

# SPHERE

7

## FULL STEAM AHEAD



S P H E R E  
CONTENTS  
NUMBER 7 OCTOBER 2002

2

UPDATES  
NEWSBITES

*Latest developments from the Hutchison press box.*



7

COMMUNITY  
GATEWAY OF  
OPPORTUNITY

*In just 20 years, Shantou University has grown from a seed of an idea into a tree of learning where talent blossoms.*



12

BRANDING

3 THINKING

*First, Hutchison secured 3G licences. Then it moved quickly to roll out the technological building blocks. Now the new identity is revealed.*



20

COVER STORY

FULL STEAM AHEAD

*With ports operations central to Korea's growth plans, it's not surprising to find Hutchison involved in the action.*



28

E-COMMERCE

FLIGHTS OF FANCY

*Since the launch of Priceline.com, frequent flyers have been getting what they bargained for.*

Cover: Illustration by David Chan Tik Wai

PUBLISHED BY Hutchison Whampoa Limited, 22/F Hutchison House, 10 Harcourt Road, Central, Hong Kong. Website: [hutchison-whampoa.com](http://hutchison-whampoa.com). In-house Editorial Team: Laura Cheung, Nora Yong, Fu Ping Hong. Editor: Mark Caldwell – Great Pacific Marketing Services Ltd. Design and production: Fiona Wat, Dharmistha Bradley, Blackie Hui, Kelly Cheung – **little red hen**, a division of the Asia City Publishing Group. Tel: 2850 5500. Fax 2543 1220. Colour separation by Gilead Graphic International. Printing by Miracle Printing Group. No part of this magazine may be reproduced without the written permission of Hutchison Whampoa Limited. All rights reserved. Copyright © 2002 by Hutchison Whampoa Limited. Opinions expressed herein are those of the writers and do not necessarily reflect the opinion of Hutchison Whampoa Limited. All currency conversions are approximations.

Hutchison Whampoa Limited



# News

## CORPORATE

## HWL Half-Year Results

**Hutchison Whampoa Limited's** unaudited profit attributable to shareholders for the half year ended June 30, 2002 amounted to HK\$5,951 million (approximately US\$763 million) compared to HK\$7,179 million in the same period last year. Earnings per share were HK\$1.40 compared to HK\$1.68 in the same period last year. The interim dividend was HK\$0.51 per share, unchanged from the first six months of last year.

Total turnover increased 7% to HK\$46,593 million.

Total EBIT was HK\$9,834 million, 12% below last year's comparable period. All of the Group's core businesses reported EBIT ahead of the same period last year except for **Husky Energy** and the Finance & Investments division. Ports & Related Services, Telecommunications, Retail & Manufacturing and Cheung Kong Infrastructure divisions all reported EBIT growth of 10% or more while the Property & Hotels division was in line with the previous year's comparable period.

The results include profits totalling HK\$1,524 million (2001 – HK\$1,900 million) comprised of HK\$1,129 million profit from sales to strategic partners of equity interests, ranging from 1% to 3%, in certain ports and the write-back of a provision of HK\$395 million previously made for **Hutchison Harbour Ring**, which has been trading at a premium to the Group's book cost.

Consolidated cash and liquid assets totalled HK\$121,482 million compared to total borrowings of HK\$155,982 million, a debt to capital ratio of approximately 12%.

Full results at [www.hutchison-whampoa.com/eng/investor3.htm](http://www.hutchison-whampoa.com/eng/investor3.htm)

### TURNOVER AND EBIT BREAKDOWN BY DIVISION FOR INTERIM 2002

	Turnover (HK\$ millions)	Change	EBIT (HK\$ millions)	Change
Ports & Related Services	9,375	36%	3,164	22%
Telecommunications	6,398	23%	678	10%
Property & Hotels	2,377	(11%)	981	0%
Retail & Manufacturing	16,364	12%	308	13%
CKI division	4,935	(2%)	2,171	10%
Husky Energy	5,304	(16%)	938	(29%)
Finance & Investments	1,840	(34%)	1,594	(53%)
<b>TOTAL</b>	<b>46,593</b>	<b>7%</b>	<b>9,834</b>	<b>(12%)</b>

### CHEUNG KONG INFRASTRUCTURE

	Turnover (HK\$)	Profit attributable to shareholders	Earnings per share	Dividend per share
Interim 2002	1,875m	1,491m	0.66	0.215
Interim 2001	1,901m	1,509m	0.67	0.21

### HONGKONG ELECTRIC HOLDINGS

	Turnover (HK\$)	Profit attributable to shareholders	Earnings per share	Dividend per share
Interim 2002	5,156m	2,418m	1.13	0.58
Interim 2001	4,909m	2,463m	1.15	0.56

### HUTCHISON HARBOUR RING

	Turnover (HK\$)	Profit attributable to shareholders	Basic earnings per share	Dividend per share
Interim 2002	660.3m	23.3m	0.41 cents	-
Interim 2001	21.5m	(104.8m)	(1.88 cents)	-

### TOM.COM

	Turnover (HK\$)	EBITDA	Operating profit	Profit attributable to shareholders
Interim 2002	679.2m	49.6m	(72.6m)	(124.5m)
Interim 2001	222.2m	(12.1m)	(119.4m)	(148.3m)

### HUTCHISON TELECOMMUNICATIONS (AUSTRALIA)

	Turnover (A\$)	Profit attributable to shareholders	Basic earnings per share	Dividend per share
Interim 2002	114.2m	(72.7m)	(10.7 cents)	-
Interim 2001	213.6m	(91.1m)	(13.4 cents)	-

### PARTNER COMMUNICATIONS

	Turnover (New Israeli Shekels)	EBITDA	Operating income	Net income
Interim 2002	1,921.1m	492.7m	241.7m	2.4m
Interim 2001	1,501.0m	261.3m	0.4m	(181.0m)

### HUSKY ENERGY

	Turnover (C\$)	EBIT	Basic earnings per share	Dividend paid per share
Interim 2002	3,018m	841m	0.93	0.18
Interim 2001	3,511m	586m	1.15	0.18

## HUTCHISON WHAMPOA LIMITED



Hutchison Whampoa Limited (HWL) is the holding company of the Hutchison Whampoa Group of companies. With origins dating back to the 1800s, it is a Hong Kong-based, multinational corporation with a diversified portfolio. In 2001, HWL's consolidated turnover (including associates)

was HK\$89,038 million and net profit was HK\$12,088 million.

With over 150,000 employees worldwide, the Group operates and invests in five core businesses in 41 countries: Ports & related services; Telecommunications; Property & hotels; Retail & manufacturing; and Energy & infrastructure.

## On Top

In its *World Investments Report 2002*, the **United Nations Conference on Trade and Development (UNCTAD)** has ranked **Hutchison Whampoa Limited** at the top of the list of 100 largest transnational corporations (TNCs) from developing countries / economies worldwide.



## RETAIL & MANUFACTURING

### Acquisition puts A.S. Watson in Top Three

In its biggest acquisition to date, **A.S. Watson Group** (ASW) has acquired Netherlands-based **Kruidvat Group**, making ASW the world's third-largest health and beauty chain by outlets. The Kruidvat



to exceed €7 billion this year, rising to €8 billion in 2003. The contribution by the retail division to HWL's total turnover is expected to increase from approximately 30% to 40%. ASW Group Managing Director Ian Wade said the Group aimed to increase the number of its stores worldwide to over 4,000 in three years and had set a target to become the world's largest health and beauty retail group within five years, overtaking US giants **Walgreens** and **Rite Aid**. ASW has the option to acquire a 40% stake in Rossmann's German operation within two years of the Kruidvat deal, providing 650 existing stores. The Kruidvat acquisition is the latest move in the Group's strategic expansion into Europe's retail market, following the purchase in 2000 of UK-based chain **Savers**, which currently has 280 stores nationwide. With the addition of 706 Superdrug stores, the total number of shop-fronts in the UK rises to 966 with more openings planned. The Group will use these stores to offer more points of sale for its 3G mobile communications business in the UK through the "store within a store" concept.

portfolio includes **Superdrug** in the UK, **Kruidvat** and **Trepleister** in the Netherlands, Kruidvat in Belgium; **Rossmann** (50% interest) in Poland, Hungary and the Czech Republic; and perfumery retail chain **ICI Paris XL** in Belgium and the Netherlands. Together these comprise 1,900 health and beauty outlets employing 24,000 people. The acquisition, subject to approval from European Union regulatory authorities, increases ASW's global reach to 3,200 retail stores in 20 countries. ASW paid approximately €1.3 billion (about US\$1.26 billion) for Kruidvat. Combined sales of ASW and the Kruidvat Group are expected

## TELECOMS

### Global Crossing Deal

**Hutchison Telecommunications** has joined forces with **Singapore Technologies Telemedia** to invest US\$250 million for a 61.5% majority interest in **Global Crossing** on its emergence from bankruptcy. Global Crossing's integrated global IP-based network reaches 27 countries and more than 200 major cities.

Under the terms of the August 9 agreement, Global Crossing's banks and creditors receive 38.5% of the common equity in the newly constituted Global Crossing, US\$300 million in cash and US\$200 million of new debt in the form of senior notes. Existing common equity and preferred shareholders of Global Crossing will not participate in the new capital structure. The agreement was approved by the Bankruptcy Court for the Southern District of New York with the support of Global Crossing's creditor groups. The company is undergoing a Chapter 11 reorganisation plan and the new investment is expected to fund its emergence from bankruptcy in early 2003, subject to regulatory approvals.

### PARKNSHOP Megastores Open in China

**PARKNSHOP** has launched two new megastores in Southern China following the success of the first, which opened in February 2001 at the Cultural Plaza, Dongguan. In July, the supermarket chain launched a 200,000-sq-ft megastore in the City Owner District of Shenzhen. This was followed by the **PARKNSHOP** Guangzhou Fujing Garden Megastore, which opened for business in September. With an area of 203,880 sq ft, it is **PARKNSHOP**'s biggest store in China to date. The megastore format offers a huge range of products in its many Mini-Worlds, from groceries and fresh food to textiles, toys, electronics and cosmetics. **PARKNSHOP** meanwhile was named Hong

Kong's "Most Favoured Brand" in a worldwide survey by research house **Ipsos-Reid**, which polled more than 17,000 people in 22 countries. Hong Kong was the only country in which a retailer took top spot.



