have opened Asia flagship stores in HK. 48% of China’s luxury purchases are transacted in HK.**
- **Lack of suitable retail space in prime locations at high street and in malls as property developers favor luxury brand names.**
- **Many super-luxury brands and mass market, inexpensive brands and little in-between.**
- **Easy to test market response in HK before developing a new product or new brand in China**

Best Sales Prospects

- **Luxury & branded products**
- **Apparel with a story to tell like American Apparel, Ed Hardy**
- **Mid-high & high-end casual wear like denim wear**
- **Mass market brands with basics in assorted colors like Uniqlo (Japanese)**
- **Mid, mid-high and high price work wear for men and women**
- **Second or third line of designer brands**
- **Children's wear – mid-high price**



Distribution Channels

- **Department Stores:**
None from the U.S., from Japan, U.K. local
Fashion wear: Lane Crawford, HK Seibu, Sogo and Harvey Nichols.
- **Specialty Stores:**
Mass market
 - Foreign: Mango, Zara, H & M, Cotton-On, M&S, Uniqlo, all company-owned stores
 - Local: Esprit, Giordano, Bossini
- **Mid-market & luxury**
 - Through licensing for exclusive distribution & retail e.g Lucky Brand Jeans
 - Through setting up company-owned stores e.g Ralph Lauren and Coach
 - Through manufacturing under license (non U.S. brands e.g. Charles Jordan, Ben Sherman)



Lane Crawford

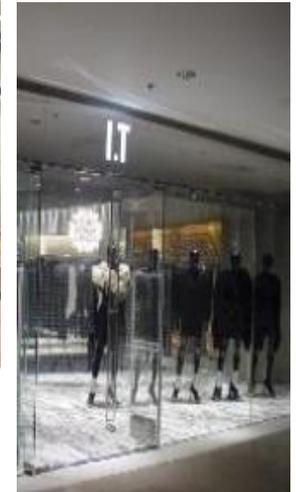


Photo: Coach

Market Access

- **No import duties, no sales tax, no labeling requirements**
- **No restrictions on foreign ownership; easy to set up an office**
- **Strong IPR laws to protect brands**
- **HK dollar pegged to the U.S. dollar**