



China in your hands

To say Hong Kong works like clockwork is an understatement. If the old mechanical timepiece had functioned as smoothly as the former British-run colony the digital watch would never have been invented. 'Made in Hong Kong' was always a contentious phrase. To some it said cheap, and often not so cheerful, to others it spelled the loss of manufacturing control.

Over the years, Hong Kong has undergone a transformation from a low-cost producer of goods, into a trader and owner of intellectual property. Nothing has hastened this change more than the handing over of Hong Kong to the Chinese in 1997. From that moment, Hong Kong became a gateway to the huge production capacity within mainland China.

The Hong Kong Optical Fair (HKOF) is a truly international show. Along with the Hong Kong exhibitors and factories from mainland China, there was also a strong contingent from elsewhere in Asia and the rest of the world. Attendance is international too, more than 10,000 buyers visited HKOF, a 14 per cent growth over last year. Just one-third of those who attended were from Hong Kong, with around 6,670 visitors from outside the region.

Benjamin Chau, assistant executive director of the Hong Kong Trade Development Council (HKTDC), says the good turnout is fuelled by rising demand in Europe. The global optical manufacturing and sourcing base has shifted to Asia, he says, and Hong Kong is the place to see it in safety.

The theme of dealing through Hong Kong to get to China's low cost base is a

Chris Bennett savours the delights of this year's Hong Kong Optical Fair

common one. Virtually no manufacturing is carried out in Hong Kong, it has all been shipped inland.

What Hong Kong has done is to mix its trading heritage and knowledge of the Chinese culture to open up the benefits of China's low-cost base to the world.

Despite the shift of manufacture to the mainland, Hong Kong's total exports of spectacles rose by nearly one-fifth to HK\$999m (£66.6m) in the first nine months of 2006. This makes the region the second largest optical exporter in the world – only behind Italy. Growth of exports to EU countries grew by one-third in the first three quarters of this year.

Twenty-three countries were represented among the 530 stands at the 14th HKOF. While the majority were east Asian, the Americans, Europeans and Australians were strongly represented. Many Australians attended the optometry conference that runs alongside the exhibition, but most other visitors were serious buyers.

THE RIGHT PARTNER

There is far more to HKOF than frames and lenses. The real story is the emergence of China.

In comparison with European shows it would be easy to wander around HKOF and wonder where all of the 'wow' products are. But as Anne Chick, senior

exhibitions manager with the HKTDC, explains, the show is a commercial event and not a beauty contest.

'Our shows are trade shows,' she says. 'The people who come here have the intention of placing orders. The main objective is to generate business.'

Doing business with Hong Kong companies, she notes, has distinct advantages, as they were the first to move manufacturing to the mainland.

'We know the errors and the loopholes,' she says. Chick paints a graphic picture of manufacturing in China. There are thousands of factories, and more than just workplaces, they are whole communities. In the Pearl River Delta alone, Hong Kong companies employ over four million Chinese workers across a range of manufacturing areas.

Working on such a scale, quality assurance, materials, logistics and even skills shortages are all factors that have to be managed. That's best done close at hand and with cultural sympathy and local knowledge, she argues.

Without wishing to damn her Chinese neighbours, Chick insists there is a risk for Western companies when dealing direct with a Chinese supplier. Manufacturing will continue to shift to China, meaning the right partner is essential for Western companies. Given Hong Kong has a Western outlook and an oriental feel, it is the obvious place to come, Chick says.

The message coming from Hong Kong companies on the exhibition floor tallies with Chick, but Chinese manufacturers take a slightly different view.

Typical of a mainland Chinese manufacturer is Sharon Zhang of lens

maker Zhenjiang Junshi Optical Company – one of a dozen Zhenjiang companies crowded into a small area of the show. In common with many factories, Junshi is a joint venture operation. It was set up in 1966 with Korean help and specialises in CR 39, 1.56 and 1.61 resin lenses.

Zhang is keen to demonstrate that Junshi can deliver different products, and shows off a range of AR coated products in red, for women, and gold for men. The product portfolio also includes aspheric lenses and smaller diameters. She believes the reputation of Chinese manufacturers has been affected by the mass of small factories producing 1.49 index lenses, which can be of low quality or yellow too readily. She believes dealing direct with Western customers and forming long-term relationships is the only way to improve quality and price. The price spiral has created a situation where factories cut corners to bring down prices to win a contract.

‘They show you the A grade [stock] but once they have the money they send you something different. They then move on to a different client. The price is too low, we think this is a bad thing,’ Zhang says. Dealing direct can be safe, she insists, but get to know us first.

DEALING DIRECT

Competition among the frames suppliers is even greater. Most of the frames on view in the Chinese area are characteristically Asian. Big eye sizes, lots of plastic, bold colours and decorative gold, jewels, decals and filigree abound.

There are eye-catching designs such as Sanshan Optic’s models with etched side pieces. There are plenty of split temples and shiny fronts. Frames mixing plastic and metal are well in evidence and on a par with many of the more wearable styles at this year’s European shows.

