

ONLINE MARKETING

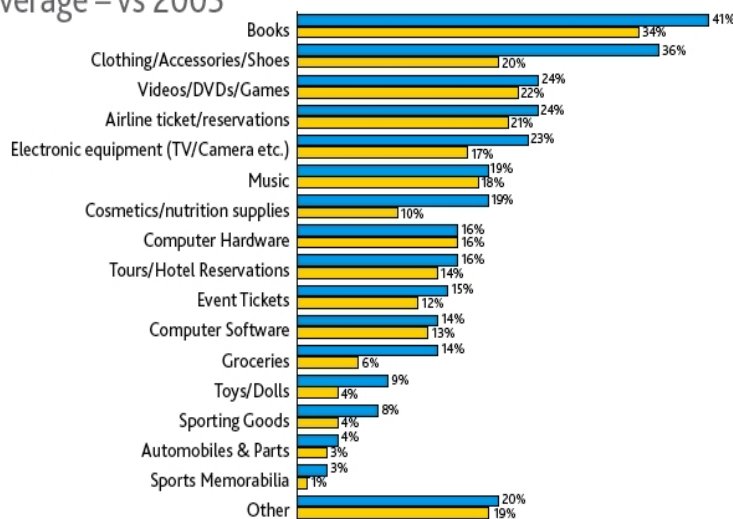
## Online Shopping goes Mainstream

The Internet is no longer an out-of-reach, outer-space know-how for technology freaks. The e-commerce boom has caught on – as 40% of the online population are using virtual technology to buy things they need (surveyed by Nielsen Company).

Some products are easier for online purchasing than others. Books retailers started their businesses early and have been enjoying a steady 7% growth in the last 2 years. On the other hand, wearing apparels suppliers as new entrants to this mode of selling are registering a dramatic 16% increase since 2005.

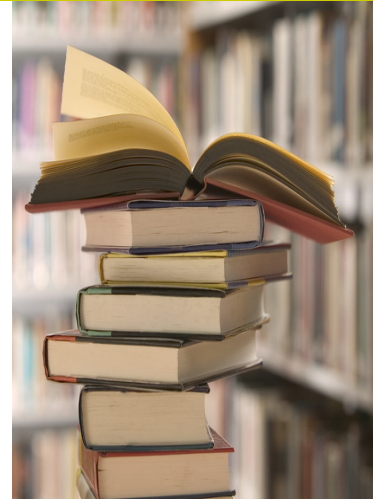
### In the past 3 months what items have you purchased on the Internet?

#### Global Average – vs 2005



Source: Nielsen Global Online Survey, The Nielsen Company

While South Koreans are leaders of Internet purchasing – buying once every three months, Chinese consumers come second. In a separate report by the China Internet Network Information Centre, Chinese Internet users have increased from 73 million in 2006 to more than 210 million, and nearly 50% of which were between age 18 and 30. Within this mass, about 22% of the online users (46 million) reported having made an online purchase in the last six months.



