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• WHAT IT TAKES & HOW IT WORKS •

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Parsons Music: The Entrepreneur's Artistic Mission

As one of the world's top three piano manufacturers with eight manufacturing plants and Hong Kong's No. 1 musical instruments retailer with 93 chain stores in Hong Kong and China, the Parsons Music Group is dedicated to music education and promotion, serving 35,000 students of all ages every year. It is also the only corporation dealing in musical instruments in China to have won acclaim as a "National Cultural Industry Demonstration Centre".

Although the group's success is unmistakable, it defies summation in a few words. It is said that, as is true for individuals, every successful corporate enterprise has its own character. Indeed, Parsons bears the strong imprint of the two siblings who lead it, the straightforward and passionate elder sister Ng Arling, and her younger brother, the cautious and calm Ng Tin Yin. Their contrasting personalities have complemented one another and defined the corporate character by a fine amalgamation of passion and rationality.

A Humble Beginning: Success Built on a Mere HK\$30,000

A humble beginning with just HK\$30,000 – this is an essential fact always to be recalled in the now legendary corporate history of Parsons. In 1986, Ng Arling and Ng Tin Yin put up HK\$15,000 each to rent a small 300-ft corner in Regent Gardens at Kowloon Bay, thereby laying the groundwork for what has now become a huge

business enterprise. Given their astute and solid operational skills, it was not very long before they established their second shop at the Modern Marketplace (now known as the Tai Po Mega Mall) near Tai Po Centre. Things quickly began to snowball and the opening of their seventh branch at Times Square in Causeway Bay in 1993 marked an important milestone in their corporate history.

It is important to examine the history of Parsons closely to reach a clearer understanding of all that has taken place. Although the stark contrast between the modest beginning of a small start-up and its subsequent transformation into a huge corporation is rightly celebrated, the key factors leading to its success have often been overlooked. Most deserving of attention among these factors are the original impulses upon which the founders built up their business, their readiness for changes, and the formation of a rough set of strategic approaches grounded in intuition.

The sister and brother were born of a Filipino Chinese family and spent their childhood in Fujian, China. The whole family then moved to Hong Kong in 1975. Faced with difficult living circumstances, like those experienced by other children from a humble background, they both had to work to make ends meet when they were still very young. As Tin Yin recalls, "Those times were very tough. I had to study during the day and work at night while my sister worked in the daytime and studied in the evening." Flower arrangement, cutting thread, summer jobs, part-

time work at piano studios were tasks that came to mind as he recalled their younger days. Although Tin Yin got good grades at school, he wanted to make money for the family as soon as possible. His outstanding results in Mathematics stood him in good stead as he successfully completed a course in business administration.

His studies not only aroused his interest in establishing his own business, but also provided him with professional management concepts that he has drawn on from the very beginning. The wide range of contacts accumulated from their rich working experiences also helped launch their business. As Tin Yin remarks, "We were literally broke after having spent HK\$30,000 on fixtures and fittings of the store. All the goods we were offering had been bought on credit or with money borrowed from friends who were very kind to help. That is how we were able to start from a rather low level. Or maybe it wasn't really all that low, but we employed the principle of leverage to generate business of more than a hundred thousand dollars out of the initial input of HK\$30,000."

In Arling's opinion, Parsons was launched as a piano studio rather than as a grocery store because they had wished to guide students. As she relates, "At the very beginning, we focused on (music) education to give music classes for students. Selling musical instruments was only a means but never our end."

Arling studied music at school. Under her influence, Tin Yin also studied music when he was small. They then both contributed to the family budget by tutoring students in piano after school. It is little wonder then when they had the idea of "starting something", running a piano studio was their immediate choice. With the groundwork thus laid, music education and promotion became and has still remained as Parsons' core business objectives.

