

CHAPTER III

MARKETING TECHNIQUES AND HKEC'S EXPERIENCE IN MARKETING

Market experience in Hong Kong

For an export credit insurer, the total size of the market is the volume of exports that is conducted on credit terms. But there is non-insurable business (e.g. in-house transactions). No official statistics are available to provide an accurate estimate. Survey methods may be used to segment markets and estimate likely demand. The potential markets are those not yet insured and appropriate marketing techniques should be used to tap individual market segments.

2. A commercial credit insurer's goal is to transact profitably in target markets. Official credit insurers may have a different goal, e.g., to support export trade. The company's mission and corporate goal will affect the way it operates in the market.
3. Credit insurance is not monopolistic. Competition may come from:
 - (a) Self insurance;
 - (b) Banks who do not insist on protection;
 - (c) Factoring companies;
 - (d) Foreign insurers through insurance brokers;
 - (e) Local providers - local insurers and local branches of foreign credit insurers.

However, competition in Hong Kong is not particularly fierce from (c), (d) and

(e). Focus is on convincing exporters and/or banks to insure.

4. There are over 180 banks in Hong Kong. They are active in trade and project financing. The banking industry in Hong Kong is indeed very competitive. Many banks no longer insist on full security, and are prepared to accept financing on less secured terms. They increasingly are

accepting HKEC's policy as a valuable collateral security in trade financing. Over 60% of HKEC's insured business adopts this form of security to obtain financing. More business can be tapped through banks.

5. The basis of insurance affects business acquisition. Whole insurable turnover requirement has met with growing resistance. Some exporters will walk away if this concept is rigidly held. More business is possible if:
 - (a) Whole insurable concept is not insisted upon
 - (b) Flexible terms of cover are offered
 - (c) Tailor-made cover is made for large exporters

6. Public awareness of the values of export credit insurance is important to business acquisition. Continuous publicity and promotion are necessary to enhance corporate image and obtain business from potential customers. Though public relations activities are costly, sufficient resources must be allocated.

7. Exporters may have different needs for insurance:
 - (a) Protection
 - (b) Credit advisory service
 - (c) Expansion of export trade
 - (d) Debt collection advisory service

An analysis of the needs will enable a company to formulate its market segmentation and targeting strategy-

HKEC's marketing mix

- (a) **Insurance facilities**

8. While the basic insurance facility is offered to the general public, tailor-made cover or flexible cover should readily be extended to certain target groups which:

- (i) insure substantial volume of business.
- (ii) insure a portfolio of good spread of risks; and
- (iii) have a good track record;

Tailor-made cover includes single risk cover and flexible cover includes cover with rebate, no claim bonus, long term contract etc.

(b) Pricing

9. If an exporter seeks cover, it accepts a reasonable level of premium cost. Pricing, however, becomes a crucial element when the exporter loses interest in the cover (through dissatisfaction in the quality of service or the scope of cover or when there are competitors; flexible pricing policy should then be implemented.

(c) Public relations

10. Public relations expenditure is the third largest expenditure item in HKEC, after salaries and credit information. It takes up slightly over 5% of the total operating expenses. The following media are used:

- (a) Leading, newspapers and magazines;
- (b) Roadshows;
- (c) Radio;
- (d) MTR train and stations;
- (e) Direct mailing; and Telephone marketing.

In addition, over 60 seminars are conducted every year.

(d) Distribution channel

11. HKEC relies on its direct sales force to get new business and retain customers.

12. HKEC is now employing a professional broker to market its products. The result is not good. Brokers may be more actively used if competitors are using them.