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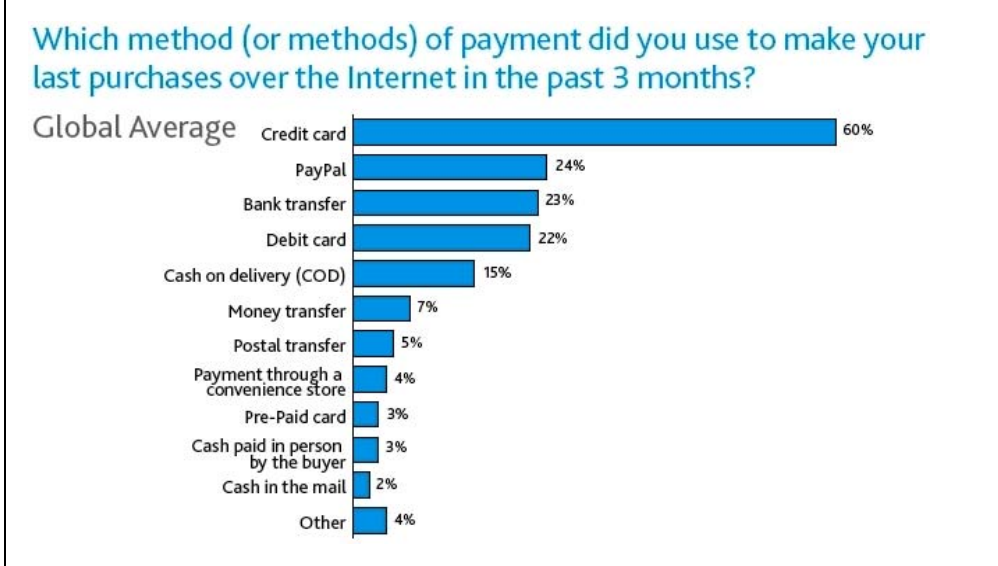


The reason why China did not come first in the survey can be explained by the constraints of making payment. Internet purchases are paid for by credit cards, PayPal or bank transfers. China has a relatively low credit card penetration, so

buyers have been handicapped by the options they have to pay. To overcome this, 'e-tailers' in China go for the antiquated 'Cash-On-Delivery' system and the online purchasers welcome this because they have a chance to inspect the goods before paying.

Kaiser Kuo, Ogilvy China director, gave insights to the rising popularity of e-commerce in China. 'Online retail channels for items like cosmetics and fashion are huge in these markets' because customers can have a wider choice of merchandise than from local stores. Many consumers are finding brands which are not yet available in China, and some times cheaper as they may escape from 'luxury tax'.

In China, the most popular Chinese online shopping site is TaoBao.com. They reported a 156% growth in 2007, with 53 million users. The website is a close cousin to eBay in their method of doing business – conducting auctions and operating virtual agency stores. They owe their success to the foreign brands still failing to wake up to the potential of the Chinese market.



E-commerce is growing fast to become a mainstream place for shopping, especially for geographical dispersed market. Traditional retailers should be aware of this and work hard to branch out to 'e-tailing' soon.

*(Adapted from: Trends in Online Shopping – The Nielsen Company, Feb 2008  
B. Lowther, The TaoBao Phenomenon, Women's Wear Daily, Feb 2008)*

ECONOMIC ENVIRONMENT

**Dealing with Price Spirals**

When he took office in 1985, Peruvian President Alan Garcia ordered controls on the price of rice, sugar and other goods to try to keep those staples within reach of the poor. But when shortages continued and a black market arose, five years later, his presidency was dissolved in a spiral of hyperinflation.

Peru is not alone in facing spiralling prices. From Argentina and Venezuela to Russia, China and Thailand, governments are meeting the challenge of rising food prices by imposing price controls – fixing prices below market level – hoping to ease the

burden on their populations and avoid social unrest. But history shows that such measures do not reverse price trends – they can end up having the opposite effect.

The current round of rising food prices began since 2001, and last year, the situation collided with sharply higher oil prices, forcing many governments to look for quick fixes. The quickest, easiest and most popular are price controls.

In China, where inflation is at an 11-year high, authorities introduced controls on a range of goods from instant noodles to milk, calling it a temporary intervention to battle “unreasonable price hikes”. It was the first time in over a decade that Beijing waded into the food market.

In Thailand, the government is taking similar steps on instant noodles and cooking oil, and in Russia, authorities are trying to cap prices of bread, eggs and milk.

In Mexico, the government is trying to control the price of tortillas after protests there, and Venezuela is capping prices on staples including milk and sugar. So far, the World Bank has found 21 countries exercising controls on strategic staples.

Economists warn that price controls and other interventions can lead to market distortions because they have the effect of discouraging domestic production, processing and trade, and ultimately reducing supply. By dampening the underlying causes of inflation, price

controls prevent market solutions, these experts say. Already, some countries are finding this to be true.