For Arling, her happiest memories dated from the time when they centred their business around giving piano lessons and taking students to perform. Starting from 1987, Parsons encouraged students and their parents to take part in a series of live performances held in marathon style at Tai Po Modern Marketplace. "We

arranged the sound system, plugged in an amplifier and played whatever we could play. The MCs talked about anything they wished. There was no rehearsal at all. It was purely spontaneous and free; it was really a lot of fun."

During weekdays, the performances would be held at their studio. In the weekends, they would shut off the fountain at the Marketplace and turned the site into a stage. It was a time when there were rarely any activities held at shopping malls. The shops were just there to wait for business.

These performances in their early days clearly fulfilled a marketing and branding function, although Arling's recollection tended to centre on the more romantic and artistic side. Even after some subtle prompting (by the interviewers), she did not allude to any pragmatic effects brought by these promotional activities but simply reiterated that "at that time, things were so pure and simple. The atmosphere was the most important thing. There were lots of people there, and they were all having a good time."

Looking at Parsons' development, they have always linked their corporate identity with the development of the surrounding environment (such as the industry and society at large). While this take may not always focus on profit making at the outset, it has nonetheless succeeded in leading the group to a profitable future.

During the 1980s and 1990s, there were quite a few musical instrument stores in the Hong Kong market. As Tin Yin recalls, "Parsons could only survive in a niche. In order to survive, we had to take advantage of every niche we could discover and occupy."

When East Germany and West Germany united in 1990, Arling and Tin Yin promptly paid a visit the next year to the newly united country in an exploration of their agency market. "At that time in Hong Kong, the big German piano brands already had agents. So we were looking at the smaller brands instead." For music students or people teaching piano, even if they could not afford a Bosendorfer or a Steinway & Sons, they would still prefer pianos that were made in Germany. Having perceived this psychological need in the local market and

spotted the gap where smaller German piano brands were urgently looking for agents, Parsons bravely took the initiative by landing the agency rights for several brands such as Seiler and Wilh. Steinberg. During the peak, they sold 300 to 400 German pianos a year and became the most powerful promoter for German branded pianos in Hong Kong.

If we describe the identification of a psychological need and consequently filling that perceived market gap as "an action following the trend", then we might well categorise Parsons' decision to enter into the Mainland market in 1997 amid several migration waves in Hong Kong upon the return of the British colony back to China a brave move against the trend. As Tin Yin recalls, "One time I met an AV system wholesaler on the plane when I was heading to Germany for an international trade fair. He specialized in the China market and suggested we do the same. So I followed him to explore the market. At that time, many people were moving abroad, but I felt that the door of China had been opening and that it was a good time to go back."

The first investment they made was on a piano studio on Zhongshan Si Road in Guangzhou. At the same time, offices had been successively established in Shanghai and Beijing. Subsequent development once again vindicated the judgement and courage of Parsons' founders. They succeeded not only in expanding their market reach from Hong Kong to the Mainland, but also achieved a new height in Parsons' corporate accomplishment.

Sales: Establishment of Channels and Stores

In 1994, Parsons obtained the right for Yamaha imports to China. During the mid-1990s, Parsons was the agent for many brands, primarily with Yamaha together with brands from Germany, South Korea and several other countries. When Parsons took part in its first trade fair in the Mainland, its products were really eye-catching. Tin Yin still remembers the occasion clearly, "It was April 1995. The colourful flags flying outside the Beijing Exhibition Centre all belonged to Parsons." By then, they were entering the stage of establishing sales channels in

the China market. As he notes, "Since we hadn't yet had our own shop, we were mainly doing wholesale."

They had made the promise to their customers that musical instruments bought at Parsons would be received in seven days – a daring commitment during a time when transportation in China still mainly depended on highways. "We recruited some people from our hometown in Fujian and stationed them in different places throughout China specifically to deal with the receipt, delivery and point-to-point transportation of goods. At the outset, it was just a few dozen people, but after a while we were employing 300 for logistics."