What makes HKOF so different is that virtually every company, in the Chinese area at least, is also a manufacturer. Behind the shop window of product is the manufacturing capability and it is this, first and foremost, that many of the companies are trying to sell.

Lisa Chen, vice-president of Sanshan, says the Hong Kong show is more a meeting place than a customer recruiting exercise. She uses shows such as Mido and Silmo for signing up clients.

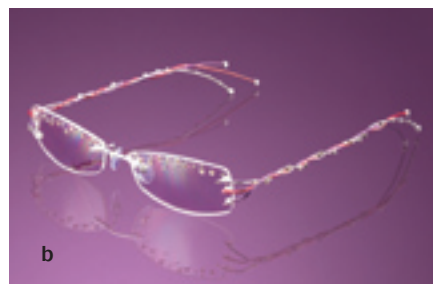
In addition to the thousands of styles Sanshan has on offer, Chen was proud to point out that Sanshan will design from drawings, models or in collaboration with consultants. Her team of three designers and 30 computer-aided design staff can also create from a brief or a brand discussion. The company has two sample production lines, while its three main production lines will handle 300,000 basic metal frames, 100,000 fashion metal models and 70,000 acetate models every month. Chen says it is safe to deal direct with China, but wouldn’t speak for smaller companies. Good quality communication has changed the way people feel about dealing direct, she adds.

Companies such as Game Day Eyewear, Ever Eyewear and Sunrise Optical have already learned the trappings of Western styling and brand building. All have the mixtures of metal and plastics found in the Western collections at this year’s shows.

Wenzhou Lixin Glasses Company – one of 59 Wenzhou companies exhibiting – had product that wouldn’t, and doesn’t, look out of place on a UK high street. Export manager Lisa (the only name she gave) encourages Western companies to deal direct.

Vast improvements in the techniques employed by Chinese companies meant it was no longer necessary to go through ▶

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Frames entered in the Hong Kong Eyewear Design Competition showcased designs from (a) the corporate group, (b) the open group, and (c and d) students



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Hong Kong players

The British

Alan Wells, managing director of Sauflon, one of two UK companies exhibiting at the show, says he finds the show incredibly global and a good meeting place for international clients.

Wells says HKOF is a great way to get to the whole of the Asian region which is a good market for contact lenses.

Sauflon started attending the show with its solutions but now it has expanded its business into contact lenses and is using the opportunity to migrate those clients into its new products.

Chris Knight, sales and marketing director of Polaroid Eyewear, says that while Polaroid Eyewear exhibits as a UK company, it is really a global business. He also says the show is a great place to meet people from all over the world and he uses the Hong Kong event and Silmo to conduct licensing and OEM agreements with international makers of sunwear.

The French

A perennial visitor to Hong Kong is the French company Minima. Gilbert Chamby said this was the eighth time Minima has attended and it was at the show to sell. He says the market for quality eyewear is growing fast in Asia and by visiting this region it gives Minima the edge over other quality European makers who shy away. When asked about frame copying he admitted it was a problem but as a



quality supplier copycats couldn't match Minima's quality and style. That morning two pieces had gone missing from the stand and Chamby assumes they were taken to be copied. Others bolstering the French contingent this year were Harry Lary's, Mikli's m/m brand, Silmo and Beausoleil. They exhibited under the Visionaries of Style banner which included 14 international eyewear brands.

The Danish

Nikolaj Schnoor, general manager of Lindberg in China, says: 'We are booming here.' Attending the show last year had been a great success, he says, and after trying the show out 10 years ago Lindberg opened an office in the region three years ago. He also says copying is a problem and only this morning spotted a copy elsewhere in the show. The problem for the copiers is that they cannot meet the technical quality that Lindberg achieves, he says. This heightens even further the sense that Lindberg is special.

Schnoor says Lindberg only has direct sales and only manufactures in Denmark. Sales are strong in Hong Kong, China, Korea, Japan and Singapore. While brands are big in the region, the new rich in China want understated quality and style, not ostentatious brands, he adds. He is disappointed more European firms don't make the trip and encourages them to come and try to break into the Asian market. Asian people are cautious, he says, and early progress can be slow but they have money. He sees the future of trading in cities such as Shanghai and has bad news for Hong Kong. On the issue of dealing direct with China he doesn't see the need for intermediaries. 'All these middle men in Hong Kong are going to go down,' he says.

And the British again

One company that wasn't exhibiting but is still in Hong Kong is the UK's own Inspects. It has an office of around a dozen people in Hong Kong that is responsible for designing products and liaising with the firm's manufacturing capacity in China. Chief executive officer Robin Totterman says long gone are the days when having Chinese manufacture was seen as a negative issue. He believes, if managed correctly, the quality of Chinese products, is second to none and certainly superior to some European-made frames.

Having an office in Hong Kong and using local people allows Inspects to keep control of its production and see international clients more easily.

Sam Craig, sales and procurement manager in the Asia design office and showroom, says a journey to Inspects' factories on the mainland can take as little as three hours door to door.

Hong Kong. Communication was also important, but none of these things posed a problem for modern Chinese companies, she says. She also likes US buyers because they place large orders.