### Premier Visits Newest Watsons Store

Symbolising her intent to reduce the price of medicines in the Philippines, President Gloria Macapagal Arroyo in July paid a visit to the opening of **Watsons'** latest health, drug and beauty outlet in Manila, the Mandaluyong

City store at the SM Megamall. The President was accompanied by Secretary of Trade and Industry Manuel Roxas, Health Secretary Manuel Dayrit, and Dr William Torres, Chief of the Philippines Bureau of Food and Drug.

### Continuity Solution

**HONG KONG** Hong Kong-based **Hutchison Global**

**Crossing** has changed its English name to **Hutchison Global Communications** (HGC), effective August 20. The change followed **Hutchison's** repurchase of **Asia Global Crossing's** 50% interest in HGC in April 2002, making HGC a wholly owned subsidiary of **HWL**. HGC's Chinese name remains unchanged.

Meanwhile, building on its fibre optic network, HGC in August launched **ContinuityONE**, a one-stop business continuity solution that offers seamless connectivity, sophisticated network equipment, networked storage technology and data centre management. With HGC as the service integrator, **ContinuityONE** also provides consultancy, infrastructure design, installation, network testing and implementation, and disaster recovery operation and management. Customers needing to build a data centre can also take advantage of the world-leading hosting facilities of **Hutchison GlobalCenter**.

# Newsbites

TELECOMS

## Hutchison adds Visual Dimension to Communications

**HONG KONG** Since **Hutchison Telecom's** June launch of the *Orange MMS* service, Hong Kong residents have been using their handsets to take and exchange photographs integrated with text and voice. *Orange MMS* users can take a picture with their MMS handset then send it to their personal "Photo Album" at [www.orangehk.com](http://www.orangehk.com) for storage, or to the "Gallery Area". They can even arrange to have their photos printed via "Fotomax", the one-stop online printing service. *Orange MMS* offers over 170 choices of images provided by **Sanrio, So-net, Ori-sun.com, Hallmark, Yeahmobile** and **Orange** in-house images for downloading. Users can download these images from *Orangeworld's* MMS library, or from the MMS library at



[www.orangehk.com](http://www.orangehk.com), then send to their friends' MMS handsets or email accounts. Users can also compose their own MMS and upload to [www.orangehk.com](http://www.orangehk.com). In another boost for customers, Hutchison Telecom has teamed up with **m499.com** and **Sierra Wireless** to deliver the first tri-band wireless datacard in Hong Kong - *AirCard 750* - on its GSM/GPRS network, allowing *Orange* users to enjoy reliable access to the Internet, email and other corporate solutions via laptop computers or PDAs. With Hutchison Telecom's GPRS roaming coverage, users enjoy mobile data services in 21 countries and regions round the world. Services include *Orange MMS, BlackBerry Wireless E-mail Solution, Wireless Internet access* and *Orangeworld* wirefree Internet service (WAP).

## Music on the Move

**ITALY** **H3G** has contracted **Vitaminic** to provide content for its radiomobile network. Under the deal, **Vitaminic** will use its own content and technology to create, plan and develop an M-site for the new **3** service. The M-site - an Internet site designed for on-the-move use via mobile terminals - will offer access to music from more than 95,000 artists and 1,500 labels as well as music-related services and information.



## Smart Buildings

**HONG KONG** **Hutchison Telecom** has been selected by **Hongkong Land** to deploy an Integrated Radio Distribution System (IRDS) in the property developer's nine commercial buildings in Central. Utilising Hutchison Telecom's **Orange** network, the system will provide coverage in all public areas, covering shopping arcades, restaurants, podiums, basements, car parks and even underground in the MTR stations. The buildings include One, Two and Three Exchange Square, Prince's Building, Alexandra House, Gloucester and Edinburgh Towers at The Landmark, Jardine House and Chater House.



## Plug in for Broadband

**HONG KONG** **Hutchison Global Communications** (HGC) has teamed up with a joint venture comprising **Cheung Kong (Holdings)** (81%) and **CLP Telecom** (19%) to provide Hong Kong's first-of-its-kind broadband Internet service via electric power networks. Meanwhile, Malaysian mobile operator **TIME dotCom** has contracted HGC to provide voice, data and multimedia services to multinational corporations in Malaysia.



## Alcatel Builds Backbone

**ITALY** **Alcatel** has signed a frame agreement with **H3G** to implement H3G's backbone and metropolitan transmission networks in Italy. Alcatel will supply its DWDM and SDH multi-service transport systems and SDH microwave radio systems on a turn-key basis. Their deployment - spanning about 6,000km from Turin in the North to Palermo in the South - will allow H3G's transmission platform to support a wide range of broadband and UMTS-based services, while maximising savings.



## Ratings Upgrade

**ISRAEL** **Moodys Investors Service** in June upgraded the credit ratings of **Partner Communications**. Partner's senior implied rating went up to Ba3 from B1, its issuer rating to B2 from B3, and the rating regarding Partner's US\$175 million senior subordinated global notes, due in 2010, to B2 from B3.

## On the Map

**EUROPE** **Hutchison 3G UK** has secured the services of content providers **Ordinance Survey**, the UK's national mapping agency, and **Tele Atlas**, which will provide mapping data for the UK and Europe, supplying street plans and routing and navigation information for over 30,000 cities. The service will be available to all Hutchison's 3G operations in Europe.

## Hi to Hutch

**INDIA** **HUTCHISON Essar** in June launched mobile operations in Chennai, Andhra Pradesh and Karnataka circles under the common brand name **Hutch**, the first of a family of brands the company will unveil. Hutchison, which continues to operate in Mumbai under the **Orange** brand, is the only mobile operator in India with a service in all four metros.

## applause

**Hutchison Telecom** has won the title "Best Asian CDMA Operator" presented by *Telecom Asia Readers' Choice Awards 2002*. It also won last year.



TELECOMS

## Software Sign-ups

**UK** Hutchison 3G continues to sign up software vendors to provide key components of the middleware infrastructure of its 3G network. Most contracts allow for the deployment of platforms first in the UK then in other countries where Hutchison 3G has a presence. Recent signings include:

**SchlumbergerSema**

*Usimera* – USIM smart cards.

**Elata**

*Senses* – wireless Java delivery manager.

**Whereonearth / Telcontar**

Location-based services software, data engineering tools and professional services.

**IONIC Software**

Standards based software such as *Web Feature Server (WFS)* and *Web Map Server (WMS)*.

**TeleCommunication Systems (TCS)**

Location-based software and services, including *Xypoint Location Platform (XLP)*.

■ Vendor    ■ Software Solution

## Collaboration Deals

**SWEDEN** **Hi3G** and **Telia AB** are working together on the co-location of masts. Under the terms of a September agreement, **Telia Mobile** will lease space on its existing masts in Sweden for co-locating and installing Hi3G's UMTS antennas where there is available space. Telia Mobile is equally granted co-location on Hi3G's masts. Meanwhile, Hi3G is collaborating with **Vodafone** to allow Hi3G's customers in Sweden to use Vodafone's GSM (national roaming) network in areas where Hi3G lacks coverage.

## Roaming Agreement

**AUSTRIA** **Hutchison 3G Austria** has signed an agreement with GSM operator **Mobilkom** to provide 2G national voice and data roaming, which will give Hutchison 3G almost full national coverage for voice, GPRS and SMS services from the very first day of operation.

ENERGY & INFRASTRUCTURE

## CKI/HEH Acquire Australian Power Company

**Cheung Kong Infrastructure Holdings** (CKI) and **Hongkong Electric Holdings** (HEH) in July acquired Australian electricity company **CitiPower** for a net A\$1.418 billion (approximately US\$792 million). The acquisition, from **AEP Resources**, the wholly owned Australian subsidiary of **American Electric Power**, follows the September 2000 purchase by CKI/HEH of **Powercor Australia**, and of **ETSA Utilities** at the end of 1999. CitiPower distributes approximately 5,300 GWh of electricity to around 265,000 customers in the Melbourne area. Consisting of a network distribution business as well as a retail operation, the total consideration for the CitiPower tender was A\$1.555 billion. The

CKI/HEH partnership will take up the distribution business, valued at A\$1.418 billion, and on-sell the retail business to **Origin Energy** for A\$137 million. This follows the practice seen in both the ETSA and Powercor transactions, in which CKI and HEH have focused on building strong critical mass in power distribution while disposing of related retail businesses. Together with Powercor, CKI/HEH will own two out of five electricity distributors in Victoria, supplying almost 14,000 GWh to 880,000 customers. In South Australia, ETSA Utilities supplies 10,000 GWh to approximately 747,000 customers. The three together make CKI/HEH the biggest electricity distributor in Australia.

## First Oil from Wenchang

**Husky Energy** and co-partner **China National Offshore Oil Corp** (CNOOC) in June achieved first oil production from the Wenchang offshore project in the South China Sea. Blocks 13-1 and 13-2 are producing oil from two fixed platforms and from the FPSO vessel *Nanhai Endeavour*. Husky has a 40% working interest in the Wenchang oil fields, which have estimated reserves of 83 million barrels.

Meanwhile, Husky has contracted Norway's **Knutsen OAS Shipping** for two new-build shuttle tankers to transport oil from the White Rose offshore project to market once production begins in late 2005. Husky and **Petro-Canada**, as co-charterers, signed the

time charter agreements with Knutsen as owner. One tanker will be chartered for 10 years and the other for five years, with options to extend. The shuttle tankers – each with a one million-barrel capacity – will be built by South Korea's **Samsung Heavy Industries**. Delivery of the Suezmax-size vessels is planned for the second quarter of 2005.

In a further development, Husky has awarded a C\$250 million (about US\$159.5 million) contract to **Technip CSO Canada** for the subsea production system of the White Rose oil field project. The contract covers design, supply and installation.



PROPERTY & HOTELS

*aplausure*

**Our Lucaya Beach & Golf Resort** in Grand Bahama has earned a prestigious "2002 Gold Key Award" from *Meetings & Conventions* magazine.

The award is bestowed on "The World's Finest Meeting Properties" and properties are judged on strict industry criteria including: staff attitude, quality of meeting rooms, guest services, food and beverage service, reservations proficiency, recreational facilities and availability of technical equipment and support.

