

Opportunities for Swiss Companies in Hong Kong

# CREATIVE INDUSTRY



OFFICIAL PROGRAM



PARTNER



## **THE HONG KONG CREATIVE AND DESIGN MARKET**

This report provides a comprehensive reference for Swiss companies wanting to expand and/or develop in the Hong Kong creative and design market. It contains both the landscape and dynamics of design-related industry developments, for various sectors including graphic and multimedia design; interior, furniture and exhibition design; industrial design; and fashion design.

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# 1. Foreword

Dear Reader,

In recent years, the Government has introduced a wide range of promotional initiatives to enhance Hong Kong's image as an innovation and creative hub. These efforts together with customer's growing demand for high-quality and customised design products and services have been the key to stimulating Hong Kong's cultural, creative and design sector. As a result, the creative industries have been among the most dynamic sectors in Hong Kong, contributing to continuous and sustainable economic growth.

Not only invests the government into the city's infrastructure by transforming historical buildings into creative industries landmark, Hong Kong is also home to Asia's leading design events and provides a nurturing environment for start-up companies in various design disciplines. The city is considered as one of the freest economies in the world and enjoys a liberal multimedia environment in Asia. The growing awareness of the importance of brand and corporate identity has attracted an increasing number of multinational agencies, resulting in a strong and well-established design community.

This report provides some background information on the landscape, dynamics and future trends of design-related industry developments for various sectors including graphic and multimedia design; interior, furniture and exhibition design; industrial design; and fashion design. Freelancer Artists, designers and communication specialists from Switzerland and other parts of Europe are sharing their experience and their views on the Hong Kong design market, pointing out the advantages and describing the challenges you may face in this vibrant city at the heart of Asia.

Hong Kong's promising design market offers vast opportunities and favourable conditions for Swiss enterprises and entrepreneurs. Are you ready to explore new possibilities? Then let us discuss and evaluate the chances of your company's success in the region.



**Frank Eggmann**

Head of Swiss Business Hub Hong Kong

Consulate General of Switzerland  
62/F, Central Plaza, 18 Harbour Road  
Wan Chai, Hong Kong

[frank.eggmann@eda.admin.ch](mailto:frank.eggmann@eda.admin.ch)

Phone: 058 480 05 53

[www.eda.admin.ch/hongkong](http://www.eda.admin.ch/hongkong)

s-ge.com

## 2. Executive Summary

Hong Kong has experienced remarkable economic growth and social development in the last two to three decades, which has resulted in a steady increase in consumers' income. The rising demand for customised high-end design products and services, together with government policies to promote the cultural and creative industries, creates a promising prospect for the creative and design market in Hong Kong. With a robust infrastructure and many qualified workers, Hong Kong also acts as a regional hub for foreign companies to expand into surrounding countries.

Seeing the vast opportunities in the Hong Kong creative and design market, this report aims to provide an overview of the current situation as well as future trends for certain design sectors, with a special focus on exploring potential opportunities for Swiss enterprises and entrepreneurs.

This report covers the following four sectors of the Hong Kong creative and design market:

- Graphic and Multimedia Design
- Interior, Furniture and Exhibition Design
- Industrial Design
- Fashion Design

Each sector is structured according to the below four segments:

- Market Development
- Policies and Incentives
- Opportunities for Swiss Companies
- Case Studies

The content of this report will provide Swiss companies with an overview of the Hong Kong creative and design market as well as a basis with which to formulate a suitable entry and/or expansion strategy for not only Hong Kong, but the greater Asia Pacific market.

## 3. Market Overview

Hong Kong is striving to present itself as a creative and progressive economy and to integrate art into people's daily life. The government has put efforts to promote Hong Kong as a world city by nurturing creativity, talents and the ability in artistic and cultural appreciation.

### 3.1. CULTURAL AND CREATIVE INDUSTRIES

The cultural and creative industries (CCI) are among the most dynamic sectors in Hong Kong, contributing to economic growth and job creation. CCI is comprised of a set of knowledge-based activities that deploy creativity and intellectual capital as primary inputs and deliver goods and services with cultural, artistic and creative contents.

The Hong Kong Special Administrative Regions (HKSAR) government identifies the 11 component domains of CCI as follows:

- art, antiques and crafts;
- cultural education and library, archive and museum services;
- performing arts;
- film, video and music;
- television and radio;
- publishing;
- software, computer games and interactive media;
- design;
- architecture;
- advertising; and
- amusement services.

Over the last decade, creative industries have been moving to the centre of attention of government policies and agenda in many economies. Keeping up with the international interest, the HKSAR government has commissioned a number of studies to develop strategies for the promotion of the creative and cultural industries. Other efforts to promote creativity in Hong Kong have been made by non-governmental institutions. These historical efforts include:

- The 2003 Baseline Study on Hong Kong's Creative Industries<sup>1</sup>, a 200-page report commissioned by the Central Policy Unit and conducted by the Centre for Cultural Policy Research of the University of Hong Kong. This study provides comprehensive research on what Hong Kong has been doing in this area for the last 30 to 40 years.
- A Study on the Hong Kong Creative Index<sup>2</sup> by the HKSAR government in 2004, which sets the building blocks for the Creative Index – 5Cs (outcome of creativity, structural/institutional capital, human capital, social capital and cultural capital). Study results showed the growth rate to be positive for the Creative Index during the period 1999 - 2004.

Following the 2009 policy address, the government introduced a range of measures to facilitate the redevelopment or wholesale conversion of over 1,000 old industrial buildings into premises more favourable for work and play. For instance, the government has turned a decommissioned factory estate in Shek Kip Mei into the Jockey Club Creative Arts Centre. The previous nine-storey factory building has been renovated into a 100,000 square feet lettable space for production and display of art works. The government has also introduced the Revitalising Historic Buildings Through Partnership Scheme to preserve and transform historic buildings into good and innovative use. These initiatives are conducive to stimulating Hong Kong's creative sectors.

<sup>1</sup> [http://www.cpu.gov.hk/doc/en/research\\_reports/baseline%20study\(eng\).pdf](http://www.cpu.gov.hk/doc/en/research_reports/baseline%20study(eng).pdf)

<sup>2</sup> [http://www.hab.gov.hk/file\\_manager/en/documents/policy\\_responsibilities/arts\\_culture\\_recreation\\_and\\_sport/HKCI-InteriReport-printed.pdf](http://www.hab.gov.hk/file_manager/en/documents/policy_responsibilities/arts_culture_recreation_and_sport/HKCI-InteriReport-printed.pdf)



**Table 3.1. 1: Contribution of CCI to Hong Kong economic growth**

|   | 2009    | 2010    | 2011    | 2012    | 2013    | 2014E   |
|---|---------|---------|---------|---------|---------|---------|
| Value-added (in HKD million)                                  | 63,266  | 77,573  | 89,551  | 97,837  | 106,050 | 117,810 |
| % of GDP  | 4.0%    | 4.5%    | 4.7%    | 4.9%    | 5.1%    | 5.3%    |
| Number of persons engaged (rounded to the nearest 10)         | 188,250 | 189,430 | 192,930 | 200,370 | 207,490 | 213,730 |
| % of total employment   | 5.4%    | 5.4%    | 5.4%    | 5.5%    | 5.6%    | 5.6%    |
| Exports of cultural and creative goods and services (million) | 391,351 | 471,988 | 520,102 | 563,645 | 532,170 | 538,563 |
| Imports of cultural and creative goods and services (million) | 413,456 | 501,242 | 570,244 | 634,962 | 621,419 | 648,110 |

Source: Census and Statistics Department, Fiducia Analysis

**Figure 3.1. 1: Major infrastructure sites and clusters of creative industries in Hong Kong**



### 3.2. DESIGN INDUSTRY

Design is a sector within the 11 component domains of CCI. According to the definition provided by the Census and Statistics Department of the HKSAR government, the design domain covers a wide range of specialised design activities including interior and furniture design, multimedia, visual and graphic design, fashion and accessories design (including jewellery design), as well as industrial design. Based on this definition, the scope of this report is focused on four sectors, namely graphic and multimedia design, interior, furniture and exhibition design, industrial design, and fashion design.

According to a report released by the Hong Kong Design Centre (HKDC)<sup>3</sup>, in terms of the number of establishments, most of Hong Kong's design service providers were engaged in the multimedia and graphic design sector (35% of share), followed by the interior and furniture design sector (32%) and the industrial design sector (11%).

**Table 3.2. 1: Contribution by the design sector to Hong Kong economic growth**

|   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014    |
|---|--------|--------|--------|--------|--------|--------|---------|
| Value-added<br>(in HKD<br>million)                                | 2,683  | 2,289  | 2,932  | 3,615  | 3,310  | 3,711  | 3,960*  |
| Number of<br>persons<br>engaged<br>(rounded to the<br>nearest 10) | 11,100 | 11,300 | 12,080 | 13,150 | 14,140 | 15,120 | 16,085* |
| Number of<br>registrations<br>for trademarks                      | 5,926  | 7,524  | 8,482  | 8,430  | 9,111  | 11,144 | 12,095  |
| Number of<br>designs<br>registered                                | 2,304  | 1,641  | 1,794  | 1,638  | 1,468  | 1,437  | 1,421   |
| Number of<br>patents granted                                      | 316    | 388    | 387    | 396    | 400    | 422    | 372     |

Note: \*Estimated

Source: Legislative Council, Census and Statistics Department, Fiducia Analysis

The results indicate a 6.70% CAGR<sup>4</sup> and 6.38% CAGR from 2008 to 2014 in terms of value added and employment by the design industry respectively. The growth rate will be around 6-7% over the next five years. According to the records from the Hong Kong yellow pages, there are 4,024 design-related establishments in 2015 compared to 2,430 in 2008<sup>5</sup>, representing a 65.6% upsurge. Among the design-related establishments, some of them provide products and solutions according to client requests, whereas others have their own brand and promote their products in the market. An increasing number of Hong Kong companies are advancing from Original Equipment Manufacturers (OEM) to Original Design Manufacturers (ODM) and/or Original Brand Manufacturers (OBM).

Major client sectors include:

- Culture, media and entertainment
- Financial services and banking
- Manufacturing
- Commerce and retail
- Property

<sup>3</sup> [http://www.hkdesigncentre.org/download/publications/designindex\\_eng.pdf](http://www.hkdesigncentre.org/download/publications/designindex_eng.pdf)

<sup>4</sup> The Compound Annual Growth Rate is the mean annual growth rate over a specified period of time longer than one year.

<sup>5</sup> [http://www.ideascentre.hk/wordpress/wp-content/uploads/2009/04/ci\\_report\\_part2.pdf](http://www.ideascentre.hk/wordpress/wp-content/uploads/2009/04/ci_report_part2.pdf)

### 3.2.1. Supporting Bodies



- **Hong Kong Design Centre (HKDC)**

Founded in 2001, HKDC aims at promoting design as a value-adding activity, and raising Hong Kong's image as an innovation and creative hub. HKDC's basic operation covers research, website and database development, publications, networking activities on mainland China and overseas, educational seminars, workshops and classes, and designer-business networking events among others.

HKDC has organised an annual event called Business of Design Week (BODW) in Hong Kong since 2002. BODW, a week-long event with conferences, forums, award presentations, exhibitions, and outreach programme, is now the largest annual design event in Asia and one of the leading design events in the world. BODW attracted over 100,000 participants including business executives, designers and brand owners from Hong Kong and overseas in 2014.

Additionally, HKDC has been updating the online Hong Kong Design Directory<sup>6</sup> database to facilitate the search for suitable partners or service providers for design projects. The Directory provides useful references on over 700 local designers, design consultants, as well as design companies.

- **CreateHK**



CreateHK is an agency which was set up under the Commerce and Economic Development Bureau of the HKSAR government on 1 June 2009 to promote and speed up the development of creative industries in Hong Kong. CreateHK mainly provides support for design through the following funding schemes and programmes:

**CreateSmart Initiative (CSI)** - CSI is a HK\$300 million fund for initiatives related to design and other creative sectors (except film). Earlier in 2004, before the implementation of CSI, the government introduced the HK\$250 million "DesignSmart Initiative" (DSI) scheme to strengthen its support for the growth of the Hong Kong design sector. The DSI together with CSI comprise a Design Support Programme to promote design-related services. According to the 2015-16 budget of the HKSAR government, an additional HK\$400 million will be injected into CSI.

**Design-Business Collaboration Scheme (DBCS)** - The DBCS aims at promoting the interest and investment of SMEs in relation to utilising design and transforming design activity into tradable deliverables that manifest exploitation and deployment of intellectual property, which may be comprised of patents, copyrights, trademarks or industrial design.

**Design Incubation Programme (DIP)** - CreateHK supports the Design Incubation Programme (DIP) (administered by HKDC) to nurture start-up companies in various design disciplines, including fashion, jewellery, media and branding. Entrepreneurial companies are provided with assistance in many business development areas, including training programmes and networking sessions with professional bodies and potential business partners.

| Table 3.2.1. 1: Projects organised or sponsored by CreateHK (as of June 2015)                  | CSI    | Others | Total  |
|--|--------|--------|--------|
| Number of approved projects  | 234    | 209    | 443    |
| Number of directly created job opportunities   | 1,610  | 1,820  | 3,430  |
| Number of indirectly created job opportunities   | 7,620  | 3,090  | 10,710 |
| Number of SME beneficiaries  | 890    | 40     | 930    |
| Number of business contacts or enquiries created for SMEs                                      | 8,800  | 100    | 8,900  |
| Number of awards attained by the creative talents to participate in international competitions | 60     | 110    | 170    |
| Number of creative talents nurtured and start-up opportunities created                         | 31,200 | 2,000  | 33,200 |

Source: CreateHK

<sup>6</sup> <http://www.designdirectory.hk/index/>

**Table 3.2.1. 2: Outcomes of Design Incubation Programme**

|   | Design Incubation Programme |
|---|-----------------------------|
| Number of incubatees  | 164                         |
| Number of incubatees which have completed incubation            | 119                         |
| Number of IPRs applications registered by incubatees            | 276                         |
| Number of job opportunities created by incubatees               | 780                         |
| Number of local and international awards attained by incubatees | 187                         |

Source: CreateHK

- **HKTDC and InvestHK**

The HKTDC SME Start-up Portal is an one-stop solution for SMEs and start-ups to access a wealth of practical information and support services, including marketing and promotion, management and training, franchising and licensing, as well as SME funding schemes. Foreign SMEs and start-ups can also receive support from the SME Centre under HKTDC. Furthermore, InvestHK works with overseas and mainland China entrepreneurs, SMEs, and multinationals that wish to set up or expand business in Hong Kong, and it offers free advice and services to support companies from the planning stage to the launch and expansion of their business.



