

SUCCESS INGREDIENT
KATIE FUNG, CFO,
EMBRY HOLDINGS

INTIMATE KNOWLEDGE

Chinese consumers are getting picky about panties and brash about bras, CFO Katie Fung finds as she steers Embry's expansion into the mainland. George W. Russell reveals her strategy

Photography by Samantha Sin





The products that Katie Fung's company sells couldn't be any closer to the Chinese consumer. Hong Kong-based Embry Holdings holds about 15 percent of the mainland's women's undergarment market with more than 2,000 stores in China and 50 or so in Hong Kong and Macau.

Fung has watched China evolve into a sophisticated market with enough consumer diversity to support Embry's five brands. "A lot of this awareness comes from women wanting to be beautiful – and not just on the outside," she says. "The potential is very significant."

In the compact Embry shop at the iSquare shopping mall in Tsim Sha Tsui, Fung ticks off the companies' brands in a circuit of the store. "Embry Form is our signature brand, Fandecie is designed for more vibrant ladies, E-bra is our mass-market brand, Comfit is a functional brand with larger sizes, and Liza Cheng is our very upmarket brand."

Underwear is widely regarded as a recession-proof industry – it's always needed – but Fung says definite patterns emerge during a downturn. "Because of the way the economy developed... the market has gone into two streams: either the mass market or the up-market end.

"The rich are not affected. But regular consumers are: Perhaps when the economy

is good they want to spend HK\$500 on a bra, but now if you still need a bra you might be cutting down and your budget is HK\$200. Our mid-market ranges are slowing down."

In the last quarter of 2010, Embry introduced a fifth brand to tie in with the gloomy global economic forecast: "E-bra is for the mass market, a budget brand."

Fung joined Embry Holdings as chief financial officer in 2007. "I had only been in manufacturing or heavy industry and when the Embry opportunity came up, I thought, wow, this is a really sexy business. A great change."

Of course, it wasn't just the sexy side that lured Fung aboard. "Because it's a lingerie company and listed – I think it's the only one listed – and they're doing very well in China, which is a great achievement. First, it's not easy to find a brand that has this long history in China of 20-plus years and second, a Hong Kong brand that has this penetration in China."

Embry was founded in 1975 by Cheng Man-tai, a mechanical engineer who was struck by the profitability of the underwear section of his brother's Singapore department store. Cheng used his engineering knowledge to design bras and opened stores in Hong Kong and the mainland.

Though listed, Embry remains very much a family business. Cheng's daughter Liza,



Katie Fung explains the design philosophy behind Embry Form, the company's most recognizable brand. The signature pearls, beads, crystals and sequins have been a big cost issue as material prices continue to rise.

who lends her name and design skills to the company's most expensive brand, joined the company in 1993 and is now chief executive officer; the senior Cheng remains chairman.

The company was listed on the Hong Kong stock exchange in 2006. To Fung, Embry's story made sense, commercially and personally. "I saw a lot of potential, career-wise."

The right fit is essential

Fung's attraction to numbers began as a child growing up in Causeway Bay and was honed playing Monopoly with her father – who ran a restaurant in the area – mother and brother.

"I was always quite good at handling numbers and arithmetic was never a difficult subject," she says. "Monopoly was a very interesting game and I liked being the banker and handling all the money."

As a child, Fung flirted with a musical career. "I learned to play the piano and for some time I wanted to perform," she says. "Obviously, after a while I realized I wasn't that good but I still wanted to teach piano."

Though her piano studies took a back seat, her knowledge of the instrument helped her with her education. "I actually taught piano for a few years as a part-time job while at university. I was teaching very young kids."



Katie in front of a rack of lingerie from the Fandecie range, which is aimed at younger women.

Success ingredient



After graduating from City University, Fung joined Ernst & Young in 1989. “I was a typical auditor,” she recalls. “I had long working hours.” In her third year, Fung became more involved with the mainland. “I travelled a lot. At that time, China had already been opening and there were a lot of investments and acquisitions.”