## Metropolis Opens

**Harbour Plaza Hotels and Resorts** celebrated the latest addition to the family on June 28 when the **Harbour Plaza Metropolis** opened for business. Located in Kowloon, the hotel boasts stunning views of Victoria Harbour and is minutes away from the MTR, the Tsimshatsui East Ferry Pier and the downtown shopping district. With 690 guestrooms and suites, the Metropolis offers a comprehensive range of top-quality services and facilities.



# Newsbites

PORTS

## YICT Boosts Productivity

**Yantian International Container Terminals (YICT)** has taken delivery of 17 new “one-over-five high” Rubber-tyred Gantry Cranes (RTGCs) from **Zhenhua Port Machinery**, bringing to 70 the number of cranes in operation. The equipment will increase the container yard’s productivity, accelerating container turnover and improving service to truckers.

## HIT Enhances Service

**Hongkong International Terminals (HIT)** has implemented a new phase of its *Customer Plus* system, a B2B interface used for exchanging terminal/container information with shipping lines. The web-based system offers streamlined access to information about more than 30

registered shipping lines.

HIT meanwhile has won the “Best Container Terminal Operator” in this year’s *Lloyd’s List Maritime Asia Awards*.

## Contract Cemented

**Harwich International Port** has signed a 15-year contract with **Derby Cement** to import cement to the UK. The July agreement will see the construction of a purpose-built 4,800-sq-m cement terminal able to store more than 20,000 tonnes of bulk-bagged cement and with equipment enabling the dispatch of bulk tanker loads or 1.5 tonne bulk-bags. Meanwhile, a new four-lane freight entrance has opened at the Port, giving direct access to the recently opened second phase of the Parkeston bypass. The Port worked in partnership with **Essex County Council** to build the new bypass at a cost of £1 million (approximately US\$1.55 million). The freight entrance is equipped with an automated weighbridge.

## Thamesport Factory Development

**Thamesport** has signed a 15-year contract with **Winpac (UK)** for the development of a purpose-built 30,000-sq-ft factory at the port. With the aim of expanding Winpac’s paperboard operation, the raw product will be transferred directly from the vessel into quayside warehouses, then delivered to the

factory for processing, labelling and packaging, and on to waiting trucks for delivery – all to customers’ exact specifications. The factory will be operational by February 2003 and is expected to handle 50,000 tonnes a year initially, rising to over 70,000 tonnes within two years.



## Felixstowe on Track for Growth

In a move that will significantly reduce the number of lorries on Britain’s roads, Ipswich-based **Medite Shipping** has contracted **GB Railfreight (GBRf)** to increase container train links to the **Port of Felixstowe**. The services from Port of Felixstowe to Selby and Doncaster in North Yorkshire, and from Felixstowe to Hams Hall near Birmingham, will use dedicated resources.

Services will increase to five days a week for both the routes, up from three times and twice a week respectively. Rail volumes represent 20% of the port’s available UK

domestic throughput. The service is fully supported by a track access grant from the **Strategic Rail Authority** and will save more than 25,000 long-haul lorry trips a year, per train.

Meanwhile, **Port of Felixstowe** welcomed its namesake, the 280m long, 5,400 TEU vessel **COSCO Felixstowe**, on its inaugural voyage in May.



## Balboa Expands

**Panama Ports** in July started construction work on Phase III of the **Balboa Container Terminal** development project. The company is investing US\$200 million to expand its container handling facilities at the **Port of Balboa**, located on the Pacific side of Panama. On completion, the terminal will provide 840m of quay with 12.9m of draft. The project includes a 15.4-ha fully equipped container yard for an annual total handling capacity of one million TEUs.

## A Cruiser Calls

**Harwich International Port** in July saw the inaugural call of **Royal Caribbean International’s** new cruise ship *Brilliance of the Seas*, the first of six planned calls in 2002.

At 292m, the vessel can carry 2,501 passengers and 864 crew and is the largest ship to have berthed at Harwich.

In a further development, **Stena Line** in September launched a new service from Harwich to Rotterdam.



E - C O M M E R C E

## TOM Moves in to Mainland

Marking its first move into the Mainland China publishing business, the **TOM Group** has teamed up with state-owned **SDX Joint Publishing** (Sanlian), acquiring a 49% stake for 40 million yuan (about US\$4.8 million). Sanlian publishes four national magazines, including *Sanlian Life Weekly*. TOM has also signed a letter of intent to set up a Sino-foreign JV with **Popular Computer Week Publishing**

**House** and **China Science Media**. The JV will operate the distribution and advertising business of *Popular Computer Week*, *Popular Computer Week CD-ROMs*, *Popular Computer Week Bound Volume* and other IT-related reference books. This JV will be a model for similar partnerships in China’s recently re-formed media market. TOM holds 49% interest in the JV, which has a term of at least 20 years.

# GATEWAY TO OPPORTUNITY

*In just 20 years, Shantou University has grown from a seed of an idea into a tree of learning where talent blossoms.*

*By Isabella Ng*



Graduation day was all chill and thrill for Ma Enxi. “I was so excited but also anxious,” Ma recalls. “On one hand I couldn’t wait to see the world in front of me, but on the other I wasn’t sure if I could handle it. I felt very proud in my academic gown, clutching my certificate, but it was also a sorrowful farewell to Shantou University.”

For the now-CEO of three companies (two in the Mainland and one in Hong Kong) those early doubts have been put to rest. Ma is a textbook case of success through hard work, a good education and a bit of luck. Since graduating 12 years ago, he has become a captain of industry and he believes his alma mater played a pivotal role in laying the foundations of his success.

“Shantou prepared us very well in theory as well as in application,” explains

Ma, “I have been able to apply most of my knowledge to my work. I feel quite lucky in that respect.”

Dr Zheng Minghao enrolled at Shantou Medical College in 1978. By the time he graduated, the institution had transformed into a full-fledged university, thanks to the financial backing of Hong Kong businessman Li Ka-shing. The education Zheng received helped him thrive in the medical field.

“In those days, the facilities were not as advanced as they are today,” he recalls, “but the lecturers were outstanding – they really put their hearts into teaching and communicating with the students. They taught us to be positive. It equipped me to survive when I went abroad.”

After graduating, Zheng went to Australia to study further, then to Harvard in 1991. He is now head of research at the University of Western

Australia’s department of Orthopaedic Surgery.

The list of distinguished graduates is long. Another past student of Shantou Medical School, Dr Cai Zhiming, is now head of the Peking University Shenzhen Hospital. He graduated in 1984.

Liu Qingsong earned a degree in law in 1987. He is now a Judge in the Guangdong High Court, and deputy head of the Civil Court.

These are just a few of Shantou University’s success stories. In the past 20 years, nearly 30,000 high-calibre graduates from its eight schools and colleges – Medicine, Liberal Arts, Engineering, Law, Business, Art, Adult Education and Science – have gone into the world equipped with a solid education and the confidence to make a difference.

June 27, 2002 was another proud day for many at Shantou University (also





COMMUNITY





known as Shanda). On its sixteenth graduation day, it awarded its first doctorate in medicine, its 246th master's, and its 13,552nd bachelor's degree.

Perhaps the most delighted of all was Li Ka-shing who has been a driving force behind the institution. Speaking at the ceremony, Mr Li recalled "the distinctive scent of the fields on which our university now stands. It is so remarkable that today we gather here to witness the conferment of our first doctoral degrees. It fills me with an emotion that words cannot express."

A native of scenic Chaoshan district in eastern Guangdong, Mr Li is among the region's most famous sons.

In 1940, the Li family fled from Chaozhou to Hong Kong as Japanese troops invaded China. Shortly after their arrival, Mr Li began his career as an apprentice at the age of 12. After his father died, 15-year-old Li had to shoulder the responsibility of supporting his family. He took his first job in a watch strap company and set out on the long road to success.

Armed only with a basic education and the resolve to prevail, he rose to become one of the world's pre-eminent businessmen at the helm of a business empire that now spans 41 countries. Through all the excitement and setbacks and triumphs of his distinguished career, he never forgot his roots.

He wanted to give something back to his homeland and success in business

gave Mr Li the financial clout to really make a difference. Twenty years ago, there was no university serving Chaoshan's 10 million inhabitants. So Mr Li set out to establish an institution whose graduates could contribute to the region's economic progress and improve the quality of life for its people.

But few people in those days shared Li Ka-shing's belief and commitment. At

*"A teacher  
affects eternity;  
he can never  
tell where his  
influence stops."*

— Henry Brooks Adams

times it seemed he was operating alone. To many observers his mission to build a top-rate university from zero seemed an impossible dream. But Mr Li remained focused and searched long and hard for a suitable site on which to build his educational vision.

Finally, with the approval of the State Council, he made a substantial donation to develop a site on the outskirts of

Shantou, a picturesque seaport on Guangdong's East Coast, 43km from his hometown of Chaozhou.

Mr Li's dream had begun to take shape at last.

For a man who has spent half a century building a global business empire establishing a lone school in his home province could be perceived as a minor point of focus. But Mr Li believes that providing educational opportunities at home is just as important as creating wealth abroad. To date, he has donated more than HK\$2 billion (about US\$256 million) to the University through the Li Ka Shing Foundation.

Shantou University was officially founded in 1981 and admissions began in September 1983 with 103 students enrolling in the first four-year undergraduate class.

Since then, Mr Li has continued to take a personal interest. As Honorary Chairman, he never fails to attend the twice-yearly University Council meetings. He describes the institution as "a commitment that transcends my life."

Today, Shantou University overlooks the booming special economic zone. The 1.2-sq-km campus is festooned with palm trees and exudes a quiet, elegant atmosphere. Its distinctive architecture has earned it the reputation of being one of the country's best-appointed campuses.

In just two decades, Shanda has been transformed into a comprehensive seat

of learning with more than 10,000 students and over 1,300 academic staff. In 1997, it was successfully accredited as a candidate university for the “211 State Educational Project” and embarked on an internationalisation programme to enhance its competitiveness. One year later, it was granted approval to conduct doctoral programmes and award doctoral degrees.

The university has already made a big impact on the society it serves, not only by providing opportunities for its brightest minds but also by extending its resources and expertise into the wider community. It has launched various medical projects, including the establishment of the first and second affiliated hospitals, the Eastern Guangdong Oncology Research Center and the Mental Health Centre. It has also built a hospice and provides medical aid for the poor. Recently, Shanda collabo-



## VISIONARY PROJECT

**T**HE RETINAL VEIN CATHETERISATION Operation is based on the most modern scientific practices, but for recipients of the procedure the results seem miraculous. They have literally been given a chance to take a fresh view of the world.