**InvestHK**  
The Government of the Hong Kong  
Special Administrative Region



### 3.2.2. Infrastructure Development

- **PMQ**

The former Police Married Quarters (PMQ) is a historic building built in 1951, occupying a site of 6,000 square metres, which was transformed into a creative industries landmark in 2014. PMQ is located in the heart of the Soho area in Central, and it offers 130 studio units, where the premises are used as points of sale to display retail projects and services. It serves as a platform for designers to showcase their products to the public and to create new business opportunities.



- **InnoCentre**

Located in the innovation and technology ecosystem of the Hong Kong Science & Technology Parks (HKSTP) at Kowloon Tong, InnoCentre is a modern, re-modelled building with six storeys of premier office space inaugurated in 2006. It is a purpose-designed home to a cluster of design companies and entrepreneurs by providing spacious exhibition halls, training and meeting facilities, as well as a wide array of promotional activities and support services. HKSTP continues to work closely with HKDC to maintain a creative working environment for grooming design talents.



- **West Kowloon Cultural District**

The West Kowloon Cultural District (WKCD) Development Project, aiming to turn the 40-hectare waterfront site into an integrated art, cultural and entertainment district when completed in 2018, will enhance the development of art and culture in Hong Kong. WKCD is located right in the middle of the city in Kowloon, next to the Hong Kong terminal of China's Express Rail System that connects to Guangzhou and all major cities in mainland China. WKCD is expected to become a creative hub which includes a visual arts museum M+, focusing on modern art, design and architecture and offering good platforms for all designers.



### 3.3. MARKET CHARACTERISTICS AND TRENDS

- **High-end customers:** Supported by the economic development, the rising upper class in Hong Kong are gradually changing their lifestyle, shopping habits and consumption patterns. With higher disposable income, customers are demanding more high-quality and customised design products to enrich their personal lives.
- **Mass customisation and personalisation:** While the uniqueness of design products is pivotal, computer-aided design facilities have turned mass customisation and personalisation into reality, helping businesses to exploit the economies of scale.
- **Co-existence of very large and very small companies:** An increasing number of design companies provide one-stop services within multiple design disciplines including product design, packaging and marketing. Large design companies with established reputation are integrating design management and consulting services into their businesses due to the increasing demand arising from the flourishing Chinese market. In contrast to large companies providing comprehensive services, small firms can also be productive, targeting niche markets to provide customised services to clients.
- **Clustering of creative and design companies:** In recent years, factory buildings in former industrial areas (e.g., Fo Tan, Kowloon Bay, and Kwun Tong) have been turned into the offices and workshops of creative industries. These “clusters” are spread all over Hong Kong and most of them are connected by the mass transit system, providing a great networking and communications platform for designers.
- **Growth of e-commerce:** As online shopping continues to gain popularity, fashion brands and other design brands are investing hugely in this form of marketing. Online shoppers are mainly young and wealthy citizens, which is the target group for premium customised products.
- **Public participation:** The recent changes in the cultural landscape are markers of growing support for and receptiveness towards creativity, not only at an institutional and commercial level but also amongst the public at large. The design industry can be seen as a tool for urban/regional regeneration, instilling and reinforcing community identity. The Leisure and Cultural Services Department of the HKSAR government and PMQ offer various interactive workshops and exhibitions to encourage public participation and nurture public awareness of a creative economy.

## 4. Graphic and Multimedia Design Market

### 4.1. GRAPHIC DESIGN

Graphic design is the process of visual communication and problem-solving through the use of type, space, image, and colour. Graphic designers use various methods to create and combine words, symbols, and images to create a visual representation of ideas and messages.

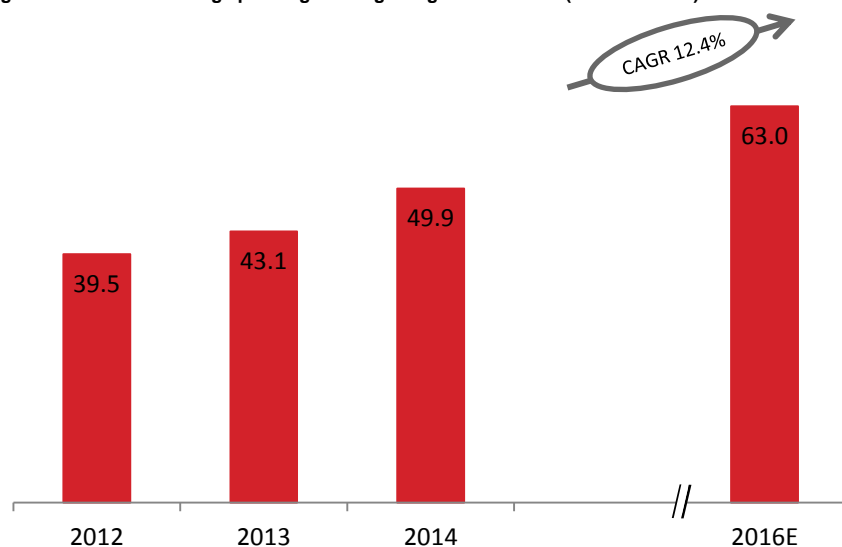
Common uses:

- Logos and branding
- Advertising
- Publishing
- Web graphics
- Product packaging

#### 4.1.1. Market Development

According to the records from the Hong Kong yellow pages, there are currently 346 establishments specialising in the graphic design sector, while other companies have graphic design function as part of their businesses. Nearly 15,000 people are employed in around 2,500 printing and related services companies. Since a large percentage of graphic designers work in advertising and marketing agencies, the development of the marketing services industry in Hong Kong is pivotal in facilitating the graphic design sector. As the marketing services capital of Asia, Hong Kong has attracted a strong presence of multinational agencies, with the majority of them having their regional headquarters in Hong Kong. Hong Kong advertising spending reported a record high of HK\$49.9 billion in 2014.

Figure 4.1.1. 1: Advertising spending in Hong Kong 2012 – 2016E (in HKD billion)



Source: HKTDC, South China Morning Post, Fiducia Analysis

Furthermore, the market value of China's advertising industry reached HK\$93.9 billion in 2013. In the process of going "global", Chinese companies need advice from communication professionals with experience and expertise. Given the



multilingual language ability of Hong Kong designers, those Chinese companies are more likely to entrust Hong Kong marketing services companies to achieve integration with the international community.

In addition, graphic design is used as a medium in logo and branding services. From brand logo and visual identity to communication and marketing materials, graphic designers use their work as a bridge linking the clients to their end market. There is growing awareness of the importance of brand and corporate identity by Hong Kong and Chinese companies as an essential component of business success, especially among those that would like to expand beyond their home market. Many design agencies and companies in Hong Kong position themselves as providers of holistic brand consulting services with product managers/strategists that have design-trained talents.

## Highlights

- **Hong Kong Characteristics**

In order to promote their businesses in Hong Kong, many multinationals, especially retail companies, have incorporated Hong Kong characteristics into the packaging design of their products. For instance, Coca-Cola has recently designed the packaging belt with common names for Hong Kong people or with lyrics from Cantonese songs printed on it.

- **Flat design**

Flat design is a style of interface design without any stylistic elements that give the illusion of three dimensions (such as excessive use of drop shadows, gradients or textures) and is focused on a minimalist use of simple elements, typography and flat colours. Flat design allows interface designs to be more streamlined and efficient. This trend can be observed from the evolution of famous brand logos.

Figure 4.1.1. 2: Examples of flat design



- **Calligraphy**

As typography becomes more sophisticated, there is a push back from clean lines towards a more flawed, varied hand type. Splashes and imperfections make hand written letters stand out and give projects a friendlier vibe. Modern-style calligraphy, featuring very thin and very thick lines and large spacing between letters, has been popping up all over graphic design works in Hong Kong, such as wedding invitations and motivational posters.

- **Digital surrealism**

The current obsession with digital media and the blurring of physical and virtual fuel a new surreal movement called “digital surrealism” – digitally rendered imagery creating 3D effects for flat surfaces.

### 4.1.2. Policies and Incentives

- **Hong Kong International Printing & Packaging Fair**

Organised by HKTDC and CIEC Exhibition Company (HK) Limited, the Hong Kong International Printing & Packaging Fair takes place at the AsiaWorld-Expo, allowing the printing and packaging industry to showcase its expertise and customer

service to buyers from around the world. A record-breaking 420 exhibitors from around the globe joined the 2015 fair. As in previous editions, the 2016 fair will gather decision makers from publishers, advertising agencies, and design companies, as well as brand owners of light consumer goods, with luxury packaging and green printing as two highlighted zones. The Fair also features a series of seminars, forums and networking activities for designers to grasp the latest market intelligence and to network with industry players.

- **HKDA GDA**

HKDA Global Design Awards (HKDA GDA) is a biennial flagship design competition organised by the Hong Kong Designers Association (HKDA) since 1975. As a multi-disciplinary design competition, HKDA GDA accepts worldwide entries from four main categories: graphic design, new media design, product design, and spatial design. World-class judges are invited to form the jury panel and the Award has attracted thousands of entries in previous editions. It is not simply a design competition to honour design excellence, but also acts as an engine to energise a series of seminars, awards presentation ceremonies and exhibitions as a year-long campaign that aims to enhance Hong Kong's image as a creative hub in the Asia Pacific area.

## **4.2. MULTIMEDIA DESIGN**

As the name indicates, multimedia design requires both creative and technical skills to integrate two or more types of media, for instance, sounds and motion pictures.

Common uses:

- Advertising and marketing
- Web designing
- Video gaming
- Interactive learning

### **4.2.1. Market Development**

Hong Kong is home to about 80 international media organisations including broadcasters, TV channels and news agencies. There are currently 30 full members in the Association of Accredited Advertising Agencies of Hong Kong (HK4As), mainly multinational advertising and media agencies. Over 2,300 establishments employ over 16,000 people in the motion pictures and entertainment services sectors. Factors that attract media companies are the freedom of information and the investment opportunities that Hong Kong offers. Hong Kong is considered one of the freest economies in the world and enjoys a liberal multimedia environment in Asia. Since the handover to mainland China, Hong Kong has been granted relatively legal, economic and political autonomy under the “one country, two systems” policy. In contrast to the rest of China where control of media is pervasive, Hong Kong's freedoms of speech, of the press, and of publication are protected under Article 27 of the Hong Kong Basic Law and Article 16 of the Hong Kong Bill of Rights. Hong Kong also enjoys an open investment regime and unrestricted foreign ownership rules.

Multimedia design is prevalent on the Internet, where web pages use a combination of audio, animation and text. The advertising and marketing industries have jumped on this trend of using multiple forms of media to reach wider audiences. About 83.0% households in Hong Kong use broadband services at the end of August 2015, and mobile cellular subscription per 100 people has reached 239.1 in 2014<sup>7</sup>. Both marketers and advertisers are placing greater focus on digital advertising through websites, landing pages, email newsletters and video advertisements, capitalising on increased Internet penetration and higher levels of mobile browsing. Moreover, the number of mobile Internet users has overtaken those going online with personal computers in mainland China since July 2014, providing a much larger mobile advertising market for multimedia design companies in Hong Kong as well.

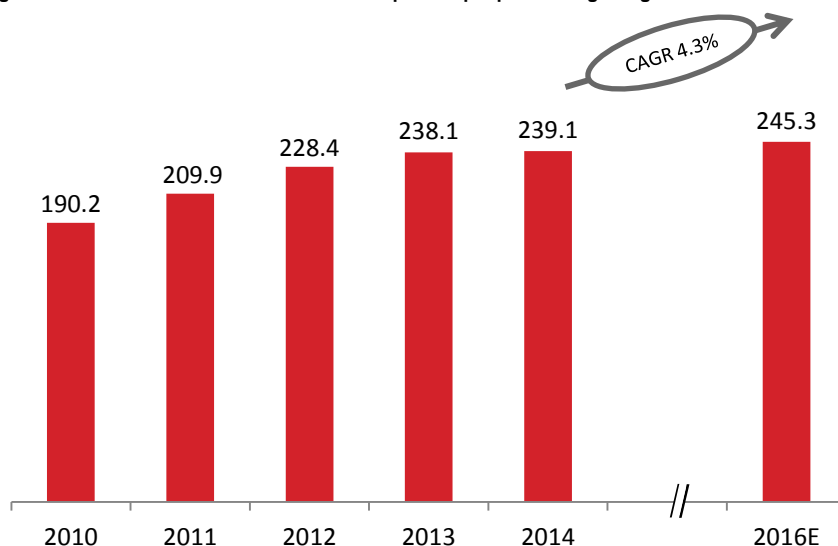
Industries such as video gaming and education are also taking advantage of innovations in multimedia design. The use of information and communication technology (ICT) is regarded as the future of this sector.

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<sup>7</sup> <http://www.statistics.gov.hk/pub/B11100092015BE15B0100.pdf>



Figure 4.2.1. 1: Number of mobile subscribers per 100 people in Hong Kong 2010 – 2016E



Source: Census and Statistics Department, Fiducia Analysis

### Highlights

- **Video marketing**

By 2017, video will account for 69% of all consumer internet traffic, according to Cisco. Videos can convey a message ten times more powerful than text content. Micro-video apps shorten videos to less than 10 seconds, making them ideal for sharing on sites like Twitter and Facebook. In this format, companies can quickly send a message that will be seen by a larger audience as customers scroll through their social media feeds.

- **Interactive learning**

Learning through interactive videos and even educational games are becoming more prevalent among the younger generation in Hong Kong and mainland China. Good interactive learning applications require innovative multimedia design to draw people into a virtual environment that is engaging and immersive, making it possible to maintain attention for longer periods and improve learning efficiency.

### 4.2.2. Policies and Incentives

- **Cyberport**

Cyberport is a project with an investment of HK\$15.8 billion and a creative digital cluster with over 600 community members. It is managed by the Hong Kong Cyberport Management Company Limited which is wholly owned by the HKSAR government.

