

UP THE VALUE LADDER

i.Tech Dynamic has earned a reputation as a top flight manufacturer of digital electronic devices; now it's raising its own brand profile.

By Mark Caldwell



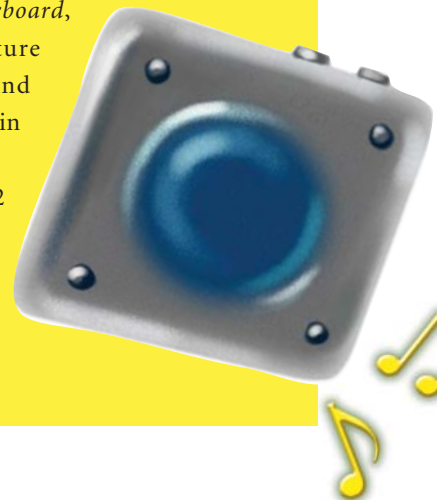
If ever there was an ideal product to launch a consumer-electronics brand, the *Virtual Keyboard* must surely be it.

To see the *Virtual Keyboard* in action is to glimpse the future. Not much bigger than a matchbox, this astonishing device projects an infrared image of a full-sized keyboard on to any flat surface. It can be linked to mobile phones, laptops or PDAs via a wire-free Bluetooth connection, giving users all the benefits of a keyboard without the hassle of having to haul one around.

The *Virtual Keyboard* is one of the first in a range of

cutting-edge consumer electronics devices bearing the i.Tech brand name. It is a name the world is likely to be hearing a lot more of. Invented by Israeli company VKB Inc, i.Tech then successfully finished off the industrial design of the *Virtual Keyboard*, made it possible to manufacture it commercially in volume, and secured the first sales in the UK in August this year.

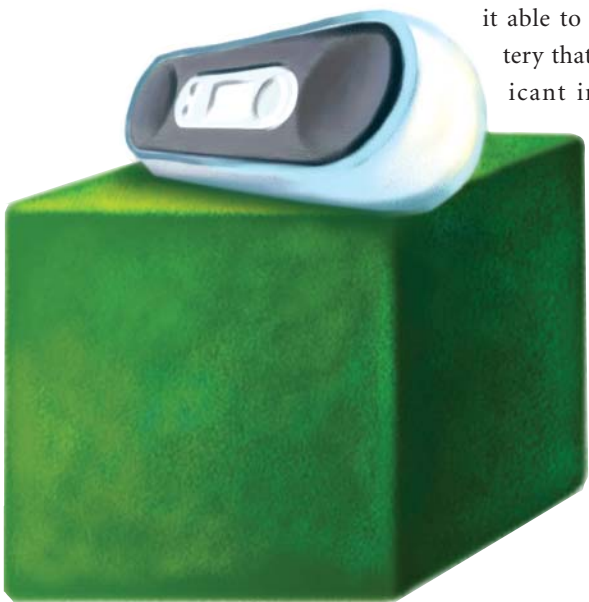
Since its establishment in 2002 as a division of well-known toy manufacturer Hutchison



Harbour Ring (HHR), i.Tech Dynamic has focused on turning good ideas into commercial products, providing high-tech solutions for a range of blue-chip clients who require OEM (Original Equipment Manufacture) or ODM (Original Design Manufacture) services.

In this capacity, i.Tech produces consumer electronics appliances for well-known brands. Products include hands-free MP3 players and radios, Bluetooth headsets, mobile phone chargers and camera modules for mobile phones. Partners include heavyweights such as Motorola, NEC, its siblings in the Hutchison Whampoa (HWL) group such as 3, and Capital Radio Xfm in the UK.

The division has also proven adept at solving troublesome problems on behalf of its customers. For example, i.Tech recently provided a timely solution for NEC by developing a high-capacity battery to power 3G handsets. Not only was



it able to design a battery that was a significant improvement in terms of battery life and other capabilities, but i.Tech also was able to

i.Tech Dynamic turns good ideas into commercial products

manufacture hundreds of thousands of them in less than two months.

Strategic Roadmap

In just a few short years, i.Tech has established an impressive track record as an outfit that can deliver high-quality products to a specialised market at competitive prices.

These efforts are clearly paying dividends, with high growth within the division contributing to HHR's bottom line. i.Tech had a turnover of HK\$342.5 million in 2003 – still small compared with the HK\$1.8 billion of the toys operation, but impressive after a standing start just two years earlier.

“From the outset, our strategy has been to position ourselves as a specialist in categories that we think have high growth potential, such as wireless digital tech-

nology,” says Patrick Tsang, i.Tech's General Manager – Marketing & Technology, who has been at the forefront of plotting i.Tech's course.