Fung, who joined the Institute in 1994, quickly became a mainland specialist, though not without some obstacles. “It was interesting but the difficulty was in reserve accounting.” Reserve accounting, common in the mainland, is not taught in Hong Kong. “It was very different from what we learned at school. To try to learn while you were working was pretty challenging.”

The language was less trouble. “I acquired Putonghua at work when I started travelling.” Fung continued to travel, first to Greensboro, North Carolina, for further education, then to Singapore to work for E&Y and, later, PricewaterhouseCoopers.

In 2001, Fung decided to make a switch to the corporate world. “I joined a then-listed property investment company in Beijing, but then in 2003 SARS arrived and all the investment dried up. So I left and joined Peak International.”

Fung stayed at Peak, a maker of specialty packaging for high-technology manufacturers, such as semiconductor fabricators, for four years until a Korean company bought it out.

Fung has used her China experience to great effect at Embry. By 2007, when Fung joined the company, the company had about 1,000 stores. It has doubled that figure in the past four years. Today, China accounts for more than 90 percent of the company’s total revenue.

Upsizing the brand

To some customers, Embry conjures up poky shops bearing the company’s old-fashioned logo and decorated with posters of curvy *gweipo* models. Today, Embry spends time and money creating modern showplace outlets. Even some models are now part Asian: Embry’s current campaign features Jocelyn Luko, born to an Austrian father and a Japa-



nese mother. “We have stores in China that hold all our brands – our image stores.”

The iSquare shop was the company’s first image store. Hong Kong retail space is famously expensive but Fung says the image stores are more than retail outlets. “In some stores, it’s more important to show our product than measure sales.”

Behind the public retail facade, Fung concentrates on the other significant part of Embry’s business – manufacturing. “We have three factories in China. This also makes Embry unique in that you can find a lot of lingerie retailers but you don’t find a lot that do their own manufacturing.”

Fung says the company never outsources its core manufactures, such as bras and

“We’re not going to have all our factories in Guangdong, the reason being logistics. Our 2,000-plus shops are mostly in first-tier and second-tier cities and we don’t just cover the coastal regions.”

panties. “We do outsource some gifts and minor accessories.”

Embry’s factories trace back to the company’s invasion of the mainland. The first was in Shenzhen, followed by Changzhou in Jiangsu province. The newest factory, which opened in 2008, is in the city of Jinan.

“We’re not going to have all our factories in Guangdong,” Fung explains. “The reason being logistics. Our 2,000-plus shops are mostly in first-tier and second-tier cities and we don’t just cover the coastal regions. We started from the south and gradually moved towards the northern part.”

Diversity of location helps the company cut costs and manage budgets. “In the northern region where they are not so developed, living standards are not as high and wages and costs are more easily manageable.”

Cautious optimism

The global financial crisis – and the resulting possibility of a Chinese economic slowdown – has prompted much soul-searching within Embry’s executive ranks. “We always say that we are optimistic, but we are cautious,” says Fung. “We will monitor things closely.”

Rising material costs have been an issue. Embry products don’t use much in the way of natural fibres so the company has avoided the consequences of the near-doubling of cotton prices in 2010 to 2011. However, ris-

ing petroleum costs raised the price of synthetic fabrics such as polyester.

Embry’s signature baubles, however, have been a big cost issue. “Pearls, beads, crystals and sequins are a major part of our costs, but they’re part of our style,” she says. “It’s hard to manage those material costs.” Many of the decorations are imported from Europe or from Chinese factories that sell internationally.

Fung says there are two ways to mitigate rising material costs. “Firstly, we can try to increase our prices by adding value to our products by, for example, using more patented features in our design, so that part of our cost pressure is passed on to customers. Secondly, we can be more efficient. We try to minimize wastage, improve our machinery, our skills and develop fabrics with our suppliers.”

With its engineering heritage, Embry emphasizes research and development. It registers intellectual property for both functions and designs, and has patented innovations such as an interchangeable bra strap.

Interview over, Fung prepares to return to the Shenzhen factory. The year-old, budget E-bra brand is at the forefront of her mind.

“We have been successful but maybe there’s another batch of customers we can cover. We make sure we’re well covered.”

Perhaps fitting for a lingerie maker. **A**