The surgical procedure adopts the concept of “cardiac catheterisation”. By inserting a very fine catheter into the central vein of the retina, and administering tissue plasminogen activator (TPA) to revive the blood flow, the operation helps the patient regain normal eyesight.

The first such operation in China was successfully performed at the Joint Shantou International Eye Center, which was officially opened on June 28.

It is the fifth affiliated hospital under the Shantou University Medical College – after the First and Second Affiliated Hospitals, the Affiliated Tumor Hospital and the Mental Health Center.

The 9,500-sq-m institute has 100 beds and is equipped with state-of-the-art medical facilities, providing comprehensive treatment for patients with various eye diseases and visual impairment.

As a specialist eye hospital, it integrates teaching and research and was built through a 70 million-yuan (about US\$8.5 million) donation from Li Ka-shing.






rated with the Chinese University of Hong Kong to open an eye centre (*see story below*).

“Our world is sustained by the individuals in it,” Mr Li told graduates, “the acts we perform, the decisions we take, will make a difference in this world that we share.”

This vision is perhaps best exemplified by Mr Li himself. Shantou University has taken great strides in two decades – one man’s “lonely passion”, as it was called, has become a gateway to opportunity for thousands.

“When we see our alma mater, we see Li Ka-shing, a fellow from our village, who is giving something back to his ancestral home,” says Ma Enxi, who met Mr Li in 1994. “To us, this exemplifies the old Chinese saying: “We should never forget our past.”

That may be so, but Mr Li’s eyes also seem firmly fixed on the future. 

Mr Li started making donations in 1991 to help people suffering from eye diseases, including a contribution of 100 million yuan to the China Disabled Persons’ Federation, which has helped more than a million cataract patients.

He first proposed building a specialist eye centre in Chaozhong-Shantou in 1998 to provide a “role model” for the treatment and care of eye diseases in the South China region.

While Retinal Vein Catheterisation Operations will be the key services developed by the Eye Center, other tasks include the prevention and treatment of various eye diseases, training of medical students and eye specialists, conducting ophthalmology research, and the establishment of an eye bank to promote cornea donations and transplants.

At present there are about nine million cases of visual impairment in China, and four million people suffer from cataracts.

At the opening ceremony of the Eye Centre, Mr Li encouraged people in the



area to overcome traditional reluctance and donate their corneas.

“The eye is a window to the soul,” he said. “I think blindness is the most terrible of all disabilities. To be able to help those patients waiting in darkness to see light again and thus lead a new life is really the most meaningful thing to do in the world.”



**It's called 3**

# 3 THINKING

*First, Hutchison secured 3G licences. Then it moved quickly to roll out the technological building blocks. Now the new identity is revealed.*

*By Mark Caldwell*



Now you've heard that our name is '3', we hope you won't forget it. When you see it, you won't believe it." Hutchison Group Managing Director Canning Fok is talking to the assembled press corps, and there's no need for him to repeat the word or spell it out.

The July 3 statement ends months of speculation about what Hong Kong-based conglomerate Hutchison Whampoa Limited will call its global third generation (3G) business.

When the moniker turns out to be 3, it all seems to add up.

"We now have a brand that will allow us to go anywhere in the world," Mr Fok adds.

But the world has had to wait awhile to actually see the new logo, which remained a close-guarded secret for another three months. Until now.

## WHY 3?

The name was chosen for its brevity and simplicity. There is no need to translate it across different languages – something even the mighty Coca-Cola has to do in some places.

In a world where numbers are the Globe's Lingua Franca, 3 is easy to remember, difficult to forget – regardless of dialect. Wherever it travels, 3 is pronounced in the local language. In English-speaking countries it's "three", but in Italy it's 'tre', in Austria 'drei' and so on. In Hong Kong it will be 'saam' – the same thing everywhere, and everywhere different; global and local at the same time.

During a detailed naming exercise where many identities were considered, 3 was drawn out of the name "Hutchison 3G". However, the name 3 and the ideas behind the customer experience will transcend the technology driving it, and won't get hamstrung by it. So, if the technology evolves to 4G or 5G or 10G, it really won't matter.

## CORE CONCEPT

Recognising the importance of branding, Hutchison Whampoa brought in an in-house team – the Global Brand Group – to create and manage its brands. The team is led by brand veterans Doug Hamilton and Keith Kirby who together worked on Orange (see sidebar p.18) and other Hutchison branding projects.

"The core idea behind the brand is the coming together of things that are useful with things that are enjoyable,"

says Hamilton, who is Global Creative Director. "So for example, if a businessman accesses his corporate Intranet through a handset, that's useful, but with 3 it will be enjoyable too."

Keith Kirby, Director of Global Branding and Culture, adds: "For all the people around the world working hard to launch the service it's a huge and difficult task, but for customers it will feel like a natural next step. It's a step on from the past but, more importantly, the first step of something new that has never existed before. Revolution or evolution, it doesn't matter.

"The core idea is supported by a set of values that take the brand deep into the Group's operating companies around the world. So, while the underlying technology may be complex, 3 will do business in a way that is simple, human, open, positive, creative and passionate."

The Global Brand Group brought a wealth of talent and experience to the table. It was their job to carefully consider each and every element of the new entity. Brand strategist Simon Jameson focused on positioning, typographer Miles Newlyn developed the logo and typefaces while senior designers Daren Cook and Michael Wallis worked on the overall style and feel across advertising, literature, websites and other mediums.

Having created the 3 brand identity, the Global Brand Group subsequently works with companies in each operating territory to introduce and manage the brand so as to maximise synergy and sharing.



now we see it

it looks like this

“We focused on three key functions the logo should perform,” says Hamilton.

“First, we should *recognise* it when we see it or read it.

“Second, we should be able to *remember* it. We can’t expect customers to remember everything, so we’d like them to remember 3 *instead* of something else.

“And, third, we should *understand* its potential. We not only recognise and remember something good, we come to understand what we can expect from it. That’s the most fugitive part to capture.”



“The 3 logo has been developed for an ‘on-screen’ world,” explains Kirby. “The ‘outside’ of the logo is a three dimensional, cool titanium shell, representing all that’s useful. And the ‘inside’ of the logo, representing all that’s enjoyable, animates across a spectrum of colour. Wherever it can be done – on the handset, on the Internet, on some signage and on TV – the colours are in motion. Not static, but moving. Not one flat colour but three dimensional and full of colour. Or you could say, cool on the outside, hot on the inside.”



## THE RIGHT NUMBER

**I**N NUMEROLOGY, THE “LUCKY” number 3 is associated with entertainment, effervescence, optimism and clarity.

In Chinese, 3 is considered very lucky. It sounds similar to “liveliness” or “life” and also alludes to ideas of infinity, continuity and eternity.

In fairytales there are always 3 wishes.

There were 3 wise men.

3 introduces the idea of another and contains the essence of mathematics. It enables multiplication, geometry, calculus and the triangle.

You can only truly know where you are if you have 3 co-ordinates.

It’s a name, a number and a logo at the same.



The logo introduces a new dimension to a common symbol; it is recognisable but also new. Everyone understands the numeral, but the brand brings fresh meaning.

“It doesn’t say what the technology can do,” says Hamilton, “but gives some indication of how it will be for the customer, useful and enjoyable at the same time. People see different things in it: ferns, flowers, birds, jungles, waves, Japanese graphics...mostly living growing things.”

Because the brand is being built globally, it has to be simple and strong and should transcend local language and cultural barriers.

Across the cultural kaleidoscope, colours are metaphors for our moods and a reference to our world, yet colours can mean different things in different countries. In China, red is lucky.

*“By the time we’ve finished, the measure of our success will simply be how many people can’t imagine life without 3.”*

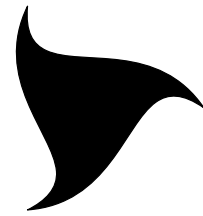
— Canning Fok

Elsewhere it means fire, passion, or Manchester United. In the UK, purple is royal, spiritual and magical, but in Italy it is associated with death. Green can mean prosperity, or even a political philosophy. In the emotional prism, blue signifies peace or sorrow, orange is warmth, yellow is joy, and so on.

In uses where the logo cannot be animated, the brilliant, ever-changing shades are captured at six points in the cycle – red, orange, yellow, green, blue and violet. Six colours, one logo. There’s also a monochrome version for black and white applications.

This is an unconventional approach compared with many brands that rely on a dominant single signal colour.

The design lexicon is extended with the Tristar symbol, a dynamic representation of 3.



You’ll see it on a key on your handset that takes you to content, on the website and also in a repeating pattern developed to be used subtly.

“The pattern is like the lining of a suit,” says Kirby, “you wouldn’t wear it on the outside, but come across it almost unexpectedly. So, for example, you’ll find it in packaging but not on the outside of the box – it’ll be inside. Cool on the outside, hot on the inside, just like the logo.”







CLEAR AND SIMPLE

“We were keen to avoid the hype that can sometimes surround brands,” says Kirby, “it wasn’t long ago that over-promised, over-hyped products and services of all kinds involved a trade-off. What was promised was not necessarily delivered. So why not call it something obvious?”

“3 will launch gently at first, in tune with reality and not making empty promises. Brands are incredibly important. People are more individualistic than ever and express their individuality partly through the brand choices they make – if we each look at ourselves we select a portfolio of brands that attract us and we want to be associated with – each portfolio contributes to our individuality.

“We want 3 to be part of that portfolio for all the right reasons, and that includes delivering what we say we will. We no longer expect to make choices between pleasure and performance, we expect both at the same time, experiencing usefulness more enjoyably and enjoyment more usefully. 3 doesn’t promise perfection in a fantasy future. It aims to deliver what we really want in the real world as it is, not what we are told we want in a world as it ought to be.”

Adds brand strategist Simon Jameson: “We don’t have to create a revolution in people’s behaviour, we have to deal with the real revolution that exists now. A demand for more enjoyment, more usefulness and less restriction. The technology is real; it’s time to put it all together. We’d like to deliver

# the natural next step



the natural next step, not by trying to change people or how they live their lives, or imposing what we think they’d like, but through fulfilling them better by delivering more usefulness and more pleasure in ways that they choose.”

**THAT WAS THEN; THIS IS NOW**

Behind the name and logo lies a new adventure.

3 is the door to a brand-new mobile multi-media communications category where the experience is more varied, more useful and more enjoyable than its technological predecessors.