Cyberport is a robust and dynamic agency that has created a great deal of success through its incubation programme in the digital entertainment industry. Cyberport's IncuTrain Programme, a successful incubation and training programme for start-ups, provides physical space, network, training and business tutoring to start-ups, as well as a grant of HK\$100,000 to successful applicants for taking creative ideas to the "proof of concepts" stage and developing prototype products. The IncuTrain Programme has been running since 2007 and has "graduated" 49 start-ups, some of which managed to get several rounds of venture capital funding and have become successful business entities. These "graduates" remain in Cyberport's IncuTrain network and act as mentors to the new comers.



### 4.3. OPPORTUNITIES FOR SWISS COMPANIES

- **Utilise social networking sites and digital advertising:** If Swiss designers/companies would like to develop their client base in Hong Kong, using social networking sites is an effective way to promote their services. Designers can create a website, a Facebook page, and even an Instagram/Tumblr account to let their works be recognised by wider audiences.
- **Television channel for arts, culture and creativity:** There is currently no television channel specialising in arts and culture in Hong Kong. In order to further develop the creative and cultural industries in Hong Kong, there is urgent need to set up such a channel. Swiss companies can satisfy this need by cooperating with the right Hong Kong partner and meanwhile provide opportunities for multimedia designers.
- **Interactive media:** With a long history of design industry development in Europe, Swiss designers possess a strong humanistic mind set as well as technological knowledge to actualise ideas as design artefacts for a dynamic interactive experience. Swiss companies can work with Hong Kong partners like museums/educational institutions to create online exhibits/interactive learning courses.

### 4.4. CASE STUDIES

#### 4.4.1. Marc & Chantal [www.marc-chantal.com](http://www.marc-chantal.com)



Swiss designer Mr. Marc Brulhart set up Marc & Chantal with Mr. Marc Cansier and Ms. Chantal Rechaussat to embrace the power of brands, not as mere stamps of ownership, but as beacons of social and cultural changes.

#### About Marc & Chantal

Marc & Chantal has been established since 1992. With a focus on brand building and brand experience, Marc & Chantal helps its clients connect to their customers. More specifically, the company helps clients create and understand their brands through three types of services: logo and identity design, showsuite design, and wayfinding and signage design. There are product managers and strategists that have design-trained talents on the team, and they work together to create exclusive and successful design solutions that blend graphic design, interior design and multimedia design.

Clients mainly come from auto groups, government agencies, luxury brands and property developers. Having a base in Hong Kong also allows the company, now with around 30 staff in the Hong Kong office, to manage projects in mainland China, which accounts for a very large part of its business. To meet the business needs in China, Marc & Chantal opened a wholly-owned foreign company (WOFE) in Beijing with four to five staff supported by the parent company in Hong Kong.

#### Success in Hong Kong

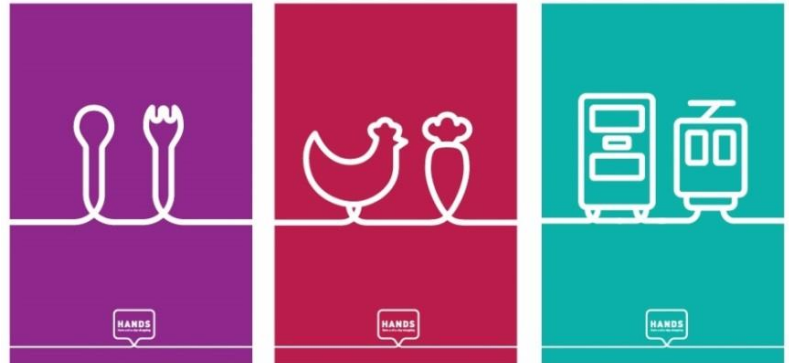
Brulhart first came to Hong Kong just to experience something different. “I love the ever-changing and energetic aspects of the city. ***Participating and contributing to this energy gives me the chance to experience a novel life from what I was used to in Europe, offering best inspiration for creative minds,***” he said. It took Brulhart and his business partners four years to realise that they should turn the design work into an actual business. Hong Kong offers Marc & Chantal favourable conditions, including entrepreneurial spirit and a wealth of clients. “We learned a lot from the experience of dealing with clients from Hong Kong, mainland China and other Asian countries,” he commented.



Mr. Marc Brulhart (left) with his business partners Mr. Marc Cansier and Ms. Chantal Rechaussat

Brulhart thinks that there is nothing fancy about the company's marketing strategy. "Our business just adopts word-of-mouth marketing. We start from a small project or parts of a project with clients and enlarge business opportunities by providing qualified services and keeping long-term relationships with clients," he said. As their reputation grew, the company was approached by multinationals, including General Electric, to work on projects, such as a museum gallery in its Shanghai headquarters.

The company has been growing steadily over the past two decades. "We are proud that we have created a team working together with shared vision", Brulhart said. In the future he hopes that the team members can contribute more in affecting the direction of the company, as the company cherishes people, both staff and clients, as the treasure of its business.



Visual identity design for H.A.N.D.S shopping mall by Marc & Chantal

#### Views on the Hong Kong design market

From Brulhart's point of view, the Hong Kong design industry is relatively young and the future is rosy. There will be more foreign designers coming to Hong Kong to explore new possibilities. In addition, there is a strong demand for strategic branding services in mainland China as well. "Although you may need to guide or educate your clients, especially some state-owned enterprises in China, step by step, I would recommend Hong Kong as a fantastic Asian platform for entrepreneurs," he said. For foreign designers, Brulhart thinks that trusting and respecting clients is important to success. "Working with clients is like a marriage; even if it is a 'temporary' one, you need to devote with your heart and soul," he concluded.

#### 4.4.2. Cath Love [www.cathlove.com](http://www.cathlove.com)

Born in Bangkok to a Thai mother and a Swiss father and raised in Hong Kong, Ms. Catherine Grossrieder always knew that she wanted to travel and absorb life's many quirks and cultures. She enjoys creating cute as well as more surreal, twisted art and hopes that viewers not only appreciate it superficially, but for what it could also communicate.

##### About Cath Love

Grossrieder is a freelancer artist and graphic designer, working independently on drawing and painting personal works, artwork commissions, murals and logo/identity design. Grossrieder set up her own cartoon brand Jeliboo four to five years ago. It is a word-of-mouth business although she has a website Cath Love, a web store and a YouTube channel to promote her works.



Ms. Catherine Grossrieder

Grossrieder has realised the importance of language in dealing with local clients. "As my Cantonese is only at elementary proficiency, I mainly deal with European clients, but I also have clients from Hong Kong and mainland China. Most of my clients are start-ups or young entrepreneurs, and they are open-minded to the uncertainty characteristic of design," Grossrieder said. She is considering hiring some project-based local staff to improve communication efficiency.

Having lived in many countries such as Thailand, Switzerland, Australia and the UK, Grossrieder feels the most comfortable in Hong Kong as she was brought up here. "I think I might not be able to do what I am doing right now if I was in Switzerland, as from my point of view Hong Kong has its advantage of being less conservative. In Europe, the design market is highly saturated and the competition is fierce. If a Swiss client would like to find a designer to work with, it might consider local designers trained at local design schools instead of third-culture generation like me. In contrast, **the design sector is relatively a**

*fledging market in Hong Kong and people are intrigued by good design so that they are willing to invest into it,” she explained.*

### **Success in Hong Kong**

Grossrieder thinks that she has learned a lot from liaising with different types of clients over the past few years. From the Little Bao logo where people started to notice her design, Grossrieder has worked with some of the most famous companies like Selfridges, Nike, H&M, Jimmy Choo and Lane Crawford. “I am proud that I always come up with my own ideas and never copy something similar. Even if I might turn down some clients and I might need to struggle for my life, I am happier in this way,” Grossrieder said.

Grossrieder is likely to have her studio by the end of November in 2015 but she will still work independently for the design solutions. She hopes that one day she can merchandise the cartoon brand Jeliboo with a wide penetration like Hello Kitty.

### **Views on the Hong Kong design market**

“I can name some of the industry trends such as ‘back to simplicity’, but I think more importantly designers in Hong Kong and Asia are proving that they are as good as their European fellows”, Grossrieder said. The design market in Hong Kong is promising, yet Swiss companies/designers need to be well-prepared before entering the market, from mind set to network. “There might be cultural shocks, but design itself is a continuous learning process. If you are open-minded, you will be fascinated by the possibilities in Hong Kong to make things happen. Take the initial step from always remembering to give your name card with both hands, as the first expression to clients is pivotal,” she suggested.



Ms. Catherine Grossrieder's cartoon character Jeliboo

## 5. Interior, Furniture and Exhibition Design Market

According to the records from Hong Kong yellow pages, there are currently 1,136 establishments in the interior design sector, 152 establishments in the furniture design sector, and 47 establishments in the exhibition design sector.

### 5.1. INTERIOR DESIGN

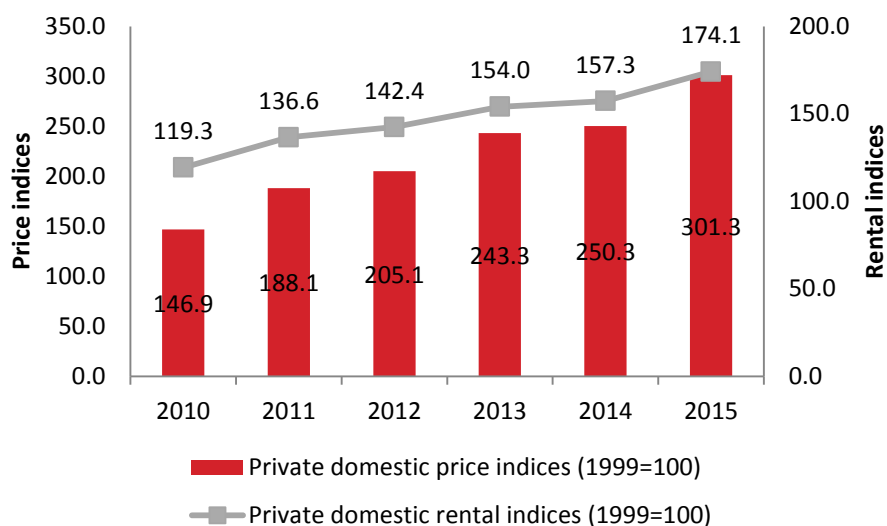
Interior design is the art or process of designing the interior of a room or building. It is a multifaceted profession that includes conceptual development, communication with stakeholders of a project as well as management and execution of the design.

#### 5.1.1. Market Development

Around 6,600 interior designers are involved in this sector. In terms of nurturing design talents, Insight School of Interior Design Hong Kong is an institute specialising in interior design and the school offers a variety of courses ranging from short vocational courses to intensive one-year professional diploma.

Major project sectors include corporate offices, retail stores (cosmetic, fashion, healthcare and pharmaceutical, consumer electronics, etc.), hospitality, and residential places. The property market has been dominating Hong Kong's economy, driving demand for interior design and creating trends that are echoed in mainland China and across Asia. Hong Kong's residential property market has been rising relentlessly since 2008. After purchasing the property with a large amount of money, customers are keen to enjoy high-quality lifestyles through customised interior design. As Hong Kong remains the strategic location for multinational companies and other foreign businesses to enter mainland China, the demand for office space design is huge as well. Further, small-size apartments in Hong Kong raise the concern of space utilisation rate, thus raising the bar for interior design. The high density of buildings also creates unique lighting requirements for interior designers.

Figure 5.1.1. 1: Price and rental rates of residential property in Hong Kong 2010 - 2015



Source: Rating and Valuation Department, Hong Kong Tourism Board, Fiducia Analysis



## Highlights

- **Open workspaces**

Office walls are coming down in favour of a more community-centric approach to working. Open workspaces also improve space efficiency given the high cost of real estate in Hong Kong. Furthermore, shared office spaces are especially in high demand among work-congested areas such as Central and Wan Chai, creating growth potential for interior design companies.

- **Integrated technology and humanised designs**

Humanised designs are having wider applications in the interior market in Hong Kong. The applications of high-tech integrations could range from a fully-programmable lighting system controlled by a smartphone or tablet, to an automatic air-conditioning control that changes with the customer's body temperature. As for office spaces, high-tech conference rooms with video conferencing system and interactive whiteboards enable people to exchange ideas efficiently without a business trip.

- **Environmentally-friendly designs**

As people are becoming more conscious about their carbon footprints, reducing energy cost will be a game-changing factor. Energy-saving lamps like LEDs and more energy-efficient toilets are two examples. Besides, Hong Kong customers welcome healthier materials that do not emit toxins when choosing flooring and paints.

### 5.1.2. Policies and Incentives

- **HKIDA**

The Hong Kong Interior Design Association (HKIDA) has been conducting the Registered Interior Designer Association (RIDA) Project<sup>8</sup> since 2007 to boost the interior design profession and gain the support of the government as well as the general public for the establishment of a registration system for Hong Kong interior designers. Phase 5 of the project officially launched in July 2015, and this particular two-year project helps practitioners and students enhance their professional knowledge with a series of master talks, writing of interior design textbooks, mentoring scheme, and continuing education schemes.

HKIDA further organises the Asia Pacific Interior Design Awards (APIDA) to acknowledge recognition to deserving projects and promote public awareness of interior design as an important aspect of everyday life. The awards are open to design practices and individuals who have completed projects in the Asia Pacific region, and participants are judged on four criteria including originality and innovation, functionality, space planning, and aesthetics. A shortlist of finalists will be selected by a highly qualified judging panel including local and overseas judges.

## 5.2. FURNITURE DESIGN

In this report, furniture design includes the design of household, office, and hotel furniture. A vast variety of raw materials are used, including wood, rattan, plastic, and metal.