There are a mass of names that appear familiar but at the same time aren't quite: XLoops, GQ, Sandwalker, United Creation, Elegance all conjure up a feeling of Western design heritage. Others have the products but remain distinctly Chinese, such as Chu Kong and Wing Shing. One of the most striking elements of the show was the reluctance of the Chinese to allow photography of their styles. Whether this is because they are worried about copying, as they say, or worried about being caught copying, as the Europeans and Hong Kong say, is a moot point. But what is clear is that Hong Kong and China have a massive hang-up about design.

The opening of the show was accompanied by the Hong Kong Eyewear Design Competition which showcased designs

from students, the corporate sector and an open group. The winner was a frame incorporating memory sticks as the side pieces. The entries while worthy, still had a 'student' feel about them. This lack of design maturity was a recurrent theme and is an issue the whole region recognises but seems uncertain how to resolve.

Manufacturers will boast of learning the techniques of production, marketing and technology but talk of collaboration with European partners when it comes to design. Chinese design has been described by local commentators as being at the crossroads and China as being in 'puberty' when it comes to frame styling.

According to Thierry Lasry of French frame design company Harry Lary's, European wearers have become educated about frame buying. Metal frames, rimless frames and designer names are no longer enough. Customers want frames that say something about who they are, frames that make them feel good. Speaking at the

HKOF's eyewear trend seminar he agreed that there is little cross-over between European and Asian style and suggests parallel ranges are designed by the same maker for the two markets. The audience clearly wanted an insight into how to design frame styles but Lary's answers made it clear design came more from within than from a learned process.

For now the chosen route is typified by that taken by YCC. It is a US-owned international supplier of frames. Its main market is the US but all production takes place in China. President Lihua Wang is at pains to point out the dangers of dealing direct with China, before explaining how YCC can offer the cost benefits within the safety of Western operation. But even Wang baulks at local design, preferring to collaborate with French designers. She has her eyes on the Japanese and European markets and believes it is French design, Chinese value for money and service that will make the difference.

Harry Lary's: Customers want frames that say something about who they are



Another one of the Hong Kong majors, Swank, centred its stand around a series of designs based on iconic pieces of eyewear as characterised by Stevie Wonder, Bruce Lee, Ray Charles and other style legends. Marketing and communications manager Teresa Chan said the idea was to combine iconic design with high technology to produce classic pieces. Ultimately these showed what the company could manufacture rather than its intentions to sell these specific pieces as Dicky Kawai Tong, chief executive officer, explains that while the styling is arguably European, Swank doesn't obsess about selling direct to the European market.

Despite having its own brands Swank is happy to work through distributors and manufacturers to sell outside the region. Swank is mindful not to breach confidentiality in discussing who it deals with, but it counts some of the swankiest, forgive the pun, eyewear brands among its customer base.

Tong is a truly an international diplomat of optics and clearly realises the danger of stepping on his customers' toes. He says branded manufacture is the direction he is heading in but that selling own branded material into Europe is a long way off. Shaving a few cents off the price of a frame by dealing with China may not be worth as much as the comfort factor of dealing through Hong Kong, but he doesn't want to dictate how customers buy. 'We don't want to be overwhelming, we know where our place is,' he concludes.

SHIFTING MANUFACTURE

Just as Hong Kong took manufacturing from the West, it has now been taken by China. Hong Kong now has to eye the next tranche of supply chain elements which bring it closer to the consumer.

The topic of shifting manufacture was the subject for Masao Nagai, vice chairman of the Fukui Optical Association. Fukui accounts for 90 per cent of Japan's optical production. In the last year alone, 100 companies have been lost from the region as production has shifted to China. Japanese companies had been keen to share technology with China but now realise that is not a good idea.

Future development in Japan, he says, will be based around Japanese brands and traditional skills that take years to learn and cannot be transferred. 'By doing this China and Korea cannot copy us because these handicrafts have been traditional. This has to be done in order for us to survive, we are at a watershed,' he says. Whether Japan can buck the market in such a way is questionable.

In delivering his talk Nagai was visibly troubled, perhaps no more so than UK manufacturers facing the same future in the 1960s and 1970s. What Nagai did recognise was having lost manufacturing it was only a matter of time before brands, marketing and distribution came under the same pressure.

Hong Kong has become a perfect intermediary for Chinese production but that is under threat as China modernises and the West learns to deal direct with Chinese factories. The big question is whether having lost its manufacturing to China, Hong Kong starts to eye the lucrative distribution channels currently commanded by the Europeans, Japanese and Americans.

The night-time journey away from the Hong Kong Optical Fair winds along the brand new, multi-lane motorway to Chek Lap Kok airport and exemplifies how far Hong Kong and China have come. The road snakes past the vast container ports which toil, night and day, to dispatch the products made in the mainland to embarkation points around the world.

The endless number of containers and countless cranes suggest every product consumed in the West will eventually be manufactured in China and shipped through Hong Kong.

Just a few short days at the Hong Kong Optical Fair has, for optics at least, largely confirmed that they already are.

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