In the past, the musical instrument trade had relied on layers of distributors and retailers. The importer would pass the goods to the first distribution layer, and they were subsequently passed on from the second and to the third before reaching the end users. This was painfully slow and the quantities involved were small. Promotions rarely had a role to play in the processes. It would often take a year or so for every new item to become known in the market. What Parsons did was to sweep away the layers of distribution and to establish its own direct sales channels. Meanwhile, they held a number of competitions and performances for the purposes of promotion and demonstration. With rich experience in music education and performances, Parsons possessed unique advantages. Thus, "establishing direct sales channels and promotion through organizing musical activities" became its unique marketing and sales model at that time. It also served as a reference model to be imitated by latecomers.

Due to Parsons' aggressive promotion, Yamaha rapidly became China's hottest piano brand. Other big brands such as Steinway & Sons, Bosendorfer and Kawai also opted for Parsons' agency one after another. As the sales channels gradually opened up, problems emerged. When the wholesale quantity reached a certain critical number, if the buyers did not pay in time, the cash flow would be locked up thus putting Parsons in a passive position. "It just happened that Yamaha had been asking us to open retail showrooms for them. So I went to Japan and the USA to learn how they operated, and finally we decided to open our own store." It sounds simple as Tin Yin

describes it, but one can well imagine the struggles they endured to push through the bottleneck and reach the breakthrough point.

From 1996 to 2000, more than 20 Parsons retail stores were established in the major cities throughout China that fulfilled either one of the following two criteria: either it was a popular sales point of Yamaha pianos, or there was a musical institute in the area. “We had a store opening nearly every month, which involved interior design and renovations, moving in and a host of other tasks.” How was it that Parsons’ stores became the benchmark of musical instrument retail shops in China? By creating something different. At that time, most of the music shops in China looked just like grocery stores. At Parsons, however, they combined experiences from Hong Kong and Japan to build high-end and modern store experience. They hired the best interior designers not only to ensure the most beautiful store designs but also to implement a “front shop, back school” layout, i.e., the store front would be used for product sales and display while the back would function as a music school.

“Before the opening of each store, we would send our team to conduct ethnographical research. They would cycle every street and leave no stone unturned in looking for existing sales channels and sales status of musical instruments, as well as information about local music schools and teachers. Then our music promotion team would visit these schools and speak with the teachers one by one.” This “map management method” Tin Yin introduced from Japan ensured that Parsons would gather the most accurate market information from the outset when they entered an area. It also helped them establish direct connections with potential customers. Parsons would also invite all music teachers and relevant people in the area to join their store opening and give them a better understanding of Parsons Music. Afterwards, they would even sponsor their musical activities in order to build up local recognition of and dependence on Parsons’ stores. “From 1996 to 2000, almost every one of our stores held its own activities such as organizing or sponsoring competitions for different musical instruments like pipes, pianos, electronic organs and many more. Parsons has built up

trust and affection with many friends in the music sector since that time.” Today, Parsons owns a chain store network of 93 stores in China and Hong Kong, and ranks among the top 10 companies in the world in terms of volume of retail sales of musical instruments.

Parsons has insisted on the importance of independent operation from the start, which has led it to develop into a pioneer model that gathers manufacturing, supply, retail and education all under one roof. When the sales chain network was completed through establishing direct sales channels and independently operated stores, taking more active control of the sources of their products automatically became their next focus.

Manufacturing: Creating Standards for China and the World

The expansion of their retail network has led to a surge of product demand. Parsons knew that there was a timeline for their partnership with Yamaha their major sales product partner. “This is so typical of how Japanese corporations run their business. They would first use their products to assist in your development. What you are doing is actually developing their markets and in the process, starting to rely on them. The next moment they would turn the tables by beating you down and acquiring you as a part of their corporation. Moreover, once China enters the WTO, Yamaha China will definitely be established.” The key to winning the day is to know yourself and your competitor well while keeping a close eye on the environment. Parsons was well aware that the honeymoon period with Yamaha was just a transition for them to acquire better networks and competence. “Our development in the Mainland has evolved from wholesale to retail, which allowed us to stabilize our business. If we want more stability, we will have to produce our own products.”