Quite simply, 3G is better than 2G. More inspiring, more relevant and more liberating.

3 merges mobile telephony with the power of the Internet and the eye of a TV camera.

It delivers the convenience of a PDA, the entertainment value of an MP3 player and the fun of a games arcade.

As such, it can assume the gravitas of



a board meeting or the levity of a rock’n’roll concert.

Mobile phone companies are not the only competitors. 3 will also be compared to Playstation, X-Box and a host of entertainment and communication options.

After all, this is a category that combines voice communications with music, entertainment, video, photography, multi-media, global positioning, and more.

Soon, we will be able to pay with our music system or call a friend’s camera.

### IT'S HERE TO STAY

The brand is a charming new arrival – modest but not self-effacing; confident and composed.

All involved – from top management to junior staffers throughout Europe, Asia, Australia and beyond – are guardians of 3. They embody – and live by – its core values: Creative, Human, Open, Simple, Positive and Passionate. They aim to ensure that 3 delivers on its promises and maintains its appeal over time.

“In the UK, the licence is for 20 years,” says Hamilton. “We are making something that will live and prosper for at least 20 years. We don’t have to promise everything on day one; we have to deliver everything that we promise on day one. We don’t promise too much at the beginning and risk disappointment but we promise enough to make it exciting.

“The brand is not a chameleon, but it has flexibility built in.

“Consider Madonna: She’s been famous for around 20 years and she’s been through a whole lexicon of personas.

“Someone asked her: ‘How come you are always changing?’

“She said: ‘I never change, I just get more revealing’.

“We’re on to something with this brand that can become more and more revealing over time. Not changing to keep up with fashion and trends, but confident enough to keep hold of the worthwhile and change other things.”



*“A word or image is symbolic when it implies something more than its obvious and immediate meaning. It has a wider ‘unconscious’ aspect that is never precisely defined or explained. As the mind explores the symbol, it is led to ideas that lie beyond the grasp of reason.”*

— Carl Jung

# more than a number

## ALL IN ONE; ALL AT ONCE

Henry Ford famously said: "People can have the Model T in any colour – so long as it's black."

Mr Ford's unbending approach to that immortal brand seems a far cry from multicoloured, multifunctional, multicultural 3.

But Doug Hamilton believes there are quite a few similarities between what Henry Ford did for the automobile in the 20th Century and what 3 will do for mobile communications in the 21st.

"Ford didn't invent the engine, dynamos, starter motors, refine petrol or tarmacadam or any of the other elements, but he put them all together and made it possible for ordinary people to enjoy something that was previously out of their reach."



And, in spite of his conservative approach to colour, Henry Ford did not put the brakes on development. Motorists now have air-con, suspension, ABS braking...

"Similarly, Hutchison didn't invent the technology, but is putting it together like it should be," explains Hamilton.

"As [Group Managing Director] Canning Fok says: 'By the time we've finished, the measure of our success will simply be how many people can't imagine life without 3'."

## 3'S COMPANY

3G is an entirely new product category, so it was natural and inevitable that a new brand would be born. In corporate terms, the launch of the 3 brand is equivalent to welcoming and naming a new addition to the family.

Over the past three years Hutchison has positioned itself as a serious player in this high-risk, high-gain marketplace. Starting from virtually zero, the Group invested widely in the 3G sector.

Cash-rich from the 1999 sale of its 2G business, Orange, for US\$14.6 billion, the company began by purchasing UMTS spectrum licences, first in the UK then in Europe and further afield as they came to market.

Reflecting the exuberance in the telecoms sector at the time, prices began to skyrocket as 2G players, eager to be part of the "next big thing" pushed the

bidding into the stratosphere. It was then that Hutchison, reasoning that prices had gone too high, pulled out of the German auction and helped restore some coherence to the marketplace.

When the dust had settled it turned out that the Group had shopped wisely, paying between 20% and 50% less per MHz than its rivals.

Where it *had* won licences, the Group moved quickly to begin building the infrastructure that would make it all work.

"We have a 'Rolls-Royce' network operated by 'Rolls-Royce' companies," Mr Fok observed.

The company now has a presence in nine nations on four continents. The footprint currently includes Australia, Austria, Denmark, Hong Kong, Ireland, Israel, Italy, Sweden, and the UK.

In the 3G arena, all are unproven. From a standing start, 3 is taking an early lead in building an efficient infrastructure, creating a powerful brand and rolling out a succession of compelling, differentiated services that will win a loyal customer base.

In time, 3 will become a coveted brand that is strongly identified with specific services and qualities of the company.

In turn, the company will deliver on its promise to be the best in the category.

The brand will thus evolve into a valuable commodity in its own right with a measurable worth. 3 will come to mean more than a number. The symbol will take on an added new dimension.

This is 3's strategy.

The stage is now set for a brand new show.



## ORANGES & LEMONS

**T**he Orange experience left competitors green with envy. Some wags dubbed the new brand a lemon, but it went on to become a sweet success for all involved.

In 1994 Hutchison contracted branding consultancy Wolff Olins to create and manage its nascent mobile telecoms (2G) brand.

With Doug Hamilton charged with devising the new company's identity Orange re-wrote the branding rulebook, wrong footing competitors and emerging as the benchmark in the sector.

Notwithstanding its subsequent triumph, the radically different approach of Orange was seen as a tremendous risk at the time of launch.

The name and visual identity had no apparent link with the

worlds of technology and communication. The brand's appeal was emotional as well as rational, speaking more about the customer than the product.

The brand identity, name and the visual style all created high awareness and customer sign-up levels in record time. After only two years, Orange was better recognised than any of its rivals.

Thus Orange became the benchmark for the marketplace and put the squeeze on competitors to rethink their positioning strategies.

When the company was sold to Mannesmann in 2000 it fetched US\$14.6 billion, giving Hutchison the financial clout to invest in next generation 3G.

## POWERFUL PORTFOLIO

**W**ITH A DIVERSIFIED PORTFOLIO COVERING 41 countries, Hutchison Whampoa Limited (HWL) is the blue-chip “brand behind the brands”, associated with a wide range of branded products and services under its core divisions – Ports, Telecommunications, Property & Hotels, Retail & Manufacturing, and Energy & Infrastructure.

Although dubbed “The Quiet Corporation” by some observers, the Group and its subsidiaries have won numerous regional and international awards for achievements in management, strategy, performance, deal-making and investor relations.

“The Group is a 21st Century role model of the corporation that builds new brands,” says Global Creative Director Doug Hamilton. “It is creator and owner of some of what could become the world’s most valuable trademarks and the same ‘Hutchison DNA’ runs through all of them. Hutchison companies are all part of the same culture.”

Hutchison’s corporate culture is diverse, determined, efficient, ethical, integrated, international and innovative. It is committed to quality service and consistently gets results, as the record shows.



In the past decade the **PARKNSHOP** chain of supermarkets has grown into one of the region’s largest food retailing concerns, operating around 250 stores in China, Hong Kong and Macau. This year it was named Hong Kong’s “Most Favoured Brand” in a survey conducted by independent research house Ipsos-Reid.



Hong Kong has long looked to **Watsons Water** for pure and convenient drinking water and the brand has advanced its reputation and market share throughout the region. Market dominance has been achieved by a continuous commitment to quality, reinforced through ongoing innovation.



Operating under Hutchison E-commerce Limited and initially targeting Hong Kong, **bigboXX.com** is a first of its kind B2B e-commerce portal specifically dedicated to serving office administrators and finance managers. It includes a comprehensive range of over 6,000 office supplies products as well as a Print Centre catering for digital and offset printing.



**Harbour Plaza Hotels & Resorts** is a highly respected player in the hospitality industry. Its hotels in Hong Kong and Mainland China provide a distinctive blend of comfortable elegance, understated luxury and first-class facilities and services.



A flagship of Hutchison Port Holdings, **Hongkong International Terminals (HIT)** owns and operates container terminals in Hong Kong. It is widely regarded in the shipping business as a model of unrivalled efficiency.



In just a few years **POWWOW** has emerged as the biggest water cooler brand in the UK, powered by a distinctively witty and fresh marketing approach.



Our **Lucaya Beach & Golf Resort** on Grand Bahama Island has a distinctive island playground image reflecting its idyllic Caribbean setting and lifestyle.



Formed in March 2000, **LINE** (Logistics Information Network Enterprise) is the supply chain solutions and logistics services division of Hutchison Port Holdings group. LINE streamlines the movement and handling of goods and provides collaborative networks and visibility services globally.



**Fortress** is the leading electrical retailer in Hong Kong. With over 60 stores, it sets the pace in its category, offering popular international brands of household appliances, consumer electronics, computers, office equipment and accessories.



Watsons Your Personal Store is the Asia Pacific’s most popular health and beauty chain with over 600 outlets in Hong Kong and the Mainland, Macau, Taiwan, Singapore, Malaysia, Thailand and the Philippines.



**Husky Energy** is a Canadian-based energy and energy-related company. The brand is well known and widely respected in the industry.



**Hutch** is a relatively new addition to the Group’s brand portfolio. It has been developed for the telecoms businesses in India.





# FULL STEAM AHEAD

*In the wake of its footballing escapades, South Korea continues to ride a wave of economic euphoria – and with ports operations central to its growth plans, it's no surprise to find Hutchison involved in the action.*

*By Cortlan Bennett*



**G**eographically wedged between China and Japan, history hasn't always been kind to Korea. A proud land living in the shadow of giants, it has often had to struggle to forge its own national identity.

