

E. Consumer Products

Business Environment

China and Hong Kong have enjoyed some of the fastest economic growth in the world over recent years. Although Hong Kong has for some time enjoyed income levels comparable to those of Western nations, China has only recently begun to see significant growth in incomes, and only in major metropolitan areas. Vastly different consumption patterns exist in China and Hong Kong. Consumption patterns also vary among the different parts of China. Given their higher standard of living and the downstream economic effects they have on consumers in the rest of the country, the cities of Shanghai, Beijing and Guangzhou present ideal points of entry to the Chinese consumer market.

Market Opportunities

China

Retailing in China has undergone dramatic changes in recent years. State-run stores were previously the only locations where consumer goods could be purchased, and those goods were principally manufactured in China. China's major cities are now dotted with privately run shops and joint-venture department stores offering both locally made and imported products. The retail market in China is poised to attract further foreign investment, especially in the "superstore" segment of the market.

Smaller retailers focus largely on locally manufactured products, and the chain stores specialize in mid-range clothing. Although most products sold in these stores are manufactured in China, they are often

based on foreign designs and therefore enjoy additional prestige. At the high end of the Chinese retail sector, there are boutiques selling imported designer clothing and accessories.

Despite the recent improvement in living standards, only a small portion of the Chinese population can afford to purchase imported luxury consumer goods. Imported products are generally perceived as being of higher quality than locally produced ones, but their price is prohibitive for the majority of the local population. It will take years for a sizable market for expensive imported goods to develop. In the meantime, Chinese manufacturing capacity will be able to meet most of the country's requirements for consumer products.

Major international retail chains have opened stores in China. Although handicapped by a limited presence in the country, these chains could be used as points of entry in China. As they are likely to be more comfortable dealing with suppliers they are familiar with, Canadian firms already supplying goods to these chains elsewhere should look at the possibility of directly supplying them in China.

Hong Kong

Hong Kong's retail market is highly developed and extremely sophisticated. While Hong Kong consumers have access to low-priced products manufactured in the region, they know and can afford the best.