According to Tin Yin, Parsons had been considering producing local products since 1997. “I sought cooperation with several national piano factories in Beijing, Shanghai and Guangzhou, but all to no avail after negotiations.” Indeed, all were mature factories already having their own stable production plans and export

sales. None of them was willing to take the risk of cooperating with Parsons. “Then I hired several technicians conversant with piano production and found two scores of fellows from our hometown in Fujian to establish a second-hand piano refurbishment factory in Guangzhou, specializing in the disassembly, assembly and refurbishment of second-hand Yamaha and Kawai pianos. During the process, we learned the techniques and conducted research. We also trained our own technicians and tuning professionals.”

It could be said that the factory was Parsons’ first R&D department for piano production. After two years of exploration, Parsons was starting to produce their own pianos. In 1999, Parsons partnered with a small piano factory in Shanghai and their first group of elite technicians from the second-hand refurbishment factory took command. This event marked the beginning of Parsons’ as well as China’s OEM era.

Toyama is the most memorable name in Parsons' piano manufacturing history. Parsons’ extensive sales network provided a good outlet for their own piano brand Toyama which was selling at 300 per month. Even though Parsons did not have their own factory, every step was controlled and checked in accordance with Parsons’ production standards. Within a year, the sales of Toyama pianos peaked at 1000 per month, which boosted their revenues and meanwhile strengthened their confidence in building their own factory.

In 2000, Parsons set up its own factories in Shanghai and Yichang using the “rent first buy later” strategy. In 2001, they successfully established an OEM contract with Kawai and the relevant R&D were initiated. In 2002, Parsons terminated their OEM contract with Toyama, and by the year's end they were officially producing Kawai pianos at their own factories. Parsons’ technical skills improved at high speed. Within several years, many international brands signed OEM contracts with Parsons. Piano experts from Germany, Austria, Britain, USA, Japan and Korea came to Parsons’ factories to further ensure that the production would reach international standards.

Despite these successes, Parsons’ ambitions have not waned a bit. As they put it, “We had mastered top

techniques for piano production, now it’s time to put the skills into mass-scale production.” Consequently, Parsons designed their own production equipment and automated the production of all the parts and accessories so that they were able to produce a top standard piano every minute. Again, in the same way as with the previous stages, Parsons’ production set a new standard for the piano industry in China. Parsons continued to develop its own brands based on the experience from Toyama. They had been planning for the production of a Chinese branded high-performance piano since 2003 and finally put the concept into trial production in 2007. Till 2009, the 9-foot Yangtze River piano was born. Not only has it been Parsons’ signature creation, it is also the only Chinese branded performance-grade piano in the world.

If we look on the period from 2000 to 2008 as the development stage for Parsons piano production, then the years after 2008 may be regarded as a resource consolidation stage which allowed the corporation to develop into a “music kingdom”. On one hand, they have enhanced their shop management system and optimized the standardization of Mainland and Hong Kong management. On the other hand, they have initiated strategies for global mergers and acquisitions as well as partnership strategies. One after another, they have acquired the factory of Samick Prellmechanik of South Korea, the Wilh. Steinberg piano company of Germany and Autopiano Co. of the USA. They have also bought two timer plants, one at Yantai in Shandong Province and the other in northwest Canada where world-class timber for musical instruments is produced. Moreover, Parsons have expanded their product range beyond pianos, and are now also producing electronic pianos, guitars and more.

Mission: Music as Life

At present Parsons has 8 manufacturing plants as well as 8 self-created and acquired brands from China and overseas. Such business scale is propelling Parsons to the status of an industry leader in the Chinese musical instruments industry.

