

Suggestions
On
2014 Digital 21 Strategy

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Suggestions on 2014 Digital 21 Strategy

1. Theme

The Theme – “Smarter Hong Kong, Smarter Living” may have undermined the value that ICT can contribute to the commercial sectors. It is therefore suggested to name it “Smarter Hong Kong, Smarter Living, **and Smarter Business Hub!**”

This suggestion is based on the fact that ICT should not be regarded as enablers only for everyday life, leisure, consumers’ lifestyle related activities.

2. Supporting a Thriving ICT Industry

There have been a lot of talks about making ICT as one of the economic pillars for Hong Kong in the past years. However, large and globally reputable ICT brands originated from Hong Kong are yet to be seen. We are still long way from there. A bigger question is that how many of Hong Kong ICT companies are making reasonable or decent profit today?

It should be noted that in order to create a “thriving” ICT Industry, encouraging start-ups and innovations, facilitating state-of-the-art ICT infrastructures, building ICT Manpower and expertise pools, etc. are only some of the enabling factors. The key is **DEMAND**.

3. The Issues of ICT Demand in Hong Kong

Some may argue that ICT has become a daily life and commercial necessity, so the “demand” is always there. This could be true to an extent. The problem though, is that there are so many international and financially strong ICT brands and service providers coming to Hong Kong to compete with the Hong Kong home grown ICT companies, especially the Hong Kong ICT SMEs. Needless to say, most of these local ICT companies find it almost impossible to have head-to-head competition with them, especially in areas such as brand name, financial strength for advertising and promotion, customer references, market penetration, etc..

As a result, the local ICT SMEs would have to find niche markets even though they have some great products and services, yet they find them hard to sell in Hong Kong. In order to survive, some local ICT companies elect to seek partnership or reselling arrangement with the international brands.

Some may elect to give up the Hong Kong market and focus on the mainland and Asia Pacific markets. Some may even surrender entirely and do some non ICT businesses.

If this trend continues, despite how the Government encourage innovations, startups; and how large the ICT talents pool has been built; one of the brutal scenarios could be like this:

- a) innovation of ICT technology and applications may land in places other than Hong Kong,
- b) the ICT industry in Hong Kong is a local support centre for international ICT brands,
- c) most ICT talents are working on innovations and support for international ICT brands,
- d) the non ICT SMEs are still ICT behind as they cannot afford to use international brands, and yet the less costly and Hong Kong customized solutions from local ICT companies become difficult to find as they are either out-of-business, or have shifted their focus elsewhere.

Is this a thriving ICT industry for Hong Kong we want to see?

Suggestions on 2014 Digital 21 Strategy

4. The Path from Concept to Brand

Let us leave the concerns about ICT demands for a minute. Over the years, the government has encouraged ICT Innovations which may mean new or advanced ICT technology, and innovative use of ICT technologies.

In either case, there is always a long path from an Innovative Idea (Concept) to Brand. It can be called a “King Making Process” which may consist of four folds – Concept, Funds, Process and Expertise.

Concept and Funds

Perhaps there is no need to explain too much about the Concept which has to be sound with the ability to create values to buyers / consumers. Without Funds, a lot of the activities involved in the Process will be difficult to accomplish.

Process

This refers to: **Concept** → Prototyping and Improvement → Test Marketing for Feedbacks and Enhancements → Trial Use then Changes and Updates → Private Launch for Production Use → Marketing and Public Launch for Production → **Brand**.

Expertise

The Process requires people of different expertise and contributions, the product entrepreneur (owner), product developers, investors, business strategists, legal experts, marketing experts, distribution channels / partners, etc.. It is extremely unusual to see one single entrepreneur who can play every role and can afford the funds to support the entire process.

What lacks?

Funds

It is appreciated that the Government has placed some resources and funds to encourage startups. The Science and Technology Park, and Cyberport have also done a lot of work to incubate startups and have helped the ICT entrepreneurs to find venture funds and networks.

However, the Government tends to have more confidence about the universities and research institutes that they are more capable of doing innovation and technology development. Thereby, these institutions tend to be easier to acquire funds from the Government. This is understood as it is true that these institutions have better environment and facilities and resource for innovations and technology development.

