

# Hsbc company analysis marketing essay



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The HSBC corporate character defines the values and principles inherent in all our everyday dealings. The HSBC Group has an international pedigree which is unique. Many of its principal companies opened for business over a century ago and they have a history which is rich in variety and achievement. The HSBC Group is named after its founding member, The Hong Kong and Shanghai Banking Corporation Limited, which was established in 1865 to finance the growing trade between China and Europe. HSBC markets itself as the world's local bank.

Headquartered in London, HSBC is one of the largest banking and financial services organizations in the world. HSBC's international network comprises around 8,000 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

HSBC provides a comprehensive range of financial services to around 100 million customers through four customer groups and global businesses: Personal Financial Services (including consumer finance); Commercial Banking; Global Banking and Markets; and Private Banking.

There are many environmental factors that affect a business's strategies. These factors can be divided into internal and external factors. The internal factors focus on everything within the business while external factors deal with all the aspects that lie outside a business's control. These lie mainly in the following categories, social, economic, technological, political, cultural etc.

The three greatest external factors to HSBC are:

Regulation as a result of the financial crisis

Emerging markets as investment opportunities

Changes in personal finance trends

The factor that would be the most beneficial for the company's strategies is the emerging markets as an investment opportunity. HSBC Global Banking and Markets provides tailored financial solutions to major government, corporate and institutional clients worldwide.

HSBC's strategic direction reflects its position as 'The world's local bank', combining the largest global emerging markets banking business and a uniquely cosmopolitan customer base with an extensive international network and substantial financial strength.

The Group's strategy is aligned with the key trends that are shaping the global economy. In particular, HSBC recognizes that, over the long term:

developing markets are growing faster than the mature economies;

world trade is expanding at a greater rate than gross domestic product

Life expectancy is lengthening virtually everywhere.

The means of executing the strategy and making greater use of the linkages within the Group are clear:

the HSBC brand and global networks will be leveraged to reach new customers and offer further services to existing clients;

efficiency will be enhanced by taking full advantage of local, regional and global economies of scale, in particular by adopting a common systems architecture wherever possible;

Objectives and incentives will be aligned to motivate and reward staff for being fully engaged in delivering the strategy.

HSBC profits per unit asset in emerging markets are significantly higher than in the developed markets of Europe and the US. The western economies are also hindered by needing to reduce high debt levels. This means that low interest rates will be needed to sell debt, thus compressing margins. Future growth is expected to come mainly from emerging markets, not the west. Emerging markets also have lower wage costs and a workforce which is increasing in skill level due to a focus on education.

## **Region**

### **Assets (%)**

### **Profits (%)**

### **Profit/asset**

Asia Pacific

27.0

25.9

0.96

Hong-Kong

10. 1

26. 9

2. 66

Latin America

5. 0

8. 0

1. 60

Europe

52. 9

31. 7

0. 60

As we can see from the above given table[1], the profit/asset ratio is very high in Hong Kong. The wealth management services in the shape of financial securities are a major opportunity for the affluent middle class of the emerging markets. Wealth management services are provided by banks, professional trust companies, and brokerages. For those with sizeable assets [usually over \$500, 000], professional wealth management can help you plan your estate or invest your assets based on personal criteria and financial goals.

Aside from an expected higher profit/asset ratio, it is beneficial for the organization to operate in these emerging markets because of its origin in Hong Kong and Shanghai. HSBC can target more global clients and businesses in this region and also benefit from the already established wealth management business there.

It would be extremely beneficial for the company to take advantage of its culturally diverse image and spread itself not only in China but in other parts of the Asia Pacific and Asia as well. The countries there offer high economies of scale and an increasingly skilled workforce at cheaper wages.

As a cost saving measure HSBC is offshoring processing work to lower cost economies in order to reduce the cost of providing services in developed countries. These locations take on work such as data processing and customer service, but also internal software engineering. Currently, HSBC operates centres in eight countries, including Brazil, The Czech Republic, India, China, Malaysia, Poland, Sri Lanka and Philippines.

