



China Shared Services

Coming of Age



Going Social

How businesses are making the most of social media



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C.O.O. Agenda

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KPMG's COO Roundtable

As KPMG's COO Roundtables continue to be developed, we are focusing on a variety of different industries. They function as a forum for likeminded individuals to develop ideas and share concerns.

Innovate and inspire ideas by discussing common issues facing COOs.

The 3rd meeting of KPMG's COO Roundtable looked at the trading, retail, and telecommunication industry, focusing on the critical factors facing COOs operating in Hong Kong and China.

The forum aims to innovate and inspire ideas by discussing common issues facing COOs as well as the specific concerns and opportunities of their respective industries.

Highs or Lows in the Year of the Dragon?

2011 proved a difficult year with the economic downturn of the European economy affecting most industries globally. With the change to the markets, many COOs have voiced their concerns over the increased competition within the market place and are predicting a challenging 2012 offering both risks and opportunities.

While many markets have seen dramatic shifts as a result of the economic downturn, the consumer markets of Hong Kong and

China are weathering the storm creating keen competition in the local area. COOs need to accommodate for the challenges this has produced concerning staff retention, retail price, advertising and retail location. Before acting on these challenges, COOs should look to review their target operating model and strategic plan to ensure any changes make the right impact on the business.

COOs in different markets are all experiencing pressure in executing their projects in difficult times. They need good people to implement their plans.

COOs ARE STRUGGLING TO RETAIN TALENT

Challenges of the COOs

Talent retention

Many COOs find it difficult to retain talented people despite the difficult market conditions as the attrition rate of talent has remained high. In some areas in the Asia Pacific region, such as China, there is a real lack of talented staff. Local companies find it even more challenging to retain talented people as a result of resource shortages and an inability to offer their employees a competitive package.

Many COOs describe their staff as their company's most valuable asset and are offering better packages in an attempt to retain them. However, this is not a long term solution and a healthy company culture must be developed to prevent global companies losing staff to local companies, forcing them to recruit new people or foreign staff who may have difficulty adapting to the company culture.

A new era in Social Media

The technological advances of recent years have widely increased the reach of advertising. By taking advantage of large online communities such as Facebook and Twitter, social media campaigns can reach new audiences and interact with consumers. The cost and speed of social media make it an ideal tool to promote products and services.

Social media provides a benchmarking gateway for consumers to compare the quality, price and services of the products. Consumers can share their experiences by commenting on the products and their experience of the services. This makes social media a critical tool for advertisement and more importantly, building reputation.

Anti-social marketing

Although social media has become a highly effective tool for advertising, it is limited by its accessibility. In many countries, access to the internet is restricted. In China, for

example, many social media websites/applications are prohibited forcing COOs to use more resources and investment to penetrate the local market by posting advertisements on local websites or hiring a local representative for the company.

By constantly changing, adapting and updating the quality of the products and services provided to the consumer, a COO can ensure the business keeps moving forward.

Global companies looking to move into these markets will struggle with a lack of understanding of consumer trends and competitor companies that

can be yielded from social media.

The cost of the right price

The weakening of the Euro coupled with increased inflation in Asia has raised questions on how COOs should best price their product and services. The price of the products and services should not solely be based on the inflation figures and should take in to consideration the market, their customers and their competitors.

Social media has allowed consumers to compare prices and quality of products against its competitors quickly. COOs must move to price accordingly to ensure sustainability even if it results in a temporary decrease in gross profit margin or net profit margin.

Stay dynamic through Innovation

By constantly changing, adapting and updating the quality of the products and services provided to the consumer, a COO can ensure the business keeps moving forward. This is facilitated by promoting an innovative working culture and recruiting the right staff with an appropriate support structure providing necessary assistance from the senior management.

Ensuring the right staff is in the right position creates a structured environment allowing for the organic flow of fresh ideas and innovation.

Shared Services or Outsourcing

Many COOs may consider to establish a Shared Services Centre for their company or to outsource their back office functions to an external third party in order to reduce the cost in general.

What should the COOs consider before they make such a decision?

Effectiveness. Does centralisation help facilitating the business decision making process? And does it really improve the processing time of each process? Do business units rely on their back office functions?

Efficiency. Sometimes a talented staff can contribute much more than what a company pays him. Does the chosen location has the talented pool to improve the efficiency of each process?

Cost vs Benefits. That is the most important that the COOs have to look into. A detailed analysis is necessary and a thorough understanding of the business process is a must.

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