### 5.2.1. Market Development

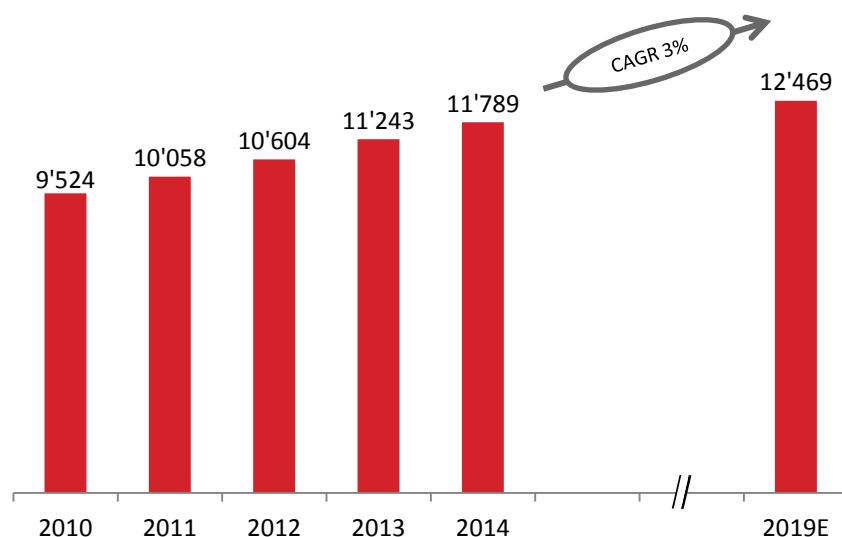
Home furnishings in Hong Kong recorded 5% value sales growth to reach about HK\$12 billion in 2014, driven by customer demand for higher quality lifestyles. Due to improved disposable income, consumers are more willing to invest in high-quality home furnishings that are sophisticated in design, thus improving their overall quality of life.

Hong Kong companies have strong design capability and they used to accommodate themselves to OEM orders from overseas buyers such as IKEA. However, Hong Kong furniture companies have started to develop their own brands, and most of the manufacturing activities are now carried out in mainland China to utilise lower operation cost. Guangdong Province is a major manufacturing centre of furniture in mainland China, and the proximity to production has made Hong Kong attractive to furniture companies. Furniture design companies usually set their head offices in Hong Kong, acting as a controlling office principally responsible for high value-added services such as management, finance, and marketing.

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<sup>8</sup> <http://hkrida.org/eng/>

Figure 5.2.1. 1: Sales of home furnishings in Hong Kong 2010 – 2019E (in HKD million)



Source: Euromonitor International, Fiducia Analysis

## Highlights

- **Green furniture**

As a result of the increasing awareness of environmental protection and more stringent legal requirements, furniture designers in Hong Kong are more cautious in choosing the right materials. For instance, they use fabrics that do not give off toxic fumes in the production process. In order to reduce the consumption of wood, some alternative materials are used in view of environmental concerns. Some designers are also making furniture from recycled products, such as reclaimed wood and old teak from wood buildings. Some are adopting a de-materialisation approach by designing furniture which uses less material. Furniture painting also needs to be environmentally friendly.

- **Multi-functionality**

More flexible, functional and smaller furniture which incorporates more than one function is popular in Hong Kong, due to limited space and expensive housing prices. The demand for this type of furniture is not limited to people living in small quarters, but could also be beneficial to people cluttered up with stuff. Products such as a raised bed with storage space underneath and folding chairs hung on a wall can help provide storage solutions and free floor space.

- **Ready-to-assemble (RTA) and do-it-yourself (DIY) furniture**

RTA furniture can save delivery cost and provide the customer with a sense of accomplishment. DIY furniture is also popular as customers can express their personal style with easily-available tools. Since many people in Hong Kong rent an apartment, DIY wallpapers and stickers match their needs as an active declaration of distinction while maintaining the original interior design.

- **Globally inspired designs**

The idea of bringing the world into homes is catching on in Hong Kong and the cultures from other parts of the world are getting reflected in furniture design. For instance, a more Zen-like interior space can be found in Asian inspired furniture.

## 5.2.2. Policies and Incentives

- **IDFFHK**

With the rise of luxury-style living in Asia, the International Design Furniture Fair Hong Kong (IDFFHK) provides a dynamic platform for high-end design brands to interact with visitors and target customers, reinforcing their identity and positioning in the Asian market. A line-up of prestigious brands showcases their latest designs in the fair, together with a speaker programme and panel discussion with industry experts. In 2015 IDFFHK welcomed over 10,000 visitors, and the event can benefit exhibitors looking to build business relationships and alliances with major Asian property developers, hoteliers, interior designers, and connoisseur consumers.

### 5.3. EXHIBITION DESIGN

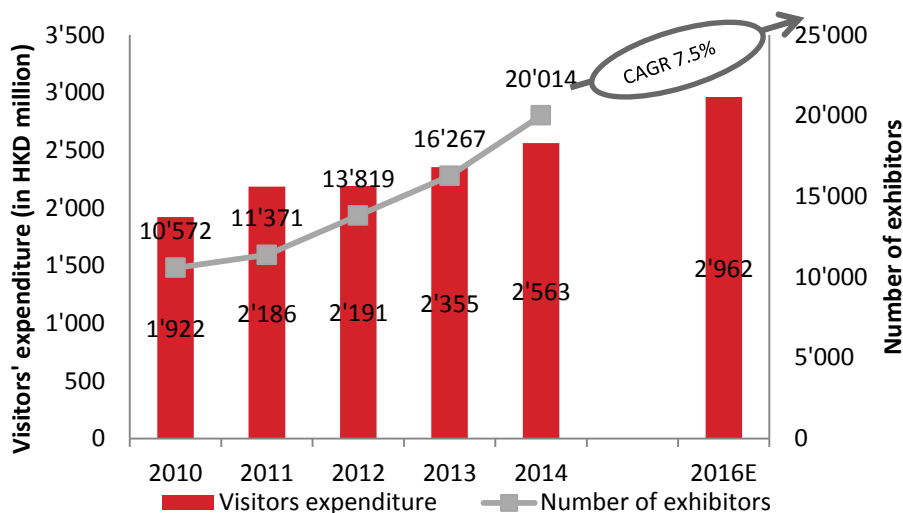
Exhibition designers create exhibitions for museums, galleries, libraries, private businesses, specialist trade events and conferences, and large commercial public events. They frequently liaise with suppliers, contractors, and specialists such as lighting technicians.

#### 5.3.1. Market Development

As a free port with superb air connectivity at the heart of Asia, Hong Kong has developed into a premier convention and exhibition centre in the region. Hong Kong is one of the top three art auction centres in the world along with New York and London and is the world's eighth largest trading economy. The city frequently welcomes exclusive international events. Hong Kong was named the "Best City for Business Events" in the 2015 CEI Industry Survey, organised by the prominent MICE publication CEI Asia magazine, and Hong Kong Convention and Exhibition Centre (HKCEC) and AsiaWorld-Expo (AWE) were listed among the top three venues in Asia. A prosperous convention and exhibition industry in Hong Kong creates lucrative opportunities for exhibition designers.

More than 50 venues of various sizes are available in Hong Kong for exhibitions and conventions, with over 150,000 sqm available exhibition space in total. There are currently three major MICE venues in Hong Kong: HKCEC in the main business district, AWE near the airport and Hong Kong Exhibition Centre (HKEC) in Kowloon Bay. In 2014, Hong Kong hosted more than 100 exhibitions with almost 2 million visitors. Three of the world's largest trade exhibitions and 10 of Asia's largest trade exhibitions were hosted in Hong Kong.

Figure 5.3.1. 1: Public exhibition industry in Hong Kong 2010 – 2016E



Source: Ipsos, Fiducia Analysis

#### Highlights

- **Use of fabric**

Fabric, metal and wood are among the trendiest materials for exhibition design in Hong Kong these days. Of the three, fabric has its advantage of creating tremendous presence for a lower cost. Fabric's versatility has created a trend within a trend – translucent fabric. Translucent structures are used to display full-wall graphics, communicating a message with attendees while maintaining an open, airy feeling.

- **Creative lighting**

With the versatile use of LED technology, customised lighting continues to make huge headway into exhibition structures. Lighting can be used to highlight products and create a mood through wash lights or spotlights. Backlit panels and overhead lighting are also used to create special effects and catch attendees' eyes.



- **Experimental exhibiting**

Interactive technology reduces the need for traditional printed collateral and enhances the way companies connect to potential clients on the show floor. The most frequently used techniques for experimental exhibiting are technology and visual cues. Industry companies often provide clients with virtual mock-ups of their booth design, and attendees can interact with a touch screen or share thoughts on an iPad.

### 5.3.2. Policies and Incentives

- **HKSAR Government**

With the tight supply of exhibition spaces at HKCEC and AWE during peak seasons, the HKSAR government commissioned a consultancy study in 2014 to assess the demand for convention and exhibition facilities in Hong Kong over the next 15 years. One of the recommendations made by the study is to construct new facilities. In the 2015 Policy Address, the Chief Executive announced that the HKSAR government will consider constructing a new convention centre above the Exhibition Station of the Shatin to Central Link around 2020.

- **HKTb**

The Hong Kong Tourism Board (HKTb) has launched Meetings & Exhibitions Hong Kong (MEHK) since 2008 to offer one-stop professional support to MICE organisers choosing Hong Kong as a destination for meetings and exhibitions. Such services include publicity, visitor promotion, coordination of site inspection, facilitation in securing a local dignitary as officiating guest and liaison with government departments. As recognition of MEHK's quality services, HKTb was ranked second in the CEI's Industry Survey 2015 for "Best Convention Bureau".

### 5.4. OPPORTUNITIES FOR SWISS COMPANIES

- **Online outlet:** As more customers in Hong Kong would like to look for designers by themselves through online channels, interior and furniture designers can put their works and projects on social websites and set up online outlets to promote their services. For instance, on the famous B2B and B2C e-commerce portal Alibaba, customers can search for interior design suppliers and purchase design products.
- **Digital manufacturing and mass customisation:** Employing the latest digital parametric manufacturing techniques, interior, furniture and exhibition designers can produce mass customised structures and products. With well-developed innovation in technology, Swiss companies can export know-how to Hong Kong and enter into partnerships with manufacturers in mainland China.
- **Expand into the Chinese market:** Specialised furniture districts or shopping malls are popular in mainland China for both the retail and wholesale business. China offers a huge potential market for interior and furniture designers. The increasing consumption power, property market development and promising tourist industry serve to drive the demand from both residential and hotel clients, as well as other high-end customers. For Swiss companies seeking business partners in China, Hong Kong can act as a platform with its distribution network and reputation for quality.

### 5.5. CASE STUDIES

#### 5.5.1. AWAWA [www.awawa.pro](http://www.awawa.pro)

Mr. Marc Brulhart hails from La Chaux de Fonds in Switzerland. In the spirit of his birthplace, Marc always believes that creativity stems from unwavering commitment and passion and that no detail is small.

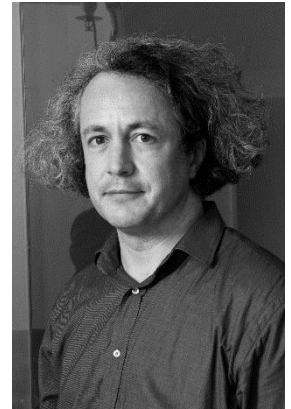
#### About AWAWA

Set up in 2011, AWAWA has set its sights on transforming the fields of architecture and construction by re-thinking the decorative and functional way of using the world's oldest building materials, wood. AWAWA was born out of a research project with Brulhart's business partner, Mr. Roberto Davolio. They spent four years creating a unique system of interlocking wooden

pieces, which relies on a craftsman's eye and "super high-end" computer-machined technique to form intricate shapes, similar to a three-dimensional jigsaw puzzle. The end result was a DIY system of building wooden modular living spaces. "By using technology and a hands-on craftsman's approach, we can match pieces of wood that would normally be useless in construction, and combine them into a strong structure that can be used for human habitation," Brulhart explained. AWAWA's work so far has focused on ornamental sculptures, entry statements and decorative pieces for architecture firms and property developers. The team has also designed showroom spaces as well as indoor portable amphitheatres.

### Success in Hong Kong

Brulhart appreciates the entrepreneur spirit in Hong Kong to make things happen. ***"People have the money to invest and they are willing to accept innovative ideas. This makes a relatively easier life for designers."*** I would rather regard our business as a research centre and offer apprenticeship to our clients as well as the public," he said. Besides, Hong Kong as a gateway to mainland China and other Asian markets helps the business grow as well, as the company relies heavily on computer-assisted design facilities in the PRD region.

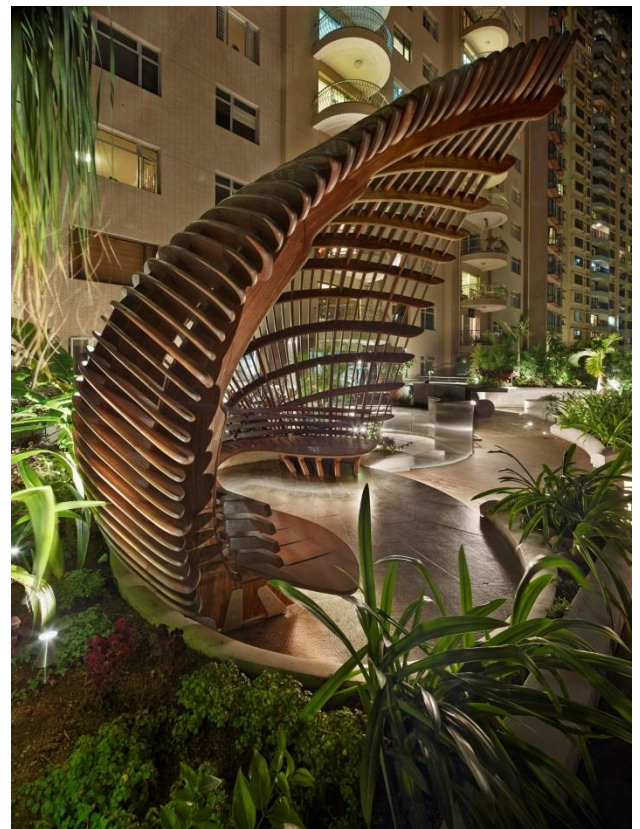


Mr. Marc Brulhart

AWAWA fosters a collaborative development process from raw materials to final products. "By saying raw materials, we have one of Europe's leading manufacturers of wood-based products as our partner and we go to see how the trees grow in person, as I do think people should respect everything in the design process," Brulhart explained. The team recently finished the project DankWA in Japan for the Seki/Recipience Furniture Company, and Brulhart hopes that they can do another two or three iconic projects in the near future. Furthermore, Brulhart actually has bigger dreams for AWAWA in 15 to 20 years. "We hope that people are emotionally touched by our work, and we want to change the traditional furniture making process in the sense that our DIY system will help solve at least two big concerns in construction: minimising the negative effects of construction on the environment and, eventually helping create affordable housing with soul," he added.