The problem, though, is that, there are ICT SME entrepreneurs who have sound business ideas and products that require funds to turn their concepts into products, and then to the market. This ICT SMEs are flexible and are closer to the user markets. If they are supported with sufficient funds, their contributions and achievements cannot be under estimated.

Suggestions on 2014 Digital 21 Strategy

On the other hand, it appears that the Government tends to leave the Test Marketing, Private Launch, Marketing and Public Launch; and seeking business and professional expertise to support the activities in the Process, etc.; to the entrepreneurs themselves. This is a bit like “I help you start, the rest is up to you!”

Perhaps there is nothing wrong with the Government’s approach based on the laissez faire principle. However, it is quite clear that this approach has failed to develop the ICT Industry as one of the economic pillars in Hong Kong, let alone the “desire” to grow the industry.

In the private sector, the local venture investment to support startup or expanding ICT companies is not a common or pleasing culture. Perhaps there are too many investment opportunities such as: properties, stocks, foreign currency, etc..

Process – Market

There is no doubt that Hong Kong ICT is capable of creating innovative and value added ICT products and solutions. The problem is that there are only very few that can make it in the marketplace.

What has been observed is that there is no **“Use Hong Kong ICT”** culture in the public and private sectors. In addition, there is no encouragement to take risk to try new ICT products even it has been demonstrated as better and cheaper than existing products. An entrepreneur has expressed that an organization has rejected his offer at zero cost in exchange for their users to try his new ICT product. The test marketing and marketing process has been so difficult for the startups.

Imagine when the entrepreneurs were asked about reference cases or successful implementation, they may become wordless as not many of them would have sufficient cases to impress new buyers or partners.

As a result, a lot of these high potential products either disappear during the Process, or struggle to move very slowly; while the international and wealthy ICT brands continue to take over the user market.

Expertise

Expertise is costly. If each ICT entrepreneur tries to hire a whole bunch of experts from different business professions to support the Process from Concept to Brand, the cost will be extremely high.

If the ICT entrepreneurs do not have these business functions support, the problem with “slow motion” to marketplace will remain.

Suggestions on 2014 Digital 21 Strategy

5. What the Government can do?

Funds

- Broaden the ICT Funds to support ICT SMEs with ICT product innovation or innovative applications of ICT technology.
- Do NOT limit the funds for startup only. The funds should also be eligible for those Hong Kong ICT companies, especially the ICT SMEs who have mature products already after years of hard work and market testing, and require funds to aggressively launch in the marketplace. The level of funds for both the startups and expanding ICT companies should increase to cover the product development and marketing needs.
- The funds support should cover any stages in the process from Concept to Brand, and it should be rather simple and not overdone on due diligence.
- Consider to partner with venture capitalists to form a Government and VC JV Funds to support these ICT SMEs at different stages in the Process from Concept to Brand.
- Consider to increase the risk limit. Conservatism is an obstacle for ICT innovations.
- Apart from funds, the Government can consider to refurbish some old factory premises and allow the Hong Kong ICT companies to work there at a lower rent.

Process – Market

- The Government can encourage a **“Use Hong Kong ICT First”** culture in the public and private sectors. A clear internal message in the Government should be conveyed that there SHOULD NOT be a “Play Safe” mindset which drives preference to select ICT products and services from international ICT brands over Hong Kong ICT companies.
- The Government can consider to take lead in using ICT products and services from Hong Kong ICT companies. The products provided by these companies should be developed in Hong Kong and the manpower to support the services should be resided within Hong Kong. The purchase of Hong Kong ICT products and services is suggested to be at least 20%.
- In order to broaden the ICT demands for Hong Kong ICT companies, the Government can consider some incentives or tax allowance if the local companies elect to purchase ICT products and services from Hong Kong ICT companies. Imagine if more organizations in public and private sectors have elected to put into action to “Use Hong Kong ICT First”, more showcases for home grown ICT products can be established. This will be extremely useful reference cases for the Hong Kong ICT companies when they try to expand and compete in the overseas markets.