“We are fully confident about the future of the musical instruments market in China. But how should we cultivate this market to prepare for that vast future that lies ahead? If there is not a good music environment, why should we produce so many pianos? What are they for?” Arling raises this question at the end of the interview. While Parsons’ focus has been somewhat different at different stages, from giving piano lessons, opening chain stores using the “front shop, back school” retail strategy to organizing music competitions, giving scholarship to providing sponsorship for music festivals, a central thread that runs through all these stages is their dedication to bettering music education and popularizing music.

Parsons has been trying to offer a complete music training experience that ranges from music lessons, practices, master classes, competitions, performances, mock examinations to graduation ceremonies. What is more, Parsons is also organizing 3 music competitions, 5 large-scale seminars and 9 professional forums with the deans of music academies. It is quite difficult to imagine a musical instruments store like Parsons is taking up all these which sound more like offers from a dedicated music academy. The facts speak for themselves – Parsons provides music training for all age groups ranging from 18-month infants on up and trains over 35,000 students every year with support that includes but is not limited to dedicated music foundation and talent training schemes.

Arling’s assessment sounds humble yet aggressive, “Parsons should develop into an amateur music academy. Since its establishment, we have brought music closer to many people. But now what we would like to convey is that everyone can choose a musical instrument suitable for him or her at Parsons, but more importantly the instrument is just a means for expressing the music inside his or her mind. When people come to Parsons to learn the piano, pipes or *guzheng*, they don’t learn the instrument but they learn music. This is what we hope to do for music popularization.”

“As our corporation grows larger and larger, we feel an ever-increasing responsibility toward the industry and

the environment. Many musicians say that there are souls in the pianos produced by Parsons. Why is that? It is not because Parsons has the most advanced techniques but rather, and this is key, Parsons is a corporation imbued with the soul of music.” That “soul of music”, following Tin Yin’s words, is in fact the very mission of the musical arts. When a business wishes to fulfill its artistic mission by striving to optimize the music environment, it certainly must rely on support from the government and public policies. As he explains, “It was about 6 to 7 years ago when I became the Vice Chairman of China Musical Instrument Association. Every time I attend an activity, I advocate the importance of popularizing music. Only when there is a good music environment will the industry bloom and its businesses survive. Although we have been working hard on music education and popularization, we still hope to take up more responsibilities and try to move more people to take action.” What aspect should an enterprise focus on to complement the work of which governmental bodies in order to develop the industry and the environment? Tin Yin describes this exploration process as a “hardship”.

In 2011, the first Yichang Yangtze River Piano Music Festival was held. It was hosted by the Chinese Musicians Association, the Publicity Department of Hubei Province and the Yichang Municipal Government, and sponsored and organized by Parsons Music. The Festival marked the introduction of a new platform for music education and promotion to which Parsons has been dedicated for more than 20 years. “Regular music education and promotion activities aside, the Musical Festival alone requires an investment of more than 10 million dollars a year. This reinforces the conviction that corporate participation and support is essential for the continued development and improvement of our cultural environment.”

In 2012, the second Yichang Yangtze River Piano Music Festival received more than 3,000 participants from all provinces, major cities and direct-controlled municipalities of China. Those who came included famous musicians and masters, specialists and scholars, music lovers and musical instrument distributors, together with a total audience of 40,000.

Meanwhile, Parsons is planning to build their largest piano production base in Yichang and take this opportunity to cooperate with the local government to promote a piano music culture and shape Yichang into a “City of Piano Music” through setting up a concert hall and a piano museum to record the 300 years of piano development history in the world.

Arling notes, “What does it mean to be an industry leader? An industry leader is not necessarily the one who does the most business or who has most stores. The term refers to those who know what it means to lead an industry and take it in the right direction. How to improve Parsons’ cultural vitality and raise the industry’s standard to a higher level? This are the essential questions we are thinking about. We still have no answer yet. However, we know Parsons’ vitality should not rest on the products *per se*, but the spirit in which we promote music culture.”