



Social networking sites such as MySpace are being used increasingly by SMEs to reach new customers

As the global financial crisis clips the wings of business travelers, and as a new generation takes over at Hong Kong's small and medium-sized enterprises (SMEs), these companies are increasingly going online to save costs and reach new customers.

A number of new media trends are emerging, including the use of such social networking sites as MySpace and Facebook, and the spread of company blogs and podcasts to take advantage of the 100 million-plus user base of Apple's iPod. There are also "idea forums," with people in the Chinese mainland using "witkey" web sites to exchange services and information in an

online idea-trading platform. And more and more Hong Kong SMEs are outsourcing many of their IT functions to save money.

Grace Ho, General Manager for the Hong Kong-based online branding agency Razorfish, said SMEs are using online advertising more than ever, moving away from outdoor ads and traditional media such as television and print ads.

"As far as digital trends, we see quite a few SMEs using Facebook applications," Ms Ho said. "SMEs are advertising on Facebook and other social networking sites like MySpace. These are still fairly low in terms of cost, and they are a very targeted medium, so you can reach the people that you want."

#### More Mobile Phone Ads

Ms Ho also said Hong Kong-based SMEs were increasingly using mobile phone advertising. Growth in this sector, however, is slower because people remain reluctant to click through on ads sent to a mobile phone. "The effectiveness is not proven yet," she said.



Wilson Ho, Director of Yahoo! Search marketing, said people are still using search engines. "The pay-per-click model of search marketing can maximise advertising effectiveness and provide awareness," Mr Ho said. He added that SMEs need to invest in the human capital required to keep an up-to-date web site.

Yahoo!'s Wilson Ho says keeping an up-to-date website requires manpower investment

Jolene Tan, a senior business analyst at market research company Synovate, said SMEs are increasingly looking to local websites as a way to market their products and services and, in some cases, are moving away from large search portals. "In terms of trends, this is increasing by leaps and bounds. And now that payments are getting easier on the Internet, more Chinese consumers are comfortable and reassured that you can get paid online."

#### Pet Wise

Kwan Hung Lo, founder of Wise Pet in Hong Kong, is a small-business owner, who set up her own online company. "The advantage," said Ms Kwan, "is that you don't have to pay high rents, especially in Hong Kong. But there are disadvantages. Many people, especially in Hong Kong, are used to going to a physical store to buy things. A small minority will go online. The competition is also very high."

Ms Kwan said her main avenues for promoting her site are pay-per-click ads on Yahoo and Google. Her

main source of advertising, however, remains word-of-mouth from satisfied customers. "I cannot say we're very profitable at the moment," Ms Kwan said. "We don't spend a lot on advertising, but we're selling about US\$6,400 per month."

Other Chinese users of the Internet are using witeky sites to sell their ideas and exchange services. More than 50,000 people in the mainland are working with such sites, according to the *China Daily*. Companies post bid specifications on the sites, and people can log on to bid for the jobs and submit their work.

### Outsourcing IT



Asia Pay's Chief Executive Joseph Chan says e-commerce is a convenient way to pay for goods and services

SMEs, increasingly, are outsourcing their IT functions as a way to save money, according to Yat Siu, Chief Executive of Outblaze. Among its services, the company manages 75 million email accounts for companies around the globe.

"SMEs are outsourcing things like messaging and groupware, things that normally they would do in-house," Mr Siu said. "They're telling companies, take care of my email, take care of my backups.' More and more of that is being outsourced. People are looking to purchase web-based applications instead of owning the servers."

Mr Siu also said that many family-owned businesses are handing over control of their IT functions to the second generation, who were most likely educated overseas and exposed to e-commerce concepts. "There's a lot more comfort with brands like Amazon and Google."

One reason SMEs are not taking full advantage of e-commerce, according to Mr Siu, is that they see the online business as an expansion of their overall business rather than as an optimisation. "As long as they frame it as an expansion, they don't do it," he said.

Joseph Chan, Chief Executive of AsiaPay, said his online payment company was reaching out to SMEs to get them to use e-commerce as a way of paying for goods and services. "More businesses are using their company credit cards online and are more comfortable doing that than people in general. It minimises the outlay of resources when, for example, you need to make a down payment for small samples. It's more economical."

*AsiaPay's Joseph Chan, Yahoo's Wilson Ho and Razorfish's Grace Ho spoke last week at a World SME Expo seminar, "New Trends of e-Business for SMEs."*

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