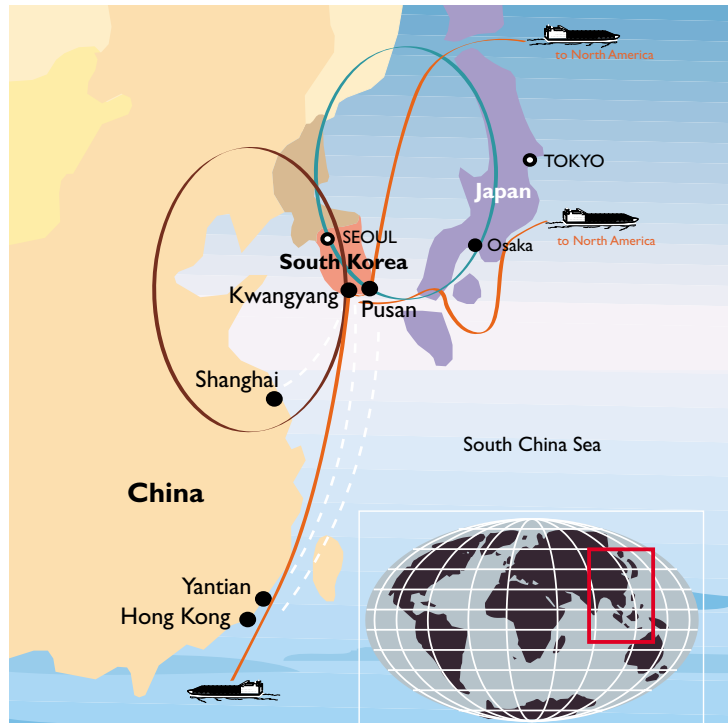
Admittedly, Korea itself was to blame at times. For centuries the “Hermit Kingdom” closed its doors to the outside world, until it was overwhelmed and annexed by Japan in 1910. After 1945, its strategic position next to Cold War Russia led to the 1950-53 Korean War. The Korean Peninsula today remains ideologically, culturally and economically divided between North and South.

But times are changing. With an air of rapprochement, the two sides recently agreed to push road and rail links through the world's most heavily guarded border. The move will provide South Korea with hinterland access to China and Europe.

Just four years ago, South Korea was in financial crisis and had to be bailed out by the International Monetary Fund. Since then it has deregulated its markets, paid off its US\$58 billion loan, and attracted a similar amount (US\$52 billion) in foreign direct investment – more than it had seen in almost 40 combined years prior to 1998.

This year, South Korea's first half GDP was up 6.1% on rising exports and domestic consumption, while the main Kospi index has been outperforming major share markets around the world. The central Bank of Korea is sitting on the world's fourth-largest foreign reserves – US\$116 billion as of end-August – behind Japan, China and Taiwan and ahead of Hong Kong.





The re-emerging nation has even managed to teach its traditional European and Asian rivals a thing or two about football, reaching the semi-finals of the Fifa World Cup, which it co-hosted. Indeed, the link between global economic growth and sporting achievement is not as abstract as it appears.

Like its fast-reforming economy, South Korea's recent World Cup success owes much to foreign influence. Dutch coach Guus Hiddink took a young team full of potential, cut through traditional Korean management styles and structures, and taught them how to compete – and win – on the world stage. He was declared a national hero.

### ON THE BALL

With Hiddink's sporting achievements in mind, the world's leading port developer and operator, Hutchison Port Holdings (HPH), is helping South Korea realise its economic potential.

In May last year, Korea International Terminals (KIT) – a local consortium comprised of HPH, Hyundai Merchant Marine and Hanjin Shipping – was granted the rights to develop and operate seven berths at the new Kwangyang Container Terminal (KCT) Phase 2, situated along the south-central coast.

While the investment in Kwangyang was initially viewed as a long-term strategic move into North Asia – aimed at complementing Hutchison's expanding port network and existing terminals in China – a surprise move in January saw the company become a major player in South Korea almost overnight.

HPH secured three deep-water container terminals from Hyundai Merchant Marine. These included South Korea's busiest container terminal – Hutchison Busan Container Terminal (HBCT), located at the port of Pusan; a separate

50,000 tonne berth in Pusan – Hutchison Gamman Container Terminal (HGCT); and another in Kwangyang – Hutchison Kwangyang Container Terminal (HKCT), just four berths down from KIT. These are now held under Hutchison Korea Terminals (HKT).

"The timing was perfect," says KIT Chief Executive Officer Paul Ho. "We've noticed that as the Korean Government started to open up the economy to attract foreign investors four years ago, there have been a lot of changes. But in just the past few months, the pace of change has been even faster. I can see more foreign companies wanting to move in."

"In fact, it's moving both ways. After Hiddink led the national football team to success, smaller communities outside Seoul like Kwangyang, which are traditionally very conservative, opened up and became more accepting of foreign companies and ideas. Previously they might have been worried about protecting their local industry. Now they look up to someone like Hutchison and say: 'Yes, that's good for our local industry.'"

HPH Korean Country Advisor Park Chong-man agrees. "The result of hosting and progressing through the World Cup was very successful. Right after that, we Koreans felt a confidence that we could really achieve things. This atmosphere spread throughout all areas – into local industry, into the economy and general psychology of the people."

So much so that the government has announced an ambitious drive to turn South Korea into the logistics hub of Northeast Asia. And for once, being wedged between the world's largest market – China – and its second-largest economy – Japan – is a distinct advantage.

*"Being wedged between China and Japan is a distinct advantage."*





### RIGHT PLACE, RIGHT TIME

If real estate is all about “location, location, location” so, too, is the container shipping industry. Time is money. If trunk routes can be shortened, or ports of call reduced, so can costs. The way it works is that large mother vessels call at major ports, picking up and dropping off bulk containers along a given (trunk) route, and then turning around at the end of each voyage to complete a never-ending loop.

Due to their sheer size, mother vessels can only berth at certain hub ports. They are also expensive to dock, load and unload. For this reason, smaller feeder vessels ply transshipment cargo from other ports – sometimes from other countries – to each main hub. There it is stored (along with domestic cargo) until a mother vessel arrives to collect it – or drop off transshipment cargo going in the opposite direction.

Finding the most efficient way to transport containers and other goods is all about logistics. But just what gets shipped to where depends on ever-shifting global trends. Whilst Hong Kong’s combined sea cargo fell 2% last year, and Singapore slipped more than 10%, Pusan quietly posted 3.5% growth to bump off Taiwan’s Kaoshiang as the third-busiest container port in the world.

In the first half of this year, combined cargo-handling by South Korean ports shot up 12.9% and is expected to top 10 million TEUs by the end of the year. This figure represents a 43% surge in container handling for Kwangyang to 517,594 TEUs, a 15.4% rise for Incheon to 355,000 TEUs, and an 8.5% rise for Pusan to 4,273,000 TEUs for the first half year.

### GOVERNMENT POLICY

So why the sudden swing to South Korea? Apart from the gov-

## HUTCHISON PORT TIMELINE (KOREA)

*(A glance at HPH’s container terminal acquisitions and operations in Korea.)*

#### December 1986

Kwangyang Port officially opens.

estimated cost of US\$340 million to the Korean Government.

#### December 1987

Civil works begin on Kwangyang Container Terminal Phase I.

#### July 1998

Kwangyang Phase I officially opens with 4 x 350m deep-water berths totalling 1.4km.

#### September 1996

Civil works begin on Kwangyang Phase 2-1.

#### May 2001

Korea International Terminals (KIT), a consortium comprising Hutchison Port Holdings, Hyundai Merchant Marine, and Hanjin Shipping, is granted the rights to operate and

develop seven berths at Kwangyang Phases 2-1 and 2-2.

#### December 2001

Civil works completed for Kwangyang Phase 2-1 at an estimated cost of US\$280 million to the Korean Government.

#### January 2002

Hutchison Port Holdings secures three existing container terminals from Hyundai Merchant Marine.

Hutchison Korea Terminals (HKT) becomes the holding company for: Hutchison Busan Container Terminal (HBCT), Korea’s busiest container terminal with over five berths (1,460m total) in 2001; Hutchison Gamman Container Terminal (HGCT), a single 350m berth located in Busan; and Hutchison Kwangyang Container Terminal (HKCT), a single 350m berth located at Kwangyang Phase I. This gives HKT seven berths



ernment's plans to spend a combined US\$1.5 billion on port infrastructure this year, including the development of an advanced automated exchange (logistics) system for Pusan, its "Dual Port" policy highly favours transshipment. The long-term strategy aims to develop Kwangyang into a world-ranked port whilst upgrading existing facilities at Pusan. It also offers incentives: Kwangyang is a Customs Free (no inspections) and Tariff Free Zone, whilst Pusan shares the latter status.

Although 150km separates the two ports, the aim is to have them complement each other. Kwangyang is expected to ease pressure on Pusan – which presently handles 90% of South Korea's import-export cargo – whilst becoming a major transshipment hub for north-eastern China. Pusan, in turn, is expected to continue to attract transshipment cargo from far eastern Russia and Japan. Transshipment cargo from Japan to South Korea jumped 36% last year.

"Japan's share of transshipment cargo has decreased, but South Korea's is increasing mainly because of the difference in tariffs," explains HKT Pusan Terminal Manager Kim Yong-hak. "Tariffs in South Korea are about one third of what they are in Japan. In fact, our tariffs are even half those in Shanghai. Also, Pusan is located on all the main trunk lines from Asia to the US, Europe and Australia, so there's no deviation for mother vessels to dock here."

HKT Chief Executive Officer Choi Won-jong explains further. "European services are starting to turn around here instead of in Japan because it's cheaper, more efficient and they can save transit time. Especially nowadays, transshipment cargo from northern China and western Japan is moving into Pusan because geographically it's better located."

As far as the figures are concerned, the government's policy seems to be working. Combined transshipments surged 26.9% in

totalling 2.16km with a combined 3 million TEUs annual capacity.

**January 2002**

KIT places a security deposit on first rights to Kwangyang Phase 3 development.

**April 2002**

KIT leases and operates three of the four deep water berths totalling 1.15km.

**December 2003**

KIT scheduled to begin part

operations at Kwangyang Phase 2-2.

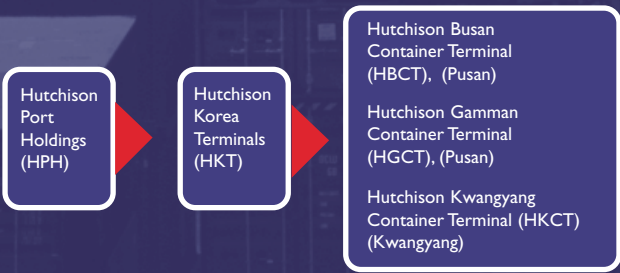
**March 2004**

Civil works scheduled to be completed at Kwangyang Phase 2-2 at an estimated cost of US\$280 million to the Korean Government.

KIT scheduled to begin full operations with seven berths totalling 1.95km with a combined 2.5 million TEUs annual capacity.

**2008**

Kwangyang Phase 3 with a 1.4km long quay is scheduled for completion at an estimated cost in excess of US\$500 million.



the first half of this year to 1,841,000 TEUs, whilst import-export cargo posted a more modest rise of 6.1% to 3,391,000 TEUs. Pusan in particular posted 23% transshipment growth to 1,714,000 TEUs, which accounted for 40.1% of its total cargo.