### Views on the Hong Kong design market

As to what the team is trying to achieve now, Brulhart foresees the trend in an integrated design workflow that optimises all phases of construction from design and manufacturing, to assembly and subsequent disassembly and reuse. Swiss designers can act as a bridge between the thinking process and the production process. "I found my experience in Hong Kong rewarding in the sense that the more varied experiences you have, the more you can give back through creative work. Nevertheless, it is necessary to think thoroughly before coming as you may have your root in Hong Kong for a long time. The most important thing is to trust your clients so that they will trust you in return," Brulhart concluded.



Project by AWAWA

### 5.5.2. STDesign [www.stdesign.it/en](http://www.stdesign.it/en)

With the “mind in Italy”, Mr. Stefano Tordiglione founded the award-winning studio and strives to integrate European design while preserving local cultures, characterised by East meeting West design aesthetics.

#### About STDesign

Tordiglione moved from Italy to Hong Kong in 2007, working for an Italian interior design firm before setting up his eponymous studio three years later. Specialising in interior design and architecture services, the team is comprised of 10 staff in Hong Kong, and it partners with four other architectural and interior design studios in Italy as well. STDesign focuses on retail, food & beverage, and commercial and residential projects in Hong Kong, mainland China, Philippines, Thailand, Europe, and the US, etc. The company has all sorts of clients ranging from small businesses to listed real estate developers. New clients are mainly referred by existing clients but press coverage and public speeches are also utilised as part of the marketing strategies.



Mr. Stefano Tordiglione

#### Success in Hong Kong

Tordiglione finds Hong Kong attractive for starting a business. “Hong Kong is the hub of Asia with good connections to China, neighbouring countries and internationally. It is easy to set up business here. I decided to set up my own studio under my own name as I understood that the trust is stronger on a personal level than in the company itself,” he said.

Finding the right blend of East and West aesthetics provides a winning formula for the company. STDesign has won the Asia Pacific Interior Design Awards in 2013, HKDA Global Design Awards in 2014, and is listed in the Architectural Digest-100 Top Architecture & Design Talents in China in 2015. “Clients appreciate our creativity to give a fresh air to interior design. We are proud of the diversified profile of our client base and we are delighted to serve across various business sectors,” Tordiglione said. Currently around half of his business comes from mainland China, and the company plans to open an office in China in the near future.

#### Views on the Hong Kong design market

From Tordiglione’s point of view, it may be challenging for interior designers as the customers in Hong Kong are sophisticated and thus have high expectations; meanwhile, the Hong Kong design market presents itself with a breadth of opportunities because the city is full of life and potential. “Walking down a street in Soho and smelling croissants from a nearby cafe, together with the incense from the temple on the other side of the road is an experience. I turn this kind of experience into my East-meets-West design,” he said.



Interior design and space planning for Sal Curioso Spanish restaurant by

The creative community has spread widely in Hong Kong and Tordiglione feels that competition has grown immensely. Infrastructure development such as PMQ shows that the government is moving with steps forward to boost the design industry. ***“It is great to have a collective space to bring designers across different sectors together and to showcase the design scene to the public,”*** he commented.

Tordiglione thinks that people have grown more mature in perceiving beauty and quality. As there are more and more locations with their own personality in Hong Kong, the trend in interior design is creating space to reflect its own characters. The process is slow, yet it is taking up residence. For European designers/design firms trying to explore the Hong Kong market, Tordiglione suggests to them that they work on a few projects in Hong Kong first, and do thorough research to understand the city, the business environment, as well as the clients.



### 5.5.3 Uniplan [www.uniplan.com](http://www.uniplan.com)



Uniplan offers the entire spectrum of live communication with its credo: reinvent yourself. The Managing Director of Uniplan Hong Kong office Ms. Daphne Choi elaborated on the stories behind the company's success.

#### About Uniplan

Uniplan was established originally in Germany with 13 offices around the world across Asia, Europe, and the US. The Hong Kong office was opened in 1985. Uniplan is one of the leading agencies for live communication that specialises in creating encounter between brands and people through events, trade fairs, showrooms, and roadshows. Within the exhibition discipline, the company provides three types of services: official contracting partner for various shows, design and production of stands for world-class brands, and national pavilion for government bodies. Clients come from all the sectors wherever there are opportunities for live communication. Within the events discipline, Uniplan has worked with leading brands such as Mercedes-Benz and Audi for world-class activations, and played a critical role in bringing mega global shows to Hong Kong including the five-star equestrian horse jumping show Longines Masters and the world's premier Modern and Contemporary art show, Art Basel. The Hong Kong office is currently made up of 110 doers, lateral thinkers, architects, consultants, trend scouts and creative professionals and is constantly growing and expanding.



Ms. Daphne Choi

Word-of-mouth is definitely important for the design business from Choi's point of view. "We are honoured to receive over 12 industry awards in 2015 including our back-to-back win as the top Event Marketing Agency of the Year with Marketing Magazine, as well as being awarded the title of Greater China Agency of the Year with CEI Asia and eight project-based awards, making tremendous noise in the industry. People would wonder what makes Uniplan so excellent and they come to us to learn more about our expertise. This is one of our winning strategies over new clients," she explained.

#### Success in Hong Kong

Choi sees many foreign designers moving from Beijing/Shanghai to Hong Kong these days for better business environment. Relatively stable political environment, lower tax, multicultural setting, and international practice are among the advantages of doing business in Hong Kong. Moreover, ***transparency in the entire design process makes the relationship with clients trustworthy.***

Choi feels that Uniplan's work is challenging but rewarding. The dynamic nature of exhibition industry differs vastly from the advertising industry and other media services with extremely tight deadlines as well as the "live" aspect of the industry, which includes last-minute changes on the spot. "With our European origin, we are proud of the high-quality delivery of our services. We target the premium market, and fortunately we are able to maintain long-term relationships with clients as they appreciate the value added of our creative ideas," Choi said. The personal, long-term relationships with customers increase the commitments of team members and confirm the success of Uniplan.

Since the exhibition industry in Hong Kong is a relatively small market due to limited event venues, the company is continuously developing new products. For instance, Uniplan hired experts to open new doors in the luxury sector and the strategy was a great success as marked by the projects for Miele, Maserati and Mont Blanc, etc.



Event project by Uniplan

### **Views on the Hong Kong design market**

“Nowadays the majority of Hong Kong and mainland China clients (excluding MNCs with offices in Hong Kong/China) still value cost-effectiveness more compared with design concepts when holding events and exhibitions. Those companies will have stronger branding needs in the future to have a more international look,” Choi commented. She foresees opportunities for foreign designers to link brands to their customers through branding and communication services.

For foreign companies to succeed in Hong Kong, Choi thinks that talent is the most important factor. ***The perfect blend of European designers’ conceptual creativity mixed with local designers’ eye for practicality and execution is the key to a perfect creative team in this ever-changing industry.*** Senior foreign designers can bring in the perspective of European innovations whereas Hong Kong designers have a better understanding of how these innovations can be integrated into the local market.

## 6. Industrial Design Market

### 6.1. INDUSTRIAL DESIGN

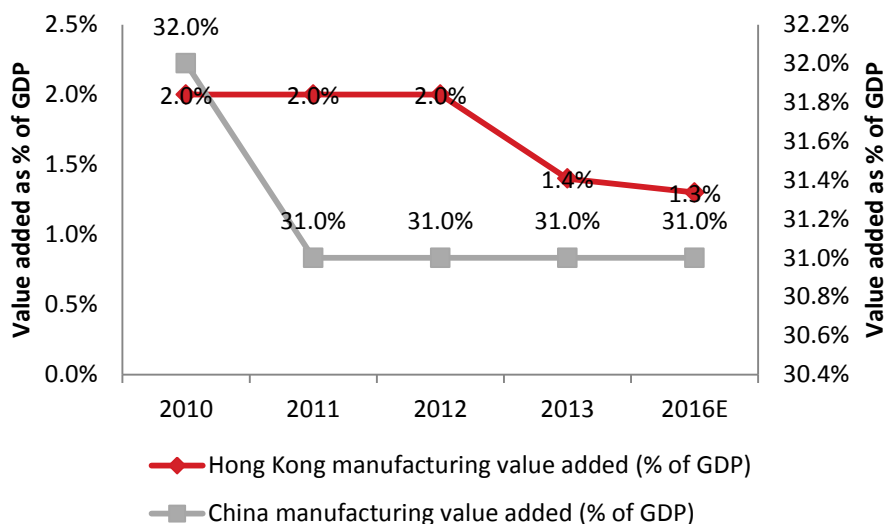
Industrial design is the professional service of creating products and systems that optimise function, value, and appearance for the mutual benefit of both user and manufacturer. Industrial designers develop products and systems through collection analysis and synthesis of data guided by the special requirements of their clients and manufacturers. They prepare clear and concise recommendations through drawings, models, and descriptions.

#### 6.1.1 Market Development

According to the records from the Hong Kong yellow pages, there are currently around 400 establishments in the industrial design sector. Major products include automobiles, household products, consumer electronics, and medical equipment.

Hong Kong's manufacturing industries grew rapidly in the 1960s. Industrial design was originally introduced to support the development of local industries. Since the 1980s, factories and industrial plants in the city have been relocated to places with lower land rental rates and labour costs, most notably the PRD region in mainland China. As the manufacturing industry declined, the tertiary industry rose and the service sector continues to prosper these days. The unique industry structure of Hong Kong has changed the local client base for industrial design companies. Meanwhile, relocated manufacturers in mainland China are advancing from OEM to ODM/OBM, but they often lack industrial design talent with multilingual language ability and international practices. Hong Kong is the preferred service platform for these companies, and there is huge market potential for Hong Kong industrial design companies to be involved in the product development process by improving usability and creating more appealing appearance.

Figure 6.1.1. 1: Manufacturing value added in Hong Kong and China 2010 – 2016E



Source: World Bank, Fiducia Analysis

## Highlights

- **User experience and ergonomics**

Experience-driven design has become the new buzzword. Good design should be human-centred, and it should have some significance to the users and enhance their lives in some way. Prototypes and blueprints of design are often used in Hong Kong to test if users interact with the design in a satisfying way.

- **Technical innovation vs. aesthetic innovation**

Design is more than just aesthetics or function. The aesthetic quality is integral to the usefulness of industrial design products, since it is the embedded narrative in a design that catches customers' attention and eventually makes them love using the products in their daily lives. However, only well-executed objects can be beautiful.

- **“Less is more”**

Industrial design products with concise appearance and user interface are welcomed by the customers in Hong Kong as reflected by the success of companies like Apple and MUJI. Good design is less but better because it concentrates on the essential aspects and is not burdened with inessentials. Back to purity and simplicity will be one particular trend of future industrial design.

### 6.1.2 Policies and Incentives

- **FHKI**

With the aim of encouraging companies to build capable design teams, the Design Council of Hong Kong under the Federation of Hong Kong Industries (FHKI) launched the **D-Mark**<sup>9</sup> to give recognition to companies that have established an effective framework for harnessing quality designs. Companies with a valid HKSAR Business Registration are eligible to apply for the D-Mark. Successful applicants are entitled to use the D-Mark logo on all promotional materials to enhance company image and attend activities on design-related subjects organised for D-Mark holders.

Each year the Design Council of Hong Kong also organises the Hong Kong Awards for Industries (including consumer product design award as well as innovation and creativity award) to help enhance the competitiveness of Hong Kong industrial design.



## 6.2. OPPORTUNITIES FOR SWISS COMPANIES

- **Assist companies in Hong Kong/China to advance from OEM to ODM and/or OBM:** Many manufacturing companies in Hong Kong and mainland China are eager to transform from OEM to ODM/OBM, and they need partners to provide design solutions in this process. Swiss designers/design companies can utilise their European design expertise to guide Hong Kong/China industrial product manufacturers and cash in on the full commercial potential of their design work at the same time.
- **Partner with Hong Kong authorities to hold exhibitions:** There are currently no major industrial design exhibitions/fairs in Hong Kong. Similar to the Art Basel show in Hong Kong, Swiss companies can partner with Hong Kong authorities to hold industrial design events to fill the gaps. The exhibitions will also help export innovative Swiss ideas and sell the image of Swiss design as a whole.
- **Baby products:** In light of the economic recovery, parents in Hong Kong are becoming more willing and able to pamper their children with more exquisite products such as bedroom accessories, baby dinnerware and toys. Furthermore, the new two-child policy will be implemented in mainland China in 2016, and it is going to add 6 million babies a year by estimation, generating huge market potential for baby products. For Swiss companies wanting to explore the Hong Kong and Chinese markets, they can grasp the opportunities to focus on designing baby products or expand their business scope by releasing special collections targeting children.

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<sup>9</sup> <http://dmark.masterone.org/main.htm>

## 6.3. CASE STUDIES

### 6.3.1. Studio Gooris [www.studiogooris.com](http://www.studiogooris.com)



Belgian designer, Mr. Frederic Gooris, has worked for famous designers like Philippe Starck and Stefano Giovannoni before setting up Studio Gooris. His industrial studio is a place where innovation and narratives are fused into emotional products.

#### About Studio Gooris

Gooris set up his own studio in 2004 in Milan and moved the business to Hong Kong in 2010. He especially enjoys the process of exploring new possibilities. For now, his Studio Gooris focuses on industrial design with products ranging from eyewear, and watches to adult toys. He also co-founded Bombol, a company for design-oriented baby furniture. Gooris is currently working independently for the design solutions, but also closely with engineers to make sure that the whole process from idea to final product stays on the right track. Studio Gooris is a flexible partner for its clients that span renowned companies, start-ups and manufacturing companies. Clients mainly come from Belgium, Italy and mainland China, but he has also been writing a business plan to approach local partners for investment and cooperation.



Mr. Frederic Gooris

Gooris always focuses on design solutions, and the company is not heavily invested into marketing. “I receive client contacts by keeping in touch with HKTDC and InvestHK as well as speaking at the events held by the chamber of commerce. I attended the Business of Design Week (BODW) in 2013 with Belgium as the partner country, which also helped me find some of my Belgian clients,” he said.

