

2022

# The Hong Kong Retail Report

Trends and insights shaping the industry



**adyen**

## Methodology

The Adyen Retail Report is a comprehensive guide to the global and local trends impacting businesses around the world, fueled by evolving consumer behaviors and the endless possibilities of financial technology.

We spoke to businesses primarily in the retail sector, but also polled segments in the hospitality and food and beverage (F&B) sectors. These industries are facing both similar and contrasting challenges and opportunities; including their perspectives to ensure we capture the growing exchange of inspiration, strategy, and innovation between industries, from the rise of self-serve kiosks to data-driven loyalty programs.

This study includes business and consumer data from a wide scope of markets, examined and compared on both a global and local level to ensure a holistic view complemented by regional nuances.

## Consumer insights

Opinium Research LLP polled 40,020 adults in Singapore, Hong Kong, Japan, Australia, UAE, UK, France, Italy, Spain, Portugal, Germany, Poland, Belgium, the Netherlands, Brazil, Norway, Denmark, Sweden, USA, Canada, Malaysia, Mexico, Ireland, Austria, Switzerland and India.

## Business insights

Censuswide polled 11,530 businesses in Singapore, Hong Kong, Japan, Australia, UAE, UK, France, Italy, Spain, Portugal, Germany, Poland, Belgium, the Netherlands, Brazil, Norway, Denmark, Sweden, USA, Canada, Malaysia, Mexico and Ireland.

The sample includes minimum quotas of 100 in retail, 50 in travel and hospitality, 50 in food & beverage per market.

Opinium and Censuswide campaigns are conducted in accordance with all ESOMAR principles and best practice.

## Economic insights

We commissioned the Center for Economics and Business Research (Cebr) to provide analysis on the current state of retail, hospitality, and F&B businesses around the world.



We asked over

# 10,000 businesses from 23 markets

including 500 from Hong Kong, to detail their concerns, aspirations, strategies, and investments for 2022 and beyond.



Then we asked 40,000 consumers from 26 markets, including 1,002 from Hong Kong, if they're getting it right.

# Welcome to the Hong Kong Retail Report 2022: **The shape of ambition**

When faced with sudden and significant change, we are compelled to examine our hopes, fears, and ambitions in a new light.

As one of the most popular shopping destinations in the world, Hong Kong has been significantly impacted by various restrictions and social distancing measures during the pandemic.

Fortunately, Hong Kong is also famous for its agility and businesses have always been fast adapters to change. Many of them used technology to evolve and to meet the demands of the time, showing incredible resilience and innovation to offer new customer experiences, new ways to pay and new ways to shop.

As a result, 70% of businesses across the retail, food and beverage, and hospitality sectors in Hong Kong grew in revenue by 20% or more in 2021 – above the global average of 67%. Digital transformation has played a pivotal role. In the face of enormous pressure and uncertainty, businesses chose innovation.

Having said that, businesses should not stand still or become complacent. The pandemic has altered consumer behavior and set higher standards. The tech savvy population wants shopping experiences to be slicker, more flexible and engaging – whether that's online or in-store.

Businesses' adaptability and willingness to use technology to improve their business and customer experience holds them in good stead to meet this challenge. Because one thing is very clear from our research – businesses that embrace technology, across the entire organization, will outperform those who do not.

These insights and recommendations are provided to help you shape, grow, and realize your ambitions for 2022 and beyond.

# Chapter 1

**Businesses leading the way in digital transformation are outperforming their competitors**





## Digital transformation is a \$200+ billion opportunity.

In spite of – or perhaps because of – the multitude of pandemic-fueled challenges hitting retail, food and beverage (F&B), and hospitality over the last year, businesses invested in digital technologies. The goal? Improving operations and breaking down silos in backend processes and systems such as payments. Almost **1 in 4 businesses connected payment systems to other parts of the organization**, such as inventory management and supply chain.

This proved to be the right move. **46% of respondents say their business is now in a better position due to investments to improve**

**operations**. And customers agree. **62% of consumers believe retailers used technology well to make their products available during the pandemic**. But Hong Kong businesses know not to feel satisfied with their past success – 99% of businesses plan to invest further in this area in 2022, the highest of all markets surveyed.

With so much investment planned, it's time for businesses to take a holistic view of digital transformation. Connecting operations and customer experience is key to success – not just in terms of sales, but also operational efficiency.

Our studies show that **70% of businesses who connect their payments systems across the organization grew in revenue by 20% or more and 78% of businesses who connect online and offline systems expect to grow in revenue by 20% or more in 2022.**

Digital transformation is expected to continue opening up a wealth of opportunities. Our research found that **73% of businesses expect to grow by 20% or more in 2022.** Overall, hitting these growth ambitions equates to a **HK\$218 billion opportunity** – and with so many planning to invest further and grow bigger, that number could be even

higher. **If technological adoption is accelerated, the retail sector could add an additional 8.8 percentage points to its total growth rate over the next five years.** The growth potential is the highest in Hong Kong compared to all markets included in our analysis.