But it is Kwangyang that appears to have the most potential. In the first half, it posted a 204% rise in transshipments to 130,867 TEUs, mostly from north-eastern China. Adds KIT's Paul Ho: "There's lots of cargo in northern China, but unfortunately, although they have nice ports, places like Dalian and Qingdao are not on major trunk routes, so that's why Korean ports have the advantage."

### UNCHARTED WATERS

Still, operating in South Korea is not always smooth sailing. While the fundamentals are in place (the country is the world's largest ship-builder, possesses a solid export industry based on steel, automotives, semiconductors, information technology and textiles, and has a rapidly growing domestic market) it is steeped in tradition. To the outside observer the nation may appear to be on the cutting edge of industrial and technological advancement, but it comes as a surprise to many to learn it still has a decidedly traditional way of doing business.

"Business is built on relationships, and these relationships take time to build. Once trust is established, business can be very rewarding," says HPH Korea Finance Manager Alex Choi.

"I think language is a particular challenge," says KIT Terminal Manager Robert Poon. "Outside of Seoul, English is not widely spoken. Learning to speak the local language is not a matter of choice but a necessary mandate."

KIT Project Manager Neil Proud agrees. "Having lived in Burma, Vietnam and many other locations, I would rate this posting the most challenging I've experienced. In developing countries you quickly find people who speak English and then you have some level of communication. Here it is difficult to find English-speaking staff outside of the capital Seoul and it then takes some effort to persuade these English speakers to relocate to Pusan and Kwangyang."

### SETTING A COURSE

But times change. And so do perspectives. Over the next 10 years, Northeast Asia's role in the global logistics market will rival that of North America and Europe. China is increasingly attracting investment from manufacturers across the world, and is emerging as a global production base. The combined GDP of Japan, China and South Korea has almost doubled over the past decade, accounting for 20.6% of total global GDP. The three countries fuel 12.8% of total world trade.

Finally, there remains the unresolved issue of North Korea. Political considerations aside, many outside observers believed South Korea would never be a natural gateway to Asia because it lacked a hinterland connection to the continent. However, recent developments between the two sides could see that dream realised by early next year to the economic benefit of both. While direct access to the Trans China Railroad and Trans Siberia Railroad may affect some shipping routes in the short term, ultimately it may further advance South Korea's claim to be the region's logistics base.

And then, of course, there are its people. "Whatever you think about the Korean way of doing things," says Choi, "still, you have to ask yourself: 'Why are they so successful?' It's the people. Koreans are hard working, great team players and very disciplined. They are focused. Once they put their mind to something, it's very hard to stop them."



## THE KWANGYANG ADVANTAGE

By Cortlan Bennett

**T**HOUGH ONLY A 45-MINUTE FLIGHT FROM Seoul, and just 150km west of Pusan, the south-central port of Kwangyang feels about as remote as is possible to be in South Korea.

The nearest landing strip is Jinju airport, a facility shared with the military and a 40-minute drive through rolling green hills, fruit orchards, rice paddies and raging white-river valleys. Along the coast, mangrove swamps pad out swathes of undeveloped shoreline.

A new four-lane highway cuts through this idyllic, natural setting, with its modern bridge-spans and tunnels forming a swift artery from the isolated southern Korean Peninsula to the nation's industrial heartland.

Kwangyang's only other contact with the outside world is via the Korea Strait. But it is this prime location – a sheltered, deep harbour along the world's major shipping routes – that is rapidly turning this once quiet fishing village into one of the world's biggest and busiest ports.

Industrial giant POSCO was first to move into Kwangyang in 1987, opening an iron and steel mill that has created more than 15,000 jobs. The nearby Yocheon Petrochemical Industrial Complex and Yulchon Industrial Park soon followed, swelling the city's population to about 140,000.

However, with the Korean Government's ambitious plans to turn Kwangyang into an international logistics centre and north-east Asian hub, the city is forecast to triple in size over the next decade.

Phase I of the Kwangyang Container Terminals (KCT) was officially opened under the government's "Dual Port" policy in July 1998. At a public cost of about US\$340 million, Phase I took 10 years to complete and added four 15m deep-water berths over a quay area of 1.4km.

In May last year, Korea International Terminals (KIT) was granted a lease to develop and operate seven berths at Phase 2. Phase 2-1 was officially opened on April 15 this year, with Phase 2-2 scheduled for completion by the end of next year.

In the meantime, in January this year Hutchison Korea Terminals (HKT) secured three existing deep-water container terminals from Hyundai Merchant Marine, including Hutchison Kwangyang Container Terminal (HKCT), a single 50,000 tonne berth located at Kwangyang Phase I.

"As you can see, there's an incredible development under way," says KIT Project Manager Neil Proud of Kwangyang. "Obviously Korea has invested a lot of money in infrastructure here since the Asian crisis, so in terms of this terminal, although there might be only 2.5km of existing berth and backup area now, you'll see the hinterland behind us has a lot of potential."

"The London Metals Exchange has already agreed to build a storage facility here to cater to the huge demand for Korean semi-conductors, and other foreign ventures are starting to show more interest."

The Korean Government has just announced the com-



mencement of the development of the Kwangyang Container Terminals Phase 3 (for which KIT has recently put down a deposit). It will incorporate an advanced logistics centre, increase total berth length to 11.7km and boost annual cargo capacity to more than nine million TEUs. But the next decade of development will rely on how effectively Kwangyang can be promoted, and how well it can merge with Pusan.

“Obviously people see us as the “golden goose”, so to speak, as we’re bringing in business,” comments Lee Seok, KIT’s CFO. “And we do: when Hutchison moves in to a country, it does put those ports on the map. However, there are a lot of allegiances in the shipping industry, and it may take some time for them to recognise the advantage and move to Kwangyang. That’s been eroded to some extent when it comes down to the actual savings – but still, loyalties are fairly strong [in Korea].”

The Korean Government itself realises this and has declared Kwangyang a Customs Free Zone (in addition to its Tariff Free status shared with Pusan) in a bid to attract more start-up interest. Stevedoring costs are now amongst the most competitive in the world – even lower than in China – and the port has subsequently seen a 43% rise in cargo handling to 517,594 TEUs in the first half, including a 204% surge in transshipments.

Although the above figure represents only a fraction of Pusan’s total handling volume, KIT Terminal Manager Robert Poon says it’s only a matter of time before Kwangyang becomes the trans-shipment hub of northern China.

“Shipping from Mainland China to the US takes 13 days. But from Kwangyang to the US only takes 11 days. So if you use a feeder line from China to Kwangyang you save two days, which is big time for shipping lines.”

Korean inland freighters can also save time and money using Kwangyang. According to the Korea International Trade Association, if just 20% of all container cargo from Seoul and central areas were diverted to Kwangyang, an estimated 40 billion won (about US\$35 million) worth of logistics costs would be saved each year. That’s an average saving of three hours and US\$50 per TEU over the congested Seoul-Pusan rail link.

But perhaps Kwangyang’s biggest advantage over its built-up sister port, according to KIT Chief Executive Officer Paul Ho, is its developing status. “The advantage for any shipping company coming to KIT is we’ve got excellent brand new facilities and we have space, we can turn them around very quickly and we can guarantee them slots that fit into their window with no waiting period. Kwangyang certainly offers flexibility, but it also offers the same high quality of service that shipping lines have come to expect at all Hutchison ports around the world.”

Hutchison Port Holdings, Hyundai Merchant Marine,  
Hanjin Shipping Korea International Terminals (KIT) (Kwangyang)



Korea International Terminals (KIT) (Kwangyang)

# FLIGHTS OF FANCY

*Since the launch of Priceline.com in Asia, frequent flyers have been getting what they bargained for.*

*By Tim Metcalfe*



**B**ook yourself an air-ticket through Priceline," said the editor. "Find out how it works."

To anyone who has already purchased something online, this may sound like the simplest of assignments. To me, and indeed to the vast majority of us in Asia who lag behind Americans and Europeans in e-commerce transactions, it was a bold step into the unknown.

Would I be able to follow the *priceline.com.hk* website instructions correctly? Was it wise to give out a credit card number on the Internet? Would I receive a ticket in my hands or would it reside somewhere in cyberspace?

The questions didn't stop there. What exactly does it mean to "bid" for your ticket, or as Priceline puts it: "Name Your Own Price" to save? And at what cost could I discount up to a third from the "market price"? Would it require a 2am departure and 11pm arrival – perhaps, aboard a dangerous airline, inclusive of a nine-hour stopover in some unwholesome airport in the middle of nowhere?

There had to be a catch.

Yet the prospect of significant savings was a welcome novelty – especially out of Hong Kong, where flights today are among the priciest in the world. Priceline's widely advertised promise to "empower" the long-suffering public with more affordable travel seemed worth the effort of venturing into this revolutionary ticket-purchasing service.

How do you start? First, Priceline strongly encourages customers to "do your research". Establish how much you would pay elsewhere before submitting your offer for a ticket or hotel room, recommended at around 20-30% below the average price.

The second golden rule for acquiring rock-bottom prices is also obvious: fly off-peak, which for regional destinations means avoiding the weekend rush hours. For the very best bargains, focus your travelling time on weekdays.

The final key for the bargain-hunter is flexibility. If you're not fussy about precise travel dates, choose several, and you're maximising your chances of being on to a serious winner.

My schedule, however, only permitted a Thursday-Sunday long weekend, which in Priceline terms meant possibly greatly reducing my chance of a big discount. A peak holiday season departure on August 1 did not help much either. Priceline was being put to a tough test!

The destination was Bangkok, which coincidentally has also proved to be the most popular choice for Priceline customers since the service was launched a few months ago. This may or may not be related to the abundance of fine golf courses around the city, which was my personal objective.

Research was simple. My trusty travel agency of many years quoted HK\$2,943 (including HK\$160 tax) aboard Cathay Pacific, HK\$2,560 on



name your own price ... and save!<sup>SM</sup>  
\$  .00  
[priceline.com.hk](http://priceline.com.hk)



Thai Airways and HK\$2,353 with Gulf Air (which is famously cheaper due to a 10am departure from Bangkok, requiring an early rise).

In the circumstances, an initial offer of HK\$1,300 (approximately US\$166) with Priceline was ambitious – and not surprisingly rejected. You can name your own price, but it won't necessarily be accepted.

