"You have to be there. It's not the same doing things by remote control," says Ken Dawson, Vice-President of the Hong Kong Branch of the Bank of Montreal.

New consumer market

Until recently, foreign businesses have focused on manufacturing and exporting, but now they are turning their attentions to the local consumer market.

"Increasing discretionary income and the opening of the retailing and services sectors to foreign investors has spurred foreign interest in tertiary industries," says Chen Zhen-Xiong, business professor at Sun Yat Sen University in Guangdong, currently on a leave of absence and a PhD student at Hong Kong University of Science and Technology.

Ten years ago, Chinese consumers bought bicycles, sewing machines, watches, and radios. Today, according to Chen, Guangdong people watch Hong Kong television, follow the fashion trends, and want consumer goods that are popular in Hong Kong.

One Canadian company that has recently expanded into the Asian consumer market is Neilson, famous for its Sweet Marie and Mr. Big chocolate bars.

"Neilson is targeting only part of the China market," says Albert Ng of Metcorp, the Hong Kong-based company which is responsible for marketing and distributing Neilson chocolate bars in China.

Customers have been attracted to Neilson products by the taste and the use of popular colours such as gold, yellow, and red in the packaging. Neilson has also chosen to highlight its Canadian connection by linking the Mr. Big chocolate bar with Canada's size.

QUANTITY SALES OF SELECTED CONSUMER GOODS IN CHINA

Consumer Good	Quantity Sold (1992)	% Increase over 1991
TV Sets	21.2 million	+15.1 (colour TVs)
Cassette Recorders	12.1 million	+10.4
Washing Machines	10.2 million	+22.7
Refrigerators	4.8 million	+28.7
Bicycles	33.0 million	+11.0
Shoes	1.09 billion pairs	n/a
Wines	15.0 thousand tons	n/a

n/a: not available
Source: The Hong Kong Trade Development Council

Canpotex field demonstration shows results of blended fertilizer

Although Neilson has less than one per cent of the world market share of the chocolate confectionery industry, the company estimates that after only three months in Guangzhou, it has captured 20-25 per cent of the market. While Neilson has had early success, Ng says it is difficult to determine their ultimate success in a market where they are competing against international chocolate bar giants like Cadbury and Mars.

Canadian companies are also looking at the service industry in Guangdong with great interest. Airline passenger traffic in China has increased by about 29 per cent annually in the last two years and is forecasted to grow between 10 and 20 per cent annually over the next 15 years.

"With projected increases in passenger traffic, Canadian Airlines is considering establishing an office in Guangzhou to issue tickets for flights from Hong Kong," says Richard Webb, General Manager of Canadian Airlines' Hong Kong office. But the lack of reliable market information, says Webb, has made it difficult to gauge how much business is coming out of southern China and whether such an office would be viable.

Another service sector that looks attractive is insurance. While this industry is dominated by state-owned companies, Manulife has established three representative offices in China. Through its Shenzhen office, Manulife is learning about the market and talking to local authorities about establishing a sales office even though there are no procedures yet in place for foreign companies to apply for a license, says Victor Apps, Vice-President of Manulife's Greater China Division.

Although Manulife is the only Canadian company pursuing the insurance market in China, it is competing against about 20 other foreign insurance giants. "A few years ago, no one would have dreamed about the China market for insurance," says Apps.

The Hong Kong connection

Hong Kong has become a springboard from which Canadian and other foreign companies can leap into the China market. The Territory's proximity to Guangdong, infrastructure, and well-educated work force with China experience make it an ideal intermediary.

In 1986, Alcan Aluminum chose Shenzhen as the site of its joint venture, not only because of the special tax incentives of this Special Economic Zone, but also for its proximity to Hong Kong, says Roger Hum, former Chief Executive Officer for Alcan Nikkei Asia Limited.

Hum, who is now a Hong Kong-based business consultant, says that operating out of Hong Kong helped Alcan hasten the joint venture negotiations, since their proximity led to more frequent meetings and familiarization.

Canada's cultural diversity has helped Canadian companies who have ethnic Chinese on staff and are now posting them to Hong Kong and China. "We've got to work with the Chinese to make it into the market," says Argyris.

Joint ventures

Joint ventures were first introduced in the late 1970s to help China modernize its economy. Although dealing with a joint venture partner has its own challenges, as partners may not agree on management styles, policy direction, performance standards, or a multitude of other operational concerns, joint ventures are seen as a way to help foreign companies operate in a unique business culture and to better manage the demands imposed by China's bureaucracy.