There are also risks associated with these markets related to inconsistently applied legislation, in addition to risks related to competing with better known national banks in personal markets, and regulatory risks which include factors such as the difficulty to obtain licenses to build retail networks, which can be a prerequisite to lending money. When these licenses have been obtained, it can also be difficult to attract deposits as local banks can be more appealing to consumers. HSBC is intending to launch an IPO in Shanghai and thereby become a bank that local owners can profit from.

HSBC aims to continue to obtain banking licenses, focusing on advertising methods which have an ethical dimension, including offering to develop certain community projects in exchange for banking licenses. For example subsidized childcare for dual working parents could be provided in return for banking licenses. In addition we will sponsor educational programs, as there are opportunities to get local awareness and possibly first access to good graduates, for example through scholarship programs.

In addition all the issues facing the bank in relation to expansion in China in particular can be dealt with by pursuing a shanghai listing as a local bank as well as focusing more on the community focused projects discussed above.

In Euromoney's Awards for Excellence 2010, HSBC has been named Best Emerging Markets Bank of the Year in July 2010. According to Euromoney, "HSBC is one of the few institutions that can call itself a truly global emerging markets bank, and with capital flows between developing countries on the up is well placed to intermediate in one of the most exciting growth areas in the financial markets. The bank can cater to its clients globally and holistically and in a much more efficient way than most of its rivals."

The above mentioned is therefore a proof of the company's credentials and how its operations in the global market are not only praiseworthy but beneficial for all parties involved.

Another service being provided by the HSBC is the HSBC Bank International. HSBC Bank International is the offshore banking arm of the HSBC Group, focusing on providing offshore solutions and cross border services to expatriates and migrants. It provides a full range of multi-currency

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personal banking services to a range of customer segments, including a full internet banking and telephone banking service. Sometimes referred to as “HSBC Offshore”, the business also offers independent financial planning, and has representative offices all over the world, often working alongside local HSBC operations in those regions.

HSBCnet is a global service that caters to local business needs by offering specialized functionality for different regions worldwide. The system provides access to transaction banking functionality, ranging from payments and cash management to trade services features, as well as to research and analytical content from HSBC. It also includes foreign exchange and money markets trading functionality.

The system is used widely by HSBC’s high-end corporate and institutional clients served variously by the bank’s global banking and markets, commercial banking and global transaction banking divisions. HSBCnet is also the brand under which HSBC markets its global e-commerce proposition to its corporate and institutional clients.

The quarterly HSBC Emerging Markets Index (HSBC EMI) is a market first. HSBC has created a leading economic indicator for the world’s emerging market economies, at a time when the rapid progress of the emerging market regions has never been more closely connected, or important, to the development of the global economy. With the help of this index, we aim to keep up to date on all the economic developments of the emerging markets.

HSBC appointed William Ross as Co-Head of Islamic Finance, Global Markets in February 2010. In his new role, Mr. Ross is responsible for managing the

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liability side of the Islamic finance business, providing liquidity and risk management services to our clients. Extending HSBC's leading position in the souk market, Mr. Ross embeds Islamic elements into global infrastructure capital flows and tailors financial solutions that meet Shariah standards. This step on HSBC's behalf demonstrates that HSBC is setting itself in different cultural and religious setups, so that customers feel more at ease and have a variety of options when they are making their banking decisions.

Similarly in August 2010, HSBC announced a series of new appointments across its equity functions within Global Markets in Asia-Pacific to drive business growth within the sector. This step again shows how HSBC is adamant on growing drastically in the emerging markets.

To conclude let's review the major benefits that the company can expect by further expanding itself in the emerging markets sector. This report focuses more on the advantages that HSBC will get if it sets itself in China mainly, that is because of its origin in the country. However it goes without saying that the firm will gain immense profits by operating in other markets in the Asia Pacific, Asia and Latin America etc. This is because of the availability of an increasingly large target market in these areas as well as the high economies of scale that the firm can benefit from. As discussed earlier, by taking in consideration the external environmental factor of culture and society, the bank can spread itself diversely into niche markets which are previously isolated. HSBC can enhance its image of a global bank by adopting strategies that will be appreciated by local communities of these emerging markets such as associating itself with community based programs such scholarship opportunities etc. Therefore it is believed that HSBC exploit

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the cultural diversity of different regions to the maximum to set itself apart from the competitors.