#### Success in Hong Kong

Gooris’s wife is a fashion designer from Hong Kong and they got married in Milan. Witnessing the 2008 financial crisis, the couple wanted to search for new creative adventures in Hong Kong. “Fortunately our major clients, such as Alessi, have their Hong Kong offices, so we are able to keep the relationship with them,” Gooris said. From his perspective, the design process in Hong Kong is quite different from that in Italy in the sense that the speed is much faster. The whole process from idea to final product usually takes two to three years in Italy whereas it is counted by months in Hong Kong. Yet, in order to accommodate the faster design process, designers need to be locally present. Furthermore, in Italy industrial designers only get paid if the final products are sold on the market, while in Hong Kong as well as in China, manufacturing companies are eager to transform from OEM to ODM/OBM so that they are willing to pay for the design services even when facing a lot of uncertainty towards the final products. **“With millions of such manufacturers in China, even if 1% of them say ‘yes’ to your design, there will be huge business opportunities,”** Gooris commented.

There are not many studios in Hong Kong targeting delicate and high-end design services like what Gooris is doing. His strength is to bring European design expertise to Hong Kong and connect it with local production. “I treat my clients equally with qualified services no matter if they are renowned companies or start-ups. I am proud of my business because I never compromise on this principle. At the same time, **I can prove to my European clients that design products of the same level of quality as in Europe can be created in Hong Kong**, which corresponds to the evolvement of the Hong Kong design industry,” Gooris said.



L'orologio watch collections and the purse hook Minou for Alessi by Studio Gooris



### Views on the Hong Kong design market

Although Hong Kong does not have a very long history of design, there is a breadth of exposures nowadays. As many potential clients have their decision-making functions in Hong Kong, it is convenient to build up networks and develop a solid client base. Additionally, Gooris foresees the strong potential for the premium market as consumers and manufacturers are willing to pay more for quality design products. In his case, while he is writing his business plan, investors are already lined-up. The business model of combining designers and entrepreneurs provides great opportunities for foreign designers, and Gooris hopes that there will be more networking events held by the HKSAR government in the future to facilitate foreign designers finding local clients and partners.

Gooris shares his insights regarding the way to succeed. “I think the competition in the design market is basically professional rather than locational. Your design studio is essentially your mind and you do not need a large scale to be productive. Success is built on the notion of quality, sustainability and timeless design – design that is made to last,” he said. Apart from design expertise, proximity to production is also important in order to communicate with manufacturers efficiently and to follow up with the whole design process. This direct communication between product and consumer is fundamental for success as it significantly enlarges the group of potential customers, ultimately resulting in increased brand loyalty.

#### 6.3.2. Boris Design Studio [www.borisdesignstudio.com](http://www.borisdesignstudio.com)

Swedish designer Ms. Katarina Ivarsson founded Boris Design Studio with Ms. Anna Karlsson and she is convinced that great ideas are born from curiosity. Through a blend of Scandinavian design heritage and creativity with a hands-on approach of being close to production, they design great experiences in both physical and digital worlds.



#### About Boris Design Studio

Ivarsson co-founded the design studio in 2009. Initially the company mainly focuses on product and packaging design services, and it investigates the complete design process from the earliest stages of building a new brand to creative direction and social media marketing. Additionally, by cooperating with universities and research institutions in Asia, such as PolyU, Boris Design Studio has a very strong foundation in design research and sustainability. The company now has six staff in its Hong Kong office with a wide range of products from consumer electronics, such as mobile phones and headphones to house-wares and nursery products.

Clients come not only from Hong Kong, but also from mainland China and Europe, as well as the US. “Compared with direct and traditional marketing activities, we value more on how to make the clients satisfied with our products and solutions. If the clients are happy with us, they are likely to recommend new clients to us,” Ivarsson said. Sophisticated network and word-of-mouth are essential to the development of the company’s business.

#### Success in Hong Kong

Ivarsson completed her second Master’s degree at PolyU before, and she has been living in Hong Kong for 10 years. “As we look at the complete design process, we cherish the proximity to production as a key factor of our business. Being close to production really makes a difference as we can easily go to mainland China and meet the manufacturers for a design hand-over or to sort out issues on the way,” Ivarsson explained the advantages of doing business in Hong Kong. She also appreciates the entrepreneurial spirit in the society and the access to large markets from Hong Kong.



Ms. Anna Karlsson (left) and Ms. Katarina Ivarsson

“Things have changed considerably since I came to Hong Kong 10 years ago. Nowadays Hong Kong designers and manufacturers realise the importance of ‘buying the design process’ rather than ‘buying a design’,” Ivarsson commented. There is a large pool of qualified graduates which increases the possibility of finding good designers continuously. Additionally, the HKSAR government has come to see the significance of cultivating SMEs, and it becomes easier for start-ups to seek help from HKTDC and InvestHK or to participate in incubation programmes.

Winning the 2013 Hong Kong Lighting Award and other awards such as internationally recognised iF Award and Design for Asia Award has marked the success of the two young ladies. “The good things are we developed our company organically from the very beginning. We are proud of being among the earliest design studios set in Hong Kong by two women,” Ivarsson said. As for future plans, the company is going to open another studio in Stockholm in 2016. Ivarsson also sees much potential in mainland China, and she will look for local partners if they decide to further expand into the Chinese market.

### Views on the Hong Kong design market

From Ivarsson’s point of view, the market is reaching the consensus regarding the importance of “buying the design process” in Hong Kong. For instance, the website buyMeDesign acts as a media platform to provide resources to designers and promote the value of design to the public. When Ivarsson first came to Hong Kong, she got to know some designers in similar situations through the contact of InvestHK. By joining the Society of Industrial Design (IDSHK), she has also met many inspiring people equipped with design philosophy and production knowledge. Overall, Hong Kong design market is a dynamic market with plenty of possibilities to explore for Ivarsson and her business.

Ivarsson points out that as Hong Kong is closely connected to the China market, with more manufacturing functions transferred to mainland China, Hong Kong should develop into a hub for high value-added design activities. The industrial design products and solutions will be more delicate and more refined in the future. Ivarsson regards PMQ and Innocentre as great initiations where designers set their studios and face customers directly. She also appreciates the fact that the government is putting more efforts into design research to turn the city into an exuberant knowledge hub.



Boris X Honed Praline Stool

Ivarsson gives some suggestions to European companies trying to enter the Hong Kong design market. “**Hong Kong is definitely the optimal test bed for foreign companies if they want to expand into China or other Asia Pacific countries.** For small companies, it is better to have initial connections before entering the market and actively build the network through participating in competitions and joining associations. In our case, joining the commerce chamber of our home country helped us to unify with other Scandinavian design studios and grow together,” she said.

### 6.3.3. Scazziga [scazziga.com](http://scazziga.com)

Swiss designer, Mr. Lorenzo Scazziga, founded the award-winning studio to combine the European design philosophy with the dynamic environment of Asia in strategic design services.

#### About Scazziga

Scazziga has been living in Hong Kong for about seven years, and he started his business five years ago. Scazziga is a product design studio with an office in Hong Kong and associates in Switzerland. The company provides industrial design consulting services, such as brand building and technical innovation. Scazziga also manufactures his own products and sells them in the US. He is currently working independently, frequently liaising with engineers and manufacturers. Clients mainly come from Asia, Switzerland and the US across different industries. The experience from working with high-technology companies as well as prestigious lifestyle goods manufacturers has enabled Scazziga to blend artistic and scientific influences to achieve unique product solutions.



Mr. Lorenzo Scazziga

Although he can make a living solely on trading his own goods now, Scazziga has been trying to gain recognition through participation in varied competitions and awards.

### Success in Hong Kong

From Scazziga's perspective, Hong Kong stands out as a business hub for its sound legal system, simple tax regime and multilingual language environment. ***“Local manufacturers are perfect as they are committed to try new things,”*** he commented. Further, the HKSAR government is also making efforts to develop infrastructure and support creative industries. In Scazziga's case, he has received much help from InvestHK during his visa application.

Since the inception, Scazziga has received two red dot awards for product design excellence. His career path is decorated with impressive projects. “The House of Dancing Water” in Macau is a cutting-edge theatre production Scazziga was involved in with the high-performance aerial acrobatics equipment “Hanger”. He has also designed the wall washer which was used in the illumination of “Cristo Redentor”, the world-famous landmark of Rio de Janeiro. Apart from the industrial studio, Scazziga has also set up a new venture Enevu which focuses on small and efficient personal LED lights. In the future, Scazziga would like to develop more facilities around Asia, and the prospect of the Chinese market is especially promising from his point of view. In addition, Scazziga is going to search opportunities from European luxury brands to expand his business scope.

### Views on the Hong Kong design market

The innovation of computer simulation techniques will make the products more capable and more efficient. Scazziga thinks that Swiss designers, compared with Hong Kong designers, possess higher levels of creativity and technical efficiency especially regarding engineering skills, which generates opportunities for them to cooperate with local manufacturers and help them advance. “Designers should have a comprehensive business plan with a clear market niche. For companies wanting to expand into Asia, I recommend Hong Kong as a great platform for its ease of doing business and proximity to production,” he concluded.



Portable LED light LUMIgo by Scazziga

## 7. Fashion Design Market

According to the record from the Hong Kong yellow pages, there are currently 81 establishments and 32 establishments in the apparel design sector and jewellery design sector respectively.

### 7.1. APPAREL DESIGN

Apparel designers design clothes which are functional as well as aesthetically pleasing. They have a wide range and combination of materials to work with and a wide range of colours, patterns, and styles to choose from. Some clothes are made specifically for an individual, as in the case of haute couture or custom tailoring. Nowadays most clothing is still designed for the mass market, especially casual and every-day wear.

#### 7.1.1. Market Development

Hong Kong is the world's second largest clothing and apparel exporter after mainland China. With innovative design and quality products, the local industry has successfully established an up-market image worldwide. Apart from worldwide-famous Hong Kong fashion designers like Vivienne Tam, Hong Kong serves as a fertile place for fashion start-ups because the city is a hub of major global brands' branch offices and sourcing centres, along with the fact that it is located next door to the world's factory - mainland China.

Hong Kong fashion designers have been gaining worldwide reputation for their professional expertise, sensitivity to current trends and ability to blend commercialism with innovation. In spring 2015, three Hong Kong designers, Koyo William, Doris Kath Chan and Seth Yeung, were invited to showcase their autumn and winter collections at the Copenhagen Fashion Week, the largest fashion event in the Nordic region. In addition, fashion clothing bearing Hong Kong designer labels is being sold/has been sold in renowned department stores overseas, such as Bloomingdale's, C&A, Harrods, Isetan and Macy's.

Table 7.1.1. 1: Hong Kong's exports of clothing (in HKD billion)

|                                     | 2013  | 2014  | Jan – May 2015 |
|-------------------------------------|-------|-------|----------------|
| Domestic exports                    | 1.7   | 1.4   | 0.4            |
| Re-exports of mainland China origin | 168.4 | 157.5 | 50.4           |
| Total exports                       | 170.1 | 158.9 | 50.8           |

Source: HKTDC

While a number of Swiss fashion companies have long operated out of Hong Kong and have adopted it as their sourcing base in Asia, they are now also opting for the city as the prime conduit for accessing the emerging markets of Asia, especially the mainland China market. Strellson, the largest menswear manufacturer in Switzerland, for instance, has now opened in Hong Kong, viewing its premises as its Asian showcase. In a similar development, Victorinox, famous for its Swiss Army knives, cutlery and timepieces, also has its Greater China headquarters in Hong Kong and has expanded its product categories to travel gear and fashion. This trend may provide Swiss apparel brands and designers opportunities to form ventures with Hong Kong fashion traders and manufacturers.

#### Highlights

- **Multi-brand strategy and limited editions**

An increasing number of fashion brands have several sub-brands under the same company to saturate the market by filling price and quality gaps and cater to brand-switchers who like to experiment with different brands. Furthermore, by

collaborating with famous designers and releasing limited editions, fashion brands can boost sales and raise reputation substantially, as interpreted by the success of Alexander Wang for H&M Collaboration in 2014.

- **Online shopping**

Clothing is among the most purchased items online. The growing variety of online shopping sites such as Taobao in China and ASOS Marketplace in the UK, plus the bloom of group shopping and mobile retailing, is expected to boost online shopping and sales further. The continuous improvement of third party payment such as Alipay by Alibaba Group also helps popularise online shopping. It is forecasted that global e-tailing transactions can see a 15% growth and top HK\$7,460 billion in 2015<sup>10</sup>. This trend has also encouraged the development of some online shopping technologies such as virtual fitting, video shopping and mobile snapshot for clothing.

- **Organic cotton clothing**

As Hong Kong customers become more mature in perceiving fashion, they are also becoming more practical, thoughtful and socially conscious. According to Textile Exchange, market value of organic cotton products is estimated to have grown to HK\$120.7 billion in 2014. Reputable clothing stores like Nike, Adidas, H&M, Wal-Mart, and Anvil Knitwear have responded by expanding their assortment of organic cotton clothing.

- **Eco-friendly technology**

High-end customers in Hong Kong, especially young customers, are happy to indulge their environmentally-conscious outlook and pay a premium for “green” products. To cope with the trend for eco-friendly clothing, a sustainable fashion design competition, the EcoChic Design Award, is held annually in Hong Kong to inspire emerging designers to create mainstream clothing with minimal textile waste.

### **7.1.2. Policies and Incentives**

- **HKRITA and HKSAR Government**

The Hong Kong Research Institute of Textiles and Apparel (HKRITA) was established in April 2006. HKRITA provides funding support for textile and apparel technology as well as fashion and textile design from the Innovation and Technology Commission of HKSAR government. HKRITA is also supported by institutes, companies, and associations in the textile and clothing industry in Hong Kong, mainland China, and other countries.

Moreover, the 2015-16 Budget Speech of the HKSAR government places emphasis on promoting collaboration between fashion design and the clothing industry to move them up the value ladder and generate greater economic benefits. Fashion festivals shall be held in districts such as Sham Shui Po where young talents could publicise their designs and connect with manufacturers. The government will also consolidate existing resources and invest new resources, totalling HK\$500 million, to launch a series of measures on a pilot basis in the next three years. These include promoting Hong Kong's fashion designers and brands through improving local fashion events and participating in those held overseas, rolling out an incubation programme for up-and-coming fashion design start-ups, providing fashion design graduates with overseas internships and study opportunities, and subsidising participation in international competitions and exhibitions.