Suggestions on 2014 Digital 21 Strategy

- The definition of Hong Kong ICT companies or Products may have criteria as follows:
 - Owner or the Major Shareholder must be permanent resident of Hong Kong
 - The Product (Solution) must have at least 70% of the work developed in Hong Kong or by permanent residents of Hong Kong
 - The core product or service must be invented / created / innovated in Hong Kong; i.e. not imported from overseas
- The Government can also consider a “Collective Approach” to export the Hong Kong ICT products and services internationally starting with China and Asia Pacific. This should be more than the good work that Trade Development Council (TDC) has been doing. Some “Hong Kong Brand” building effort is necessary and advertisements through TV and other means are necessary to create awareness to the overseas users / buyers / partners about the Hong Kong ICT products and services.
- The Government can consider to fund some ICT commercial associations to form representative offices in overseas countries to serve and support the overseas buyers or partners.
- A good example of this successful Export Effort is the Performing Business from Korea (TV series, Comedies, Pop Music), Cosmetics, and recently Korean Food. It is estimated that the “PSY Gangnam Style” has made billions in a couple years.
- The relationship with China should be broadly leveraged in order to get a place for the Hong Kong ICT products and services as an elite choice for the public and private sectors in China. It is also understood that there may be protectionism within the China market. The facilitation for the place can be joint venture basis with Chinese ICT companies.

Expertise

- The Government may consider to form a non-profit making “Professional Business Services Centre” initially for Hong Kong ICT Business Development and Expansion. The services may include, but not limited to strategic planning, financial planning, VC networks facilitation, government funds applications, sales channels, marketing planning, legal and patent services, etc..
- The Government may consider to set aside a seed fund to support this Centre. The Hong Kong ICT companies using this service will be required to pay a fee which may be less than the commercial rate.
- Depending on the level of services required by the Hong Kong ICT companies, the fee can be settled through a combination of cash term and profit sharing based on revenue generated from the business profit / project over an agreed period of time.
- The whole intent is to minimize the cost of the Hong Kong ICT companies when they require these business services; and at the same time, hope to enable the Professional Business Services Centre to earn reasonable income in order to make the Centre self sustainable.

Suggestions on 2014 Digital 21 Strategy

6. Conclusion

Although the Hong Kong ICT is not yet an economic pillar, there are still a lot of ICT professionals in Hong Kong who want to contribute and help the ICT Industry to achieve this goal.

The measurement of ICT success in Hong Kong should not only focus on how sophisticated the ICT infrastructure is, how many people using internet, how many mobile phones each individual has, how the individuals enjoy social media, etc.; the success measurement should really be on **what value ICT has added to the general public, the public and private sectors, and how much it has contributed to the Hong Kong economy** – Hong Kong ICT revenue as a percentage of GDP, ICT jobs, etc..

There has been quite a bit of focus on IT Manpower. We can try to spend resources to create more ICT manpower and strengthen them, and so forth. But what good does it do if (a) there is no demand for this people because the Hong Kong ICT companies do not have enough business (**market demand issue**) or cannot afford to hire them; (b) most of these trained ICT practitioners go to work for international ICT brands. Either case is not helpful to create a “Thriving ICT Industry” as there is **NO fundamental element in the Industry, i.e. the Home Grown ICT companies in Hong Kong. This does not shine and has nothing to be proud of!**

The Hong Kong ICT Industry can be thrived if we do the following:

- **Broad and increased funds for startups and expanding ICT companies**
- **Joint Funds Scheme – Government and Venture Capitalists**
- **Facilitate all the way from Concept to Brand**
- **Increase domestic ICT demands (especially commercial and industrial, and SMEs)**
- **Use Hong Kong ICT First**
- **Facilitate export of Hong Kong ICT Products**

If we manage to do these, it is very likely that we will have more successful cases for home grown ICT products. The success stories that these successful entrepreneurs share will attract more young entrepreneurs to do startups; and the success cycle can continue. As a result, more ICT innovations and more ICT jobs will be made available. Hong Kong ICT Brand can then be established. Giving time, the Hong Kong ICT becomes an important economic pillar in Hong Kong making remarkable contribution to the GDP.

There are still a lot of capable ICT professionals with hearts for Hong Kong. Let us work together to do the right thing and make a difference for a better Hong Kong.