For obvious reasons, not least frivolous time-wasters potentially increasing their offers by HK\$1 at a time, offers have to be raised by a minimum sum of HK\$150. Within a few minutes, I had made an offer which was accepted at a total of HK\$1,846. But I had no idea of the flight times or the airline. Priceline reckons it usually acquires direct flights for regional routes, but I couldn't be 100% sure of that either.

Did I wish to confirm? Yes; and within minutes I learned that my booking had been confirmed, with flight details instantly revealed. I had feared my journey might be aboard an ancient aircraft via a string of out-of-the-way landing strips, so in the circumstances the itinerary was comfortingly unremarkable. I was booked direct both ways aboard Thai, departing Hong Kong at 3.30pm (good) and returning from Bangkok three days later at 3.20pm (even better – enough time for a final round of golf in the morning).

#### SATISFIED CUSTOMER

Despite my relatively inflexible and rather peak-time travel requirements I had saved HK\$714, which was more than a 25% discount. It was worth about 3,700 baht in Bangkok and so, with newfound confidence in the Priceline system, I proceeded to book a hotel room.

I was able to specify the star rating of the hotel I required (two-star) and was also given the option of choosing a specific area within Bangkok. Again, I started ludicrously low (HK\$200) and again my offer was rejected (Priceline only partners with international-brand hotels). But at HK\$350 I hit the jackpot, with an upgrade to a room on the top floor of a three-star boutique hotel that turned out to be comfortable, friendly and conveniently located.

With the saving of around HK\$700 on my air ticket, the room effectively cost me only HK\$236 for three nights. Better still, all I had to do was make a printout of the booking, which I then presented to hotel reception on arrival. And they *were* expecting me.

The air-ticket never drifted in cyber-



space, as feared, and was instead promptly delivered to my door the morning after booking. (Priceline also offers an option of e-ticketing, where available.) Although its sophisticated computer programme is about as safe as Fort Knox, concerns over making direct purchases through the Priceline website can be overcome by phoning a dedicated call centre to provide your details, including credit card information.

Due to a typically late check-in for departure from Hong Kong, aboard an unusually full flight, I was upgraded to business class on the trip to Bangkok – which just goes to show that Priceline seats are as good as any.

So Priceline passed with flying colours for me, just as many others are discovering.

In fact, my peak-season deal to Bangkok was somewhat ordinary. One happy customer contacted Priceline to report that in June she had secured two tickets to Bangkok on Finnair for only HK\$1,000 each. Not only that, she stayed at a five-star hotel for just HK\$480 per night.

But even high-season routes can yield serious savings. Alfred Tsoi, Yahoo! Hong Kong's general manager, acquired two return tickets aboard United Airlines to Tokyo for the World Cup final for a total of HK\$4,710. His travel agency had quoted HK\$4,000 each, virtually twice the price. "I couldn't believe it," he recalls. "I knew tickets would be hard to get and I figured I'd have to pay a high price to get them."

Another satisfied customer, business-



man Leon Wu, travels frequently to Shanghai. "I booked a hotel room through Priceline because I was tired of hopping from one website to the next to compare prices," he says. "The site was straightforward and understandable – just three stages. And Priceline was very fast to accept an offer – just five or 10 minutes. Convenience was also a big extra, with Priceline staying open 24 hours a day, seven days a week. I like to shop around, but that is time-consuming. Priceline did all that for me."

### WINNING FORMULA

Such experiences are refreshingly new in Asia but Priceline is something of an e-institution in the US, where annual turnover has topped HK\$8 billion after just four years in business. As such, it's among top Internet brands like e-Bay, Amazon and Yahoo! – and is one of the few e-businesses that are genuinely profitable.

"They have a formidable reputation," says Hutchison-Priceline CEO, Alfredo Gangotena. It was against this background of proven success that Hutchison and Cheung Kong (Holdings) together became both the biggest shareholder in the US operation, with a stake now worth nearly 35%, and also entered into a 65-35 alliance to extend the concept to Asia.

Priceline launched in Hong Kong in April 2002 and in Singapore soon after with Taiwan the next port of call. But these are just the start. The operation has rights to extend from Japan to New Zealand, China to India, covering a population of more than three billion people.

As one business magazine recently put it: "Hong Kong's pre-eminent deal-maker is at it again. As most investors write off e-businesses as dot-bombs...

Hutchison Whampoa is shopping for bargains in the wreckage, betting that once the shakeout in those industries ends, Hutchison will be positioned to reap the rewards."

But it is Priceline's business model, not the attractive share price, which holds the most appeal for Hutchison.

"The fundamentals haven't changed," noted Hutchison Group Managing Director Canning Fok. "We believe in this model. If other people don't like it, so much the better for us."

One of the more interesting of these fundamentals is that online travel today

*"Lower prices introduce new customers who would otherwise remain outside the market."*

accounts for 35-40% of e-business in the United States. Another, that Priceline is a global market leader.

Conceived by visionary inventor and entrepreneur Jay Walker, and now maturing into an international network, Priceline is certainly a unique and revolutionary idea.

"Once you realise how it works, the model is blindingly obvious," says Gangotena. "For decades the travel industry has been trying to solve an endemic problem: what to do with empty airline seats and hotel rooms?"

Planes and hotels have a fixed size, but demand varies and there are days and even times of day when these are sometimes full, and other times not. But once the plane takes off, or the night is over, the potential revenue is lost forever."

The facts bear this out. Both airline load factors and hotel occupancies generally average around 70-75%.

The law of supply and demand rationalises that these empty seats and rooms could be sold at a lower price. But of course such price-cutting would compromise the initial 70-75% of sales at the market price. "The pricing and branding would collapse," notes Gangotena.

So instead the industry has satisfied itself with "yield management" – maintaining load factors and room occupancy at the highest possible rate, making the maximum possible profit in the inevitable circumstances.

"But the challenge has always continued – to sell those empty seats and rooms," Gangotena adds, "and the dilemma was finally resolved by Priceline."

Since buyers aren't told the name of the airline or hotel selling surplus airline seats or hotel rooms until their offer is accepted, neither individual brands nor respective pricing policies are compromised. Only the Priceline customers ever know the airlines they fly aboard, the hotel where they stay, or the prices they pay.

In the meantime, airlines and hotels fill empty spaces, because the prospect of lower prices introduces a new group of potential customers who would otherwise remain outside the market. Research indicates that two-thirds of Priceline customers would not otherwise have travelled.





They are making trips purely because the price is right. At the market price, they wouldn't go and they are willing to accept a few flexibilities in return for a bargain.

"This is the Priceline niche," observes Gangotena. "We're the match-maker. We're not in a market that suits most businessmen, who prefer precise flight schedules and like to choose where they stay. So Priceline is not for everyone or every occasion. It's for the flexible and holiday traveller to make a trip on a whim, not a 'must do' trip."

That said, any business or individual can book specific itineraries through Priceline and be sure to get the best deals available at the time.

### READY FOR LIFT-OFF

For "flexible" travellers, the options are as broad as a map of the world.

Priceline's computer system can match-make offers with nearly 9,000 hotels, plus 32 Asian and international airlines.


Destinations cover the Asia-Pacific, Europe, North America, the Caribbean and Mexico, with more being added.

These are early days for Priceline in Asia, but the initial response has been heartening, with sales leaping each month.

Leading global Internet research group, NetValue, revealed that Priceline's websites were the most visited in both Hong Kong and Singapore in the first two months.

"Overall, growth is healthy," says Gangotena. "More people are getting to know about Priceline all the time – and the more satisfied customers we have, the more they will recommend us by word-of-mouth. At the same time, Asia is getting used to the idea of shopping from home. We're open 24 hours a day, seven days a week, so it's extremely convenient."

The convenience extends to significant adaptations of the US version for Asia. Priceline is Asia's first multi-language, multi-currency B2C (Business to Consumer) operation, and these local innovations mean it can move easily into other regional markets.

"I'm confident the model will prove extremely successful in Asia," adds Gangotena. "It fits the culture, where bargaining and securing discount deals is a matter of pride – and at the same time it encourages more people to fly." 



## SMART TIPS FOR BARGAIN-HUNTERS

**B**E FLEXIBLE WITH YOUR TRAVEL details. For airline tickets, choose multiple arrival and departure dates, or multiple arrival airports so Priceline® can widen its search for savings.

- Follow suit for hotels. You always choose your hotel star rating, and Priceline seeks upgrades whenever possible. But let Priceline expand its search for your savings by choosing a variety of areas to stay in the city of your choice.

- Be clever about your travel days. More vacant airline seats and hotel rooms are available on days when people generally travel less. Monday through to Thursday is best busy, with Tuesday and Wednesday the best days. Avoid weekends if possible.

- Be reasonable when you Name Your Own Price. There is no charge to try Priceline, but if you submit an unrealistic purchase offer, you must change some aspect of your offer before you can try again. Because airline and hotel inventories change constantly, a delay means your ticket or hotel room may be sold by the time you make another offer.

- Be smart with savings. Shop around

for fares for your specific itinerary before bidding. Call a travel agent or research on the Internet. When you're ready to Name Your Own Price, go to [www.priceline.com.hk](http://www.priceline.com.hk) (Hong Kong) or [www.priceline.com.sg](http://www.priceline.com.sg) (Singapore) and bid a reasonable amount 20%-30% below market rates.

- Be aware of Priceline's system. For air tickets, you choose your destination, dates of travel and desired price. Priceline chooses a major airline and flight times. For hotel rooms, you specify desired dates, desired areas of a city, the quality of hotel desired and, of course, the price. Priceline then picks the international-brand hotel.

- Be savvy about the Internet. Priceline's encryption technology means no one else can read your credit card or personal details during transmission. It's safer to buy online than to give your details to a waiter or shop assistant.

- Be quick to call if you need help. Priceline's Customer Service Department agents are available at (852) 3163-0808 from 8am until 12 midnight. For your convenience, you can also call in your credit card details 24 hours a day.

- Be ready for speedy service. Priceline is open 24 hours a day and seven days a week. It will e-mail you within one hour to tell you if you've succeeded in getting your price. Paper airline tickets will be delivered within three working days.

- Be ahead of the rest. Priceline's special hot deals and promotions mean you'll save even more on your next trip. Just register at [www.priceline.com.hk](http://www.priceline.com.hk) or [www.priceline.com.sg](http://www.priceline.com.sg) to get the latest news first.