- **Hong Kong Fashion Week**

Hong Kong Fashion Week, Asia's largest Fashion gala of the year, attracted over 38,000 buyers from 87 countries and regions during the four-day event in 2015. The Fashion Week showcased over 30 different runway shows, displaying Hong Kong Icons and fashion favourites as well as 20 different product zones. It is a star-studded event that offers a spread of the very latest collections from top designers, global brands, and new talents for buyers all over the world.

## **7.2. ACCESSORIES DESIGN**

In this report, accessories design refers to the design of jewellery including timepieces. The term is interchangeably used with jewellery design.

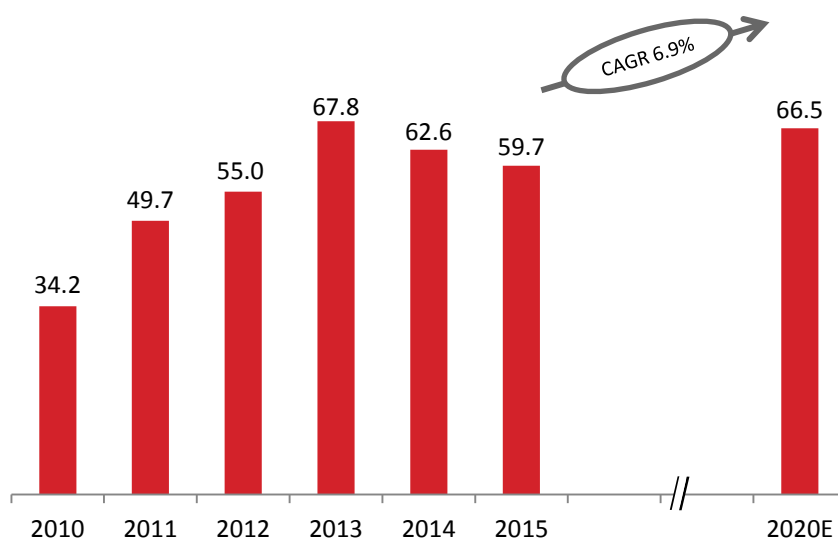
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<sup>10</sup> <http://hong-kong-economy-research.hktdc.com/business-news/article/Hong-Kong-Industry-Profiles/Clothing-Industry-in-Hong-Kong/hkip/en/1/1X000000/1X003DCL.htm>

### 7.2.1. Market Development

The jewellery industry in Hong Kong encompasses a wide range of medium-to-high-priced products. Hong Kong is leading in the production of pure gold items, and has long been recognised as a major centre for the production of jade jewellery. Major items include bangles, rings, and pendants. It has also evolved into a leading trading and distribution centre for pearls in recent years. According to the quarterly report of the employment and vacancies statistics in December 2014, there are around 3,000 people involved in the Hong Kong jewellery industry.

Figure 7.2.1. 1: Sales of jewellery in Hong Kong 2010 – 2020E (in HKD billion)



Source: Euromonitor International, Fiducia Analysis

The development of the Hong Kong jewellery industry has been facilitated by the expansion of the local market including sales to tourists. According to the Hong Kong Tourism Board's survey, overnight visitors spent HK\$23.4 billion on jewellery in 2014, accounting for 17.1% of their total spending on shopping. As for tourists from mainland China, their share was higher at 18.5%. In addition, Hong Kong is the seventh largest economy in terms of retail value of luxury jewellery and timepieces in 2015. A few Hong Kong jewellers, such as TSL, Chow Sang Sang, and Chow Tai Fook have expanded their retail network in mainland China through franchising and cooperative arrangements.

#### Highlights

- **Innovative designs**

Articles of jewellery are getting more fashion oriented, and innovative designs are essential for the moving up-market. It is necessary for jewellery designers and manufacturers to have more metallurgical knowledge. New technology such as computer-aided design and manufacturing (CAD/CAM) systems, computer numerically controlled (CNC) machine tools and 3D printing also allows the development of innovative designs and increases the accuracy of designed output at the same time.

- **Male jewellery collections**

The concept that "jewellery is feminine" is fading. Male consumers are catching up fast in personal accessories purchases. As they are paying increasing attention to appearance, jewellery purchases by men are rising in Hong Kong. Male customers buy bracelets, rings, and pendant necklaces to suit their looks. They may also wear jewellery, such as cufflinks and tiepins, to build up a smart look. However, articles of men's jewellery are still quite limited, and thus the market can bear huge potential.

### 7.2.2. Policies and Incentives

- **HKTDC**

The Hong Kong Watch & Clock Fair organised by the HKTDC is the world's largest timepiece event drawing over 780 exhibitors and more than 19,600 buyers from all over the world in 2015. In addition, the HKTDC Hong Kong International



Jewellery Show is a premier sourcing point for finished jewellery of high quality and superb design. With the HKTDC Hong Kong International Diamond, Gem & Pearl Show, it forms the world's largest jewellery trade marketplace, attracting over 4,360 exhibitors from 52 countries and regions in 2015, and over 76,000 buyers from 140 countries and regions. As part of the fairs, Hong Kong Watch & Clock Design Competition as well as Hong Kong Jewellery Design Competition are held annually to shed more public attention on the jewellery design sector in Hong Kong.

### 7.3. OPPORTUNITIES FOR SWISS COMPANIES

- **Timepieces:** Leveraging their long tradition of top-class watch production, Swiss jewellers have evolved and are now regarded as highly sophisticated in terms of design. Swiss-made timepieces are famed across the world and always in demand by collectors. Hong Kong is the world's largest distributor (including local sales and re-exports) of Swiss timepieces, accounting for nearly 20% of the country's exports in 2013.
- **Functional wearability and environmentally-friendly textiles:** The growing awareness of health and quality of life creates climbing demand for functional wearability. Anti-UV, anti-ray, good sweat management, thermal insulation, self-cleaning are examples of how material technology is being applied to the garment industry. Swiss companies preserve a leading edge in fashionable and functional designs. Besides, Swiss design companies can use environmentally-friendly textiles with green labels, such as OEKO-TEX® Standard 100 or USDA Organic, to differentiate themselves.
- **Sell products through online shops and social media:** To enhance long-term competitiveness, fashion designers should look into distribution. Apart from establishing direct retail outlets, the rapid development of e-commerce in recent years is also noteworthy. For Swiss start-ups and SMEs, being an e-tailer can save rental costs. There is a growing trend of designers and bloggers putting their money into social media and creating collections on their Instagram pages.
- **Form ventures with Hong Kong brands/designers:** As Swiss start-ups and SMEs may lack experience and knowledge in trade practices in Asia and require additional nurturing and enhanced communication, they should therefore put attention to Hong Kong partners to boost their profile among Asian customers. Swiss companies may also choose to offer a platform for gathering exceptional Hong Kong designers and brands.
- **Expand into the Chinese market:** The rapid expansion of the economy in mainland China has drawn the attention of both Hong Kong and foreign fashion companies. While some well-established foreign players including C&A, Uniqlo and H&M are seeking to expand into the lower-tier cities, those which are not yet present in mainland China are working hard to mark their inroads. For instance, Hollister and FOREVER 21 have first opened flagship stores in Causeway Bay, leveraging Hong Kong as a springboard to go across the border.
- **Attend fashion weeks and trade fairs:** Promotion via participation in fashion weeks and trade fairs is an effective way for Swiss companies to explore opportunities in Hong Kong and the Asian market. Further, Swiss companies can also cooperate with Hong Kong authorities and invite Hong Kong manufacturers to attend Baselworld in order to accelerate the bilateral trade between Hong Kong and Switzerland.

### 7.4. CASE STUDIES

#### 7.4.1. MAD & Associates [www.madassociates.asia](http://www.madassociates.asia)

Swiss entrepreneur Mr. Denis Martinet regards the mission of MAD & Associates as being the prime partner for the operation and strategic development of selecting luxury brands in Asia.



### About MAD & Associates

MAD & Associates has been established since November 2008. The company cooperates with European luxury brands to help them expand into the Asian market. Its business models include a representation model to share logistics system with the luxury brands, a joint venture model, and a distribution model. MAD & Associates currently covers six watch brands and two accessories brands with three offices in Hong Kong, Sydney, and Shanghai. The total turnover is around HK\$70 million and the products are sold in 10 countries/regions across the Asia Pacific area including Hong Kong, mainland China, Taiwan, Japan, as well as some ASEAN countries. The company has 25 employees in total with 18 of them in their Hong Kong office.

Martinet thinks that in order to promote the company's business, the market strategy should depend on the needs of the clients. "As for the Chinese market, we target younger, professional, and international educated customers. We also realise the significance of e-commerce and utilise online platforms for our sales," he said.

### Success in Hong Kong

Martinet has been living in Hong Kong for more than a decade and the place has already become a home for him. What attracts him most is the ease of doing business as well as the sheer market size. ***"Given government incentives and sound rule of law, it is really simple and fast to set up a company in Hong Kong."*** Hong Kong and mainland China account for 30% of the global luxury timepieces market and Hong Kong alone accounts for half of that, making Hong Kong a natural choice for our business. Furthermore, it is so convenient to use Hong Kong as a platform to expand into China and other countries, especially after the implementation of CEPA. It only takes me an hour to get to the airport from home and take flights to any places I would like to travel to," Martinet said.

Martinet is proud of the Swiss cultural norm of being rigorous. The company enjoys sufficient cash flows and has established its reputation over the past few years. "Yet we are still a very young company. I see myself staying in Hong Kong in the next five years, due to the convenience of Hong Kong as a business hub in Asia. The Chinese market will also be our focus and the longer term objective is to develop a more permanent presence in mainland China," he added.

### Views on the Hong Kong design market

Although most Hong Kong people still buy luxury goods from physical stores, Martinet believes that online shopping will be the future trend because of the rising younger generation. Besides, he also foresees business growth opportunities in ASEAN countries as well as in Australia, which can be reached by exporting from Hong Kong.

Swiss timepieces are famous for quality and design around the world, and Swiss luxury products are welcomed in the Hong Kong market. Martinet points out that Hong Kong and China customers care much about the origin of products. ***It is easier to promote Swiss luxury products as customers have already acknowledged the value of Swiss brands.***

For Swiss SMEs and start-ups, Martinet thinks that they really need to think thoroughly who the target customers are, and then decide on the proper market strategies. "I do agree that Swiss companies should join together to promote the country as a whole and sell the image of Swiss products to Hong Kong," he said. Martinet believes that by collaborating with local authorities and other Swiss companies, there will be goods with "Swiss-made" label as well as "Swiss-made" fairs in Hong Kong in the future.

### 7.4.2. MARIJOLI [www.marijoli.com](http://www.marijoli.com)

MARIJOLI

Swiss-born jeweller Ms. Marielle Byworth has an eye for detail and technical perfection while always maintaining functionality and emphasising the beauty of design. Fusing the spirit and harmony of the Zen philosophy with technical skills and contemporary design, MARIJOLI creates elegant and inspired jewellery to express clients' individual styles.



Mr. Denis Martinet



### About MARIJOLI

MARIJOLI is a jewellery design company based in central Hong Kong within PMQ, the unique site designed to support creative designers in the city. MARIJOLI creates beautiful wearable art pieces that embody a philosophy espousing simplicity yet richness, that borrow from history as much as modernity. Diamonds are combined with black vinyl, rubies are paired with wood, and coloured stones are layered atop leather to create a look of modern elegance.

Along with a ready-to-wear line, MARIJOLI offers individual custom services by consultation. The company has a mix of Asian and expat clients from all over the world. Designs from MARIJOLI appeal to both young women as well as more mature clients who have a choice from casual daily pieces to more intricate designs for formal events. Byworth appreciates that her business is able to rely on personal recommendations from design communities and existing clients. In addition, the company has also been widely covered in local design media, which has helped spread the word.

### Success in Hong Kong

MARIJOLI was originally based in Tokyo when Byworth launched her collection in 2005. She moved to Hong Kong in 2009 and was introduced to the design scene by a close friend. From Byworth's perspective, Hong Kong offers an excellent synergy between work and family. ***"The city allows you to work hard and still head to the beach after a long day at work to relax,"*** she commented.

Clients are instinctively drawn to the organic yet temporary designs of MARIJOLI. Having set up the first stand-alone boutique, Byworth presents the unique story of MARIJOLI and will further curate clients' experience. She also foresees plenty of business opportunities in mainland China in the future.

### Views on the Hong Kong design market

Byworth points out that online shopping platform is the biggest trend for the design sector, and it is already well established and growing fast in Hong Kong. In her case, Byworth receives numerous offers every month to join online ventures. Moreover, innovative programmes like PMQ are wonderful opportunities to provide supportive frameworks for both design and business aspects. "We are very focused on presenting our own brand and there are many designers in the same complex that offer beautifully designed works," Byworth said.



Ms. Marielle Byworth



MARESS by MARIJOLI

As for Swiss designers, Byworth thinks that they can really bring a different experience of design to Hong Kong; she also feels that the Swiss culture of recycling is an important element designers can help promote in the city. Reflecting on her own experience, Byworth suggests that personal contacts are essential to succeed in Hong Kong. ***"Hong Kong is developing rapidly so that it is important to build a reputation based on trust where clients and the wider market know how you are offering creative and quality products."*** Choose whom you partner with carefully and explore networking events to access your audience," she explained. In order to boost the cultural exchange within the design sector, Byworth hopes that there will be more school exchange programmes between Hong Kong and Europe.