More than simply manufacturing quality products for other brands, Tsang sees tremendous potential in raising i.Tech's profile in the consumer market by commercialising technology under its own brand name.

Having successfully spearheaded HHR's rapid evolution up the value chain from toys to consumer digital electronics, i.Tech is now pursuing a strategic migration from OEM and ODM to Original Brand Manufacture (OBM).



It is in the area of OBM that the *Virtual Keyboard* is particularly significant because it is one of the first major products manufactured by i.Tech to carry its brand name. The product was unveiled at the 3GSM conference in Cannes last February, and has since been commercially launched in the UK.

“We shipped a small quantity to the UK and have had very good feedback,” says Tsang. “The first shipment was of ‘wired’ versions; the next is wire free, meaning they connect to devices via Bluetooth technology, with no need to ‘plug’ them in. We expect them to be a hot item for Christmas 2004.”

A headset, a dongle and a radio using Bluetooth capabilities have also been successfully launched in the UK bearing the i.Tech logo, and an exciting new basket of handy brand-name gadgets is due for release before the end of the year. While the details of individual products are still shrouded in secrecy, the common denominator among them is that they embody the concept of convergence of consumer electronics, deploying a range of technologies such as Bluetooth, MP3, and digital audio broadcast (DAB) that will allow users to enjoy a combination of functions while on the move.

“We create innovative products that customers desire,” says Clement Wong, i.Tech’s Senior Marketing Manager – Sales and Marketing Department, “we do this by bringing together the best of several technologies in a creative way.”

To further expand the product range, the division has

invested in additional manufacturing resources and increased the size of its engineering and R&D workforce. Alliances are also being forged with companies worldwide seeking to develop their concepts into commercially successful products.

Our strategy is to position ourselves as a specialist in categories with high growth potential

Core Value

The spate of new i.Tech branded products does not mean the division will ignore its core business of manufacturing products for estab-

lished customers, Patrick Tsang stresses. There are separate R&D teams – one for OEM and ODM customers and the other geared to create innovative new products for the i.Tech brand.

“Going forward, OEM and ODM will continue to contribute the bulk of our business,” Tsang confirms. “We offer excellent manufacturing capabilities at our plant in Panyu, along with an exceptional team of design





engineers. But we also see great potential to add value by creating our own brand. We have registered various trade names and tested the market. Our research shows that the i.Tech name is well received. If we can successfully get our brand recognised in the market, we can grow faster.”

Tsang concedes that it is no easy matter to establish a new brand in a competitive marketplace. For a start, it can be extremely expensive to raise consumer awareness.

“But what if we have an excellent product and no other company wants to participate?” he asks. “Either we must abandon it, or we manufacture and market it ourselves. If the big brands are not interested we can still produce the product and sell it.”

To some degree, the strategy is a bit like walking a tightrope. “On the one hand, you do not want to marginalise existing customers; on the other hand, you have the ability to commercialise innovative products that are high value added,” says Tsang.

“We will consider both scenarios.”

Gadget Wizardry

Given its strong links with HWL and the Group’s burgeoning interests in telecommunications, it was natural for i.Tech to focus on technology relevant to the telecoms industry. It therefore positioned itself as a “turnkey mobile companion solutions partner” deploying technologies such as Bluetooth to produce devices such as wire-free headsets for major handset manufacturers.

From the outset, i.Tech realised that it had to position itself as a specialist,” notes Tsang. “Most customers want to work with a specialist company. No company can be a genius at everything. We wanted to participate in a few selected categories that we think have high growth potential.”

A turnkey mobile companion solutions partner

Beyond manufacturing gadgets for the telecommunications sector, i.Tech has identified other specific areas where it believes there are good commercial prospects.

“We think digital audio broadcast (DAB) will be a star performer of the future,” Tsang reveals. “Europe, the UK, China, Korea and Canada all plan to replace analogue broadcasting technology with digital in the next few years. North America will also make the switch, using slightly different technology. A year ago, we started looking at DAB. We have developed a new line of audiovisual products using the technology and we will launch our first two

products in the UK shortly.”

In parallel with DAB technology, i.Tech Dynamic also sees great potential in personal entertainment devices.

“People are getting more and more busy,” notes Tsang. “They have no time to go to the movies. So we have been developing audiovisual products around the entertainment theme, such as a hand-held viewer that can be watched on the bus or in a taxi.”

The division has already produced some eye-catching prototype products. The PowBOX, for example, is an MP3 player, a handset headset and a data storage device all rolled into one small, stylish package – and it will be brought to market at a very competitive price. Another is an elegant DAB radio with hi-fi quality sound that also plays MP3 files from SD and MMC cards and offers a ten-

minute DAB record and replay button. Yet another is a nifty multimedia viewer that can be watched anyplace, anytime.