Argentina, which imposed an export tax on grains, in addition to controls on domestic food prices, has been shaken by nationwide protests by farmers.

Meanwhile, Malaysia is reviewing controls on 21 food items, including milk, salt, wheat flour and rice, because they have led to severe shortages and smuggling.

According to experts, controls are only likely to work where staple foods are a small share of total household spending, or when controls are implemented for a very short time, such as in Morocco over the Ramadan period. If price controls are kept too long, odds increase for a precipitous and destabilizing jump in prices.

In poor countries, where food makes up a large share of what people buy, a general increase in food prices has a bigger impact. While price controls may be seen as a

### Supermarkets in Price-fixing Probe

Some of the biggest names in the supermarket sector are once again facing an antitrust probe by the Office of Fair Trading – this time into allegations of price-fixing over the cost of cigarettes.

Eleven retailers, among them Tesco, Morrisons, Asda, Sainsbury and the Co-op, together with cigarette giants Imperial Tobacco and Gallaher, are accused of swapping information on future pricing and linking the retail prices of competing brands from different manufacturers.

The accusations cover the period 2000–2003, and appear in an OFT statement of objections issued today.

*The ICSA Magazine  
April 25, 2008*



tempting quick fix, there is little proof that they have worked to dampen inflation.

"The historical experience is that price control rarely works for very long," said David Orden, a senior research fellow at the International Food Policy Research Institute.

"For developing countries relying on food imports, it becomes very expensive to the government." Countries with limited fiscal resources resort to printing money, which in turn creates inflation.

In 1971, US President Nixon imposed a 90-day freeze on wages and prices to tame inflation. The 90-day freeze turned into nearly 1,000 days and when the wage and price controls were mostly dismantled by April 1974, US inflation had exceeded 10%.

"Governments need to take focused action, with direct subsidies for the poor rather than the whole country," said World Bank economist Don Mitchell. Mitchell argues that food assistance for poor people (so transferring income) will work more efficiently and sustainably than more general steps at the national level.

"In general we don't like price controls," IMF chief economist Simon Johnson said. The key to dealing with higher prices is to tackle the problem with targeted income transfers programs, steering away from country-wide subsidies or unpredictable trade policies.

Re-elected 20 years after his first term in office, Peru's Garcia has drawn on past experience and rejected price controls. He is focusing this time on tighter monetary policy to control inflation. "Prices of basic

products are rising – gas, oil, corn, chicken and bread," Garcia told a local radio station. "This is what the people feel, and I understand that, but there is no miracle I can perform to force the world to lower prices."

*Adapted from an article by Lesley Wroughton, REUTERS Reprinted by the Standard, April, 2008*

ENGLISH

## Wordsworth

WRONG	RIGHT
QUESTION or PROBLEM	
The Chinese President spoke at Yale in 2006. 78 questions were asked by the students. The question master commented that the President may not be able to answer that many questions because he needed to leave soon. In response, the President said that if there are unresolved problems, he would stay behind.	
In Chinese, 'question' 問題 can mean not only a 'request for information', but also 'problem'. So the President's response was witty and not at all out of place.	
Note also in English, 'questionable' means 'doubtful' and 'questioning' means 'inquisition'.	
× It is out of the question that the first sales order for a new business is very important.	✓ It is beyond question that the first sales order for a new business is very important.
'out of the question' = completely impossible; 'beyond question' = beyond doubt.	
× I have problems to find the right bus.	✓ I have problems in finding the right bus.
'problems' in ...ing.	
× I see no problem why he should not arrive on time.	✓ I see no reason why he should not arrive on time.
'problem' is not followed by why, 'reason' is.	
× Please forgive me to be late.	✓ Please forgive me for being late.
'for ....' or 'for doing ....' is used after 'forgive' or 'excuse somebody'.	