## 8. Fair and Associations

### 8.1. FAIRS

| Trade Show   | Description   | Date                          | Website  |
|--|---|-------------------------------|--|
| <b>Hong Kong International Printing &amp; Packaging Fair</b> | Allowing printing and packaging companies to showcase expertise and customer service to buyers      | 27-30 April 2016              | <a href="http://www.hktdc.com/fair/hkprintpackfair-en/Hong-Kong-International-Printing-and-Packaging-Fair.html">www.hktdc.com/fair/hkprintpackfair-en/Hong-Kong-International-Printing-and-Packaging-Fair.html</a> |
| <b>International Furniture Fair Hong Kong</b>                | A dynamic platform for high-end design brands to interact with target customers in the Asian market | 26-28 August 2016             | <a href="http://idffhk.com">idffhk.com</a>   |
| <b>Hong Kong Fashion Week</b>                                | Largest fashion gala of the year in Asia  | 18-21 January / 4-7 July 2016 | <a href="http://www.hktdc.com/fair/hkfashionweekfw-en/HKTDC-Hong-Kong-Fashion-Week-For-Fall-Winter.html">www.hktdc.com/fair/hkfashionweekfw-en/HKTDC-Hong-Kong-Fashion-Week-For-Fall-Winter.html</a>               |
| <b>Hong Kong Watch &amp; Clock Fair</b>                      | Largest timepiece event in the world  | 6-10 September 2016           | <a href="http://www.hktdc.com/fair/hkwatc hfair-en/HKTDC-Hong-Kong-Watch-and-Clock-Fair.html">www.hktdc.com/fair/hkwatc hfair-en/HKTDC-Hong-Kong-Watch-and-Clock-Fair.html</a>                                     |
| <b>Hong Kong International Jewellery Show</b>                | A premier sourcing point for finished jewellery   | 3-7 March 2016                | <a href="http://www.hktdc.com/fair/hkjewel lery-en/HKTDC-Hong-Kong-International-Jewellery-Show.html">www.hktdc.com/fair/hkjewel lery-en/HKTDC-Hong-Kong-International-Jewellery-Show.html</a>                     |

### 8.2. GOVERNMENT AGENCIES AND ASSOCIATIONS

- General:
  - InvestHK - [www.investhk.gov.hk/index.html](http://www.investhk.gov.hk/index.html)
  - Hong Kong Trade Development Council - [www.hktdc.com](http://www.hktdc.com)
  - CreateHK - [www.createhk.gov.hk/en/home.htm](http://www.createhk.gov.hk/en/home.htm)
  - Ambassadors of Design Hong Kong - [ambassadors.org.hk/?lang=en](http://ambassadors.org.hk/?lang=en)
  - Hong Kong Designers Association - [www.hongkongda.com](http://www.hongkongda.com)
  - Hong Kong Design Centre - [www.hkdesigncentre.org/en/index.asp](http://www.hkdesigncentre.org/en/index.asp)
- Graphic and multimedia design related:
  - Association of Accredited Advertising Agencies of Hong Kong – [www.aaaa.com.hk](http://www.aaaa.com.hk)
  - Graphic Arts Association of Hong Kong – [www.gaahk.org.hk](http://www.gaahk.org.hk)
  - Office of the Communications Authority – [www.ofca.gov.hk](http://www.ofca.gov.hk)
  - Hong Kong Association of Interactive Marketing – [www.hkaim.org](http://www.hkaim.org)
  - Hong Kong Digital Entertainment Association – [www.hkdea.org](http://www.hkdea.org)

- Interior, furniture and exhibition design related:
  - Hong Kong Interior Design Association - [www.hkida.org/](http://www.hkida.org/)
  - Hong Kong Furniture Association - [en.hkfa.org/index.html](http://en.hkfa.org/index.html)
  - Hong Kong Exhibition and Convention Industry Association - [www.exhibitions.org.hk/en](http://www.exhibitions.org.hk/en)
- Industrial design related:
  - Federation of Hong Kong Industries - [www.industryhk.org/en](http://www.industryhk.org/en)
  - Industrial Designers Society of Hong Kong - [www.idshk.org](http://www.idshk.org)
- Fashion design related:
  - Hong Kong Fashion Designers Association - [www.hkfda.org](http://www.hkfda.org)
  - Fashionally - [www.fashionally.com/en](http://www.fashionally.com/en)
  - Hong Kong Research Institute of Textiles and Apparel - [www.hkrita.com](http://www.hkrita.com)
  - Hong Kong Jewellery Manufacturers' Association – [www. Jewelry.org.hk/en](http://www.Jewelry.org.hk/en)

## 9. Doing Business in Hong Kong

### 9.1. BUSINESS ENVIRONMENT

Hong Kong has been very successful in attracting FDI through its appealing business environment, including sound rule of law, an impartial judiciary, no import duties, low and simple tax regime, freely convertible currency, and free flow of information. Hong Kong designers and companies have a clear understanding of the value added features of design and there are strong design communities with easy networking and referrals.

#### 9.1.1. Ease of Doing Business and GII

Hong Kong ranked third out of 189 countries in the World Bank's Ease of Doing Business 2015 report, indicating that the regulatory environment is conducive to the starting of a local firm.

Supported by thriving creative industries, Hong Kong is moving towards an innovative society. The Global Innovation Index (GII) is an annual publication which features, among others, a composite indicator that ranks countries/economies in terms of their enabling environment to innovation and their innovation outputs. Hong Kong ranks the 11th while Switzerland ranks the first among 143 economies around the world in 2015.

#### 9.1.2. Hong Kong as a Gateway to China/Asia

Hong Kong, at the crossroads of Asia, is a key gateway to the mainland China market and the PRD manufacturing base. Meanwhile, Hong Kong is a window to the world showing the trends and styles of Asia, making it a great city to institute a well-established design community. Hong Kong is efficiently located within four hours of flying time from Asian key financial markets, and is less than a five-hour flight from half the world's population. The city shares the same time zone as Beijing, Shanghai, Singapore, Taipei, Kuala Lumpur, Manila, and Perth. Additionally, Tokyo, Seoul, Bangkok, and Jakarta have just one-hour time difference with Hong Kong, maximising opportunities for mutually convenient engagement with the region's key markets. The location between East and West, the bilingualism of its cosmopolitan society, and the access to a huge market constitute a tremendous territorial capital that few other cities in the world could surpass.

### 9.2. TALENT POOL

Skilful and professional workforce is essential to the performance of design companies. Hong Kong has a rich source of local and foreign design talents who have profound professional experience and international exposure in a wide spectrum of products and services. Hong Kong designers can satisfy the demand for quality-assured creative services, which match international standards and at the same time, take into consideration Chinese tradition and legacy. In terms of nurturing design talents, seven universities in Hong Kong offer a broad spectrum of programmes including well-known education in applied arts and design. For instance, the Hong Kong Polytechnic University School of Design, QS Asia's top school for art and design subjects, has over 1,400 students and is the only government funded institution offering design education from undergraduate to doctoral levels.

Apart from the educational system, there are competitions and awards to foster design talents. For instance, the Hong Kong Young Design Talent Award is an annual award held by HKDC, and awardees can receive sponsorships to undergo overseas work attachment and study in renowned design companies/ institutes to unleash their potential.

### 9.3. INTELLECTUAL PROPERTY RIGHTS

Protection of intellectual property rights (IPR) protects creativity. The HKSAR government is committed to the protection of IPR of both domestic and foreign investors. **The Intellectual Property Department** monitors the IP regime and enforces stringent regulations for patents, copyrights, trademarks and registered designs in Hong Kong.

According to Hong Kong's Design Law,

- The design element of a product such as its shape, configuration, pattern or ornament can be registered, provided the design is visible to the naked eye.<sup>11</sup> Design registration protects the owner of the design and the exclusive right to use the design. It prevents others from manufacturing, importing, using, selling or hiring the design product. Registered designs protect only the appearance of products and not the way in which the product relating to the design works;
- Registered design protection is renewable for periods of five years up to a maximum of 25 years;
- Design registration in Hong Kong is required for territorial protection of registered designs within the geography of Hong Kong;
- Designs registered under the Design Registries of other countries, including the People's Republic of China, do not receive protection in Hong Kong;
- The design must be new at the time of registration in Hong Kong. The design registration is invalid if the design has been published, publicised or used in the manufacturing stage of the product at the time of registration;
- Design registration in Hong Kong gives priority for design registration, within six months, in certain other countries and territories, by virtue of Hong Kong being a member of international conventions;
- Registered design law in Hong Kong consists of the Registered Designs Ordinance and the Registered Design Rules.

#### 9.4. TELECOM INFRASTRUCTURE

Hong Kong has one of the world's most advanced telecommunication networks. There are currently nine submarine and 17 overland cable systems in Hong Kong with eight satellites operating for external communications. The average peak Internet connection speed is at 94.8 Mbps, the second fastest worldwide after Singapore. The average Internet connection speed is also high at 17.0 Mbps. The sophisticated telecommunications infrastructure can support the transmission of large volume multi-media files and allow design companies to reliably transmit and receive information at very low cost.

#### 9.5. FREE TRADE AGREEMENT

As a Special Administrative Region of China, Hong Kong enjoys a highly active and cooperative business relationship with mainland China. Signed on 29 June 2003, the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) is a free trade agreement concluded by mainland China and Hong Kong. CEPA covers three areas: trade in goods, trade in services, trade and investment facilitation. Mainland China gives all products of Hong Kong origin tariff-free treatment. Under CEPA, it will be easier for foreign investors to partner with Hong Kong service suppliers to form wholly-owned enterprises in mainland China and provide various types of design products and services.

Exhibition industry under CEPA:

- Hong Kong service suppliers (HKSS) are allowed to provide, in the form of wholly owned operations, convention services and exhibition services in mainland China. Under CEPA Supplement III, those operations set up by HKSS in mainland China, in the form of wholly owned enterprises or joint ventures, are also allowed to undertake the relevant businesses in Hong Kong and Macau;
- Under CEPA Supplements IV, V and VI, HKSS are allowed to organise exhibitions, in the form of cross-border supply, in Guangdong, Shanghai, Beijing, Tianjin, Chongqing, Zhejiang, Jiangsu and Fujian on a pilot basis. Companies set up by HKSS are allowed to organise overseas exhibitions on a pilot basis for locally-registered enterprises in Guangdong, Shanghai, Beijing, Tianjin, Chongqing, Zhejiang, Guangxi, Hunan, Hainan, Fujian, Jiangxi, Yunnan, Guizhou and Sichuan;
- According to CEPA Supplement IX, enterprises set up by HKSS in mainland China, in the form of contractual joint venture are allowed to conduct overseas exhibition businesses on a pilot basis. Under CEPA Supplement X, contractual service providers employed by HKSS are allowed to provide convention and exhibition services in mainland China, in the mode of movement of natural persons;

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<sup>11</sup> See how to apply to register a design in Hong Kong at [http://www.ipd.gov.hk/eng/faq/designs/ds\\_how2apply\\_e.pdf](http://www.ipd.gov.hk/eng/faq/designs/ds_how2apply_e.pdf)

- In December 2014, the Agreement between mainland China and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong (the Agreement) was signed for implementation from March 2015. Under the Agreement, HKSS are granted national treatment to provide convention services in Guangdong.

#### Apparel industry under CEPA:

- Along with other products of Hong Kong origin, mainland China has given all products of Hong Kong origin, including clothing items, tariff-free treatment starting from 1 January 2006. Non-Hong Kong made clothing products will remain subject to average tariff rates of 14-16% when entering mainland China;
- According to the stipulated procedures, products which have no existing CEPA rules of origin can enjoy tariff-free treatment upon applications by local manufacturers and upon the CEPA rule of origins being agreed and met;
- In terms of the promulgated rules of origin for clothing items to benefit from CEPA's tariff preference, the principal manufacturing process of cut-and-sewn garment is sewing of parts into garments. If linking and/or stitching is/are required, such process/processes must also be done in Hong Kong. For piece-knitted garment, if it is manufactured from yarn, the principal process is knitting of yarn into knit-to-shape panel. If the piece-knitted garment is manufactured from knit-to-shape-panels, the principal process is linking of knit-to-shape panels into garment. If stitching is required, it must also be done in Hong Kong.

#### Jewellery industry under CEPA:

- Mainland China has given all products of Hong Kong origin, including jewellery items, tariff-free treatment starting from 1 January 2006. Non-Hong Kong made jewellery products remain subject to tariff rates of as high as 35% when entering mainland China;
- According to the stipulated procedures, products which have no existing CEPA rules of origin can enjoy tariff-free treatment upon applications by local manufacturers and upon the CEPA rule of origins being agreed and met;
- In terms of the promulgated rules of origin for jewellery, for jewellery articles of precious metal, moulding, identified as the principal process for the purpose of delineating their origin, is required to be carried out in Hong Kong. If assembling is required, it must also be done in Hong Kong. For jewellery articles of pearls, precious or semi-precious stones, both moulding and setting have to be done in Hong Kong.

Hong Kong has traditionally maintained close business ties with Switzerland. On 6 December 2010, the city signed a comprehensive agreement on the avoidance of double taxation (CDTA) with Switzerland. Additionally, 21 June 2011 saw the signing of its first free trade pact with any of its European trading partners, following the conclusion of a free trade agreement (FTA) with the European Free Trade Association (EFTA), a body representing Iceland, Liechtenstein, Norway, and Switzerland. These agreements will contribute to the further positive development of bilateral economic relations between Hong Kong and Switzerland.

Furthermore, Hong Kong has begun negotiations with ASEAN towards the formation of a FTA, which are expected to conclude in 2016. Hong Kong is also a member of APEC and has been a member of WTO since 1995. All these free trade agreements facilitate foreign companies to utilise Hong Kong as a platform in their Asian and global business endeavours.



# 10. Appendix

## 10.1. REFERENCE

Census and Statistics Department, HKSAR

Centre for Cultural Policy Research, The University of Hong Kong

Cisco Visual Networking Index

Commerce and Economic Development Bureau, HKSAR

Create Hong Kong, HKSAR

Creative Swedes

Design China

Euromonitor International

Hawksford

Home Affairs Bureau, HKSAR

Hong Kong Design Centre

Hong Kong Ideas Centre

Hong Kong Trade Development Council

Information Services Department, HKSAR

Invest Hong Kong, HKSAR

Legislative Council, HKSAR

Meeting & Exhibitions Hong Kong

Office of the Communication Authority, HKSAR

Office of the Government Chief Information Officer, HKSAR

The Hong Kong Polytechnic University School of Design

## **ExportHelp**

s-ge.com/exporthelp  
exporthelp@s-ge.com  
T 0844 811 812



Switzerland Global Enterprise  
Stampfenbachstrasse 85  
CH-8006 Zürich  
T +41 44 365 51 51

Switzerland Global Enterprise  
Corso Elvezia 16 – CP 5399  
CH-6901 Lugano  
T +41 91 601 86 86

Switzerland Global Enterprise  
Avenue d'Ouchy 47 – CP 315  
CH-1001 Lausanne  
T +41 21 545 94 94

s-ge.com