99%

of Hong Kong businesses plan to invest to improve their business over the next year.



62%

of consumers believe retailers used technology well to make their products available during the pandemic.



+7%

Growth ambitions for 2022 are **7% higher** for those businesses who connect their payments systems across the business.

1 in 4

businesses have connected their payments systems to other parts of their business.



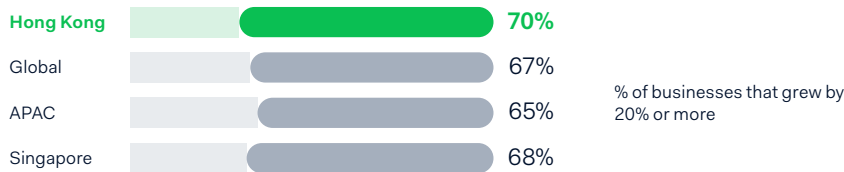




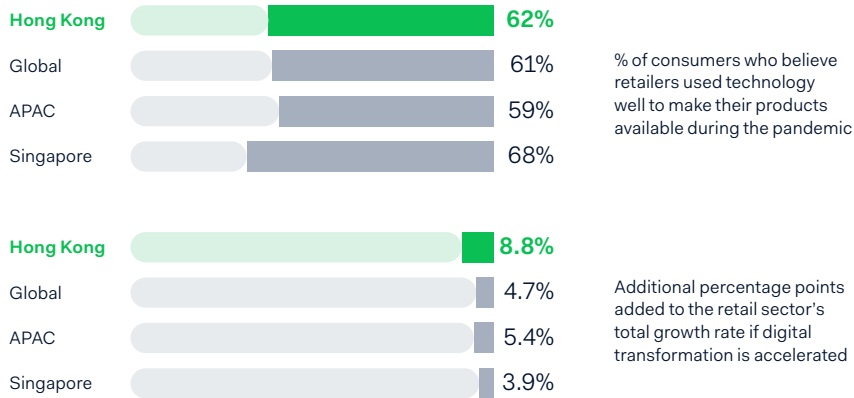
# How does Hong Kong compare?

Retailers in Hong Kong performed well in 2021 and are the most interested in further investment among all surveyed markets. If the investment is put into the right areas, the sector could see significant growth.

When it comes to growth in 2021, Hong Kong outperformed most of the markets surveyed, exceeding the global and APAC averages. Remarkably, almost all Hong Kong retailers plan to invest more in 2022, leading the way across all markets.



Hong Kong consumers believe businesses in the region used technology well throughout the pandemic. But if Hong Kong businesses invest in technology that accelerates digital transformation, the benefits will be even more significant – adding a boost to the retail sector’s growth rate that is higher than all other markets included in the study.





## CROWN DIGITAL

*"The food and beverage industry suffered during the pandemic but it also provided room to rethink strategies. Should we continue the old ways or would there be opportunities? For Crown Digital, the answer was really clear, we're going to go digital; we're going to offer contactless retail."*

**Keith Tan** — CEO & Founder, Crown Digital

# From insight to action

# Connecting opportunities with unified commerce



## 44% of businesses say unified commerce increases sales

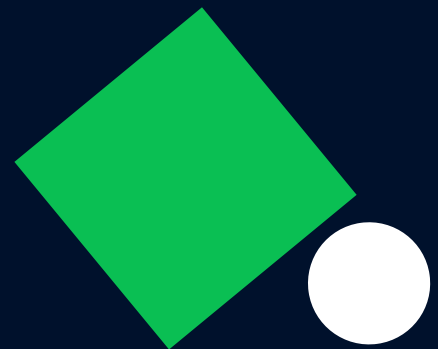
Businesses that consistently perform the best are those that can combine their physical and digital worlds to create a fluid, channel-agnostic experience, which prioritizes the customer. This is unified commerce, the next level up from omnichannel sales.

Omnichannel businesses are great at delivering cohesive cross-channel experiences to their customers. But behind the scenes, backend systems are often unconnected, complicating cross-channel reconciliation, limiting the experiences businesses can offer customers, and hindering their operational agility across multiple channels and regions.

With **unified commerce**, payments from all channels – online, in-app, and in-store – feed into the same system. This gives businesses more targeted, data-driven decision making, and a more seamless, flexible experience for customers. It also keeps businesses agile since they can add new channels and support new customer journeys quickly because everything's connected.

## Chapter 2

**Retailers embracing  
digital transformation  
have more loyal  
customers**





## 61% of consumers believe that retailers should deliver the same cross-channel flexibility they provided during the pandemic.