Hot on the heels of the product launches in the UK, i.Tech plans to introduce products bearing its brand name into the Hong Kong market. If the brand is well received, Mainland China and Taiwan will be next.

Tsang believes i.Tech has the necessary tools to crack the code to become an internationally recognised brand. “We have identified key growth

areas in the market,” he says. “These technologies have a big future; we have the manufacturing and marketing expertise and we have a good chance to become a major player.”

“The product idea is the most important,” Tsang adds. “The technology behind the iPod is not unique, but the packaging is unique. The challenge for us is to convince people to try our products and enjoy the experience.”

Eyes on the Prize

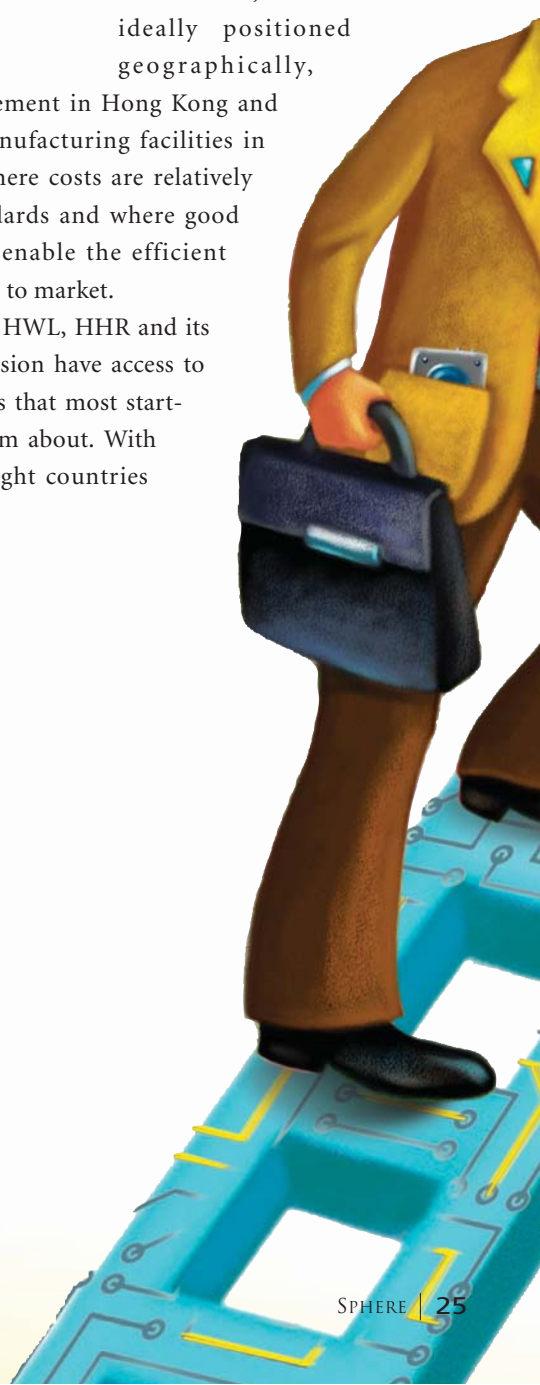
For a young, relatively unknown operation, i.Tech’s ambitions may seem grand. However, there are several factors that work in its favour.

For a start, the division is ideally positioned geographically,

with strong management in Hong Kong and state-of-the-art manufacturing facilities in Southern China, where costs are relatively low by global standards and where good logistics networks enable the efficient shipping of products to market.

As a subsidiary of HWL, HHR and its i.Tech Dynamic division have access to business connections that most start-ups could only dream about. With 3G operations in eight countries

We stress the ‘Dynamic’ in i.Tech Dynamic




under the 3 brand, as well as global 2G operations that span four continents (*see story, p.28*), HWL is one of the biggest players in the global telecommunications arena. Consequently, it has enormous clout among industry players such as handset manufacturers, and has been able to introduce these big names to i.Tech's capabilities.

i.Tech is one of the preferred suppliers of selected mobile accessories for the Hutchison Group's 3G multimedia service worldwide, which already has over three million subscribers and is growing fast.

These connections give i.Tech a solid customer base to maintain and increase its turnover while also participating in the very latest technology. With stable earnings from its core customers, the division has the luxury of being able to apply its innovative energy to creating exciting and original new products.

In the late 1970s, Sony introduced its "Walkman" and has been riding the wave of success ever since. Twenty-five years on, i.Tech Dynamic has the *Virtual Keyboard* along with a selection of other pioneering OBM merchandise, each one of which is another rung in the ladder to brand success.

"i.Tech Dynamic will not build its reputation on one product alone," says Tsang. "Rather, it is our spirit of innovation and inventiveness that will prevail. That's why we stress the 'Dynamic' in i.Tech Dynamic." 



STEPPING-STONE

PMW is perfectly positioned to help companies achieve their goals in China and the rest of the world.

In January, Warner Bros. Consumer Products (WBCP) announced a multifaceted agreement with PMW-GB Agency Ltd (PMW) to become its exclusive products licensing agent for Mainland China, Hong Kong and Macau.

The move was a significant milestone for PMW, which was set up in 2002 by Hutchison Harbour Ring (HHR) as a joint-venture company with Global Brands Group plc, to serve as its sourcing, trading, retailing and licensing arm with the overall aim to capitalise on HHR's expertise and broaden its business scope.

This agreement establishes PMW as an Authorised Licensed Retailer for WBCP, with exclusive rights to operate "Warner Bros. Studio Stores" and "Warner Bros. Studios Presents" retail formats within the same markets.

Additionally, the company has non-exclusive licensing rights to manufacture and distribute WBCP merchandise for sale in Authorized Licensed Retailers outside of the US and Canada.

Working under a list of WBCP suppliers, PMW provides design, product development, production and quality management services. Merchandise includes apparel, accessories, bags, toys & games, stationery & paper goods, gifts & novelties, houseware, consumer electronics and personal care products. WBCP's brand portfolio includes Looney Tunes, Harry Potter, Superman, Batman, Scooby Doo, and The Powerpuff Girls.

PMW adheres to the highest quality standards and, although still a young company, has been able to leverage on the extensive contacts of both HHR and its majority shareholder Hutchison Whampoa to ramp up growth.

Listed on the Hong Kong Stock Exchange since 1991, HHR was one of the first to take advantage of China's open-door policy in the



TO INTERNATIONAL TRADE



early 80s, establishing its toys manufacturing operations in southern China. The combination of management expertise from Hong Kong, low production costs in the Mainland and an established worldwide network give the company a competitive edge that overseas competitors find difficult to match.

PMW can utilise HHR's knowledge, business network and manufacturing capabilities in the Mainland while Global Brands Group brings a great deal of experience to PMW, having worked with WBCP in Europe for more than 12 years.

Leveraging on HHR's hard-won expertise, PMW specialises in opening the door for foreign companies wanting to establish business connections in China – and for Chinese companies looking to reach world markets.

"PMW amalgamates what HHR has accumulated as a platform," explains Ricky Ip, PMW's General Manager – Trading and Sourcing. "It is a vehicle that consolidates HHR's expertise in China and enables us to diversify into areas beyond the manufacture of toys and premium products."

PMW provides local and overseas retailers advice and assistance on a wide range of business needs to help up-and-coming or experienced retailers to stay ahead not only in the booming China market but in the rest of the world as well. Its global sourcing & trading expertise helps businesses through every stage of the cycle, turning concepts into actual products and then bringing them to the global marketplace.

Clients can also work with PMW to keep up with the latest trends, news, consumer behaviour and market-sensitive information pertaining to China. PMW's team of professionals in product development, manufacturing and sourcing can lay the groundwork for companies to implement trouble-free manufacturing services in the Mainland and, when the products are ready, assist in providing sales and marketing services.

For example, the tie-up with Warner Bros. establishes a powerful formula for the way their branded products are presented to consumers in the region in the future.

Merchandise is mainly targeted at the young and young-at-heart, with lines for infants, the 8-14 age group, and 14 and above. Branded products are already being sold through the "store in store" concept at selected outlets. The first flagship "Warner Bros. Studio Store" – a speciality shop that focuses on the total Warner Bros. experience – is due to open in Shanghai in 2005, with many more to follow.

"This is an ongoing project," says Ip. "In future, we expect to have several hundred point-of-sale stores in Hong Kong, China, and Macau."

The venture is off to a flying start. In July 2004, 15,000 visitors from more than 80 countries attended the Hong Kong Licensing Show, held simultaneously with the Summer Sourcing Show. A highlight of the event was the first Premier Asian Licensing Awards in which Warner Bros. was judged "Best Licensing Agency of the Year" for its Harry Potter promotion merchandise.

"Chinese consumers have awakened to Western brands," notes Ip. "Warner Bros. entertainment is widely available in China and is shown on terrestrial TV, so more and more Chinese consumers are buying the branded items."

"This is only the beginning," Ip adds. "We have a strong vision and we are ready to talk to anyone who is looking for a stepping-stone into China or a bridge between China and the rest of the world, or to source or sell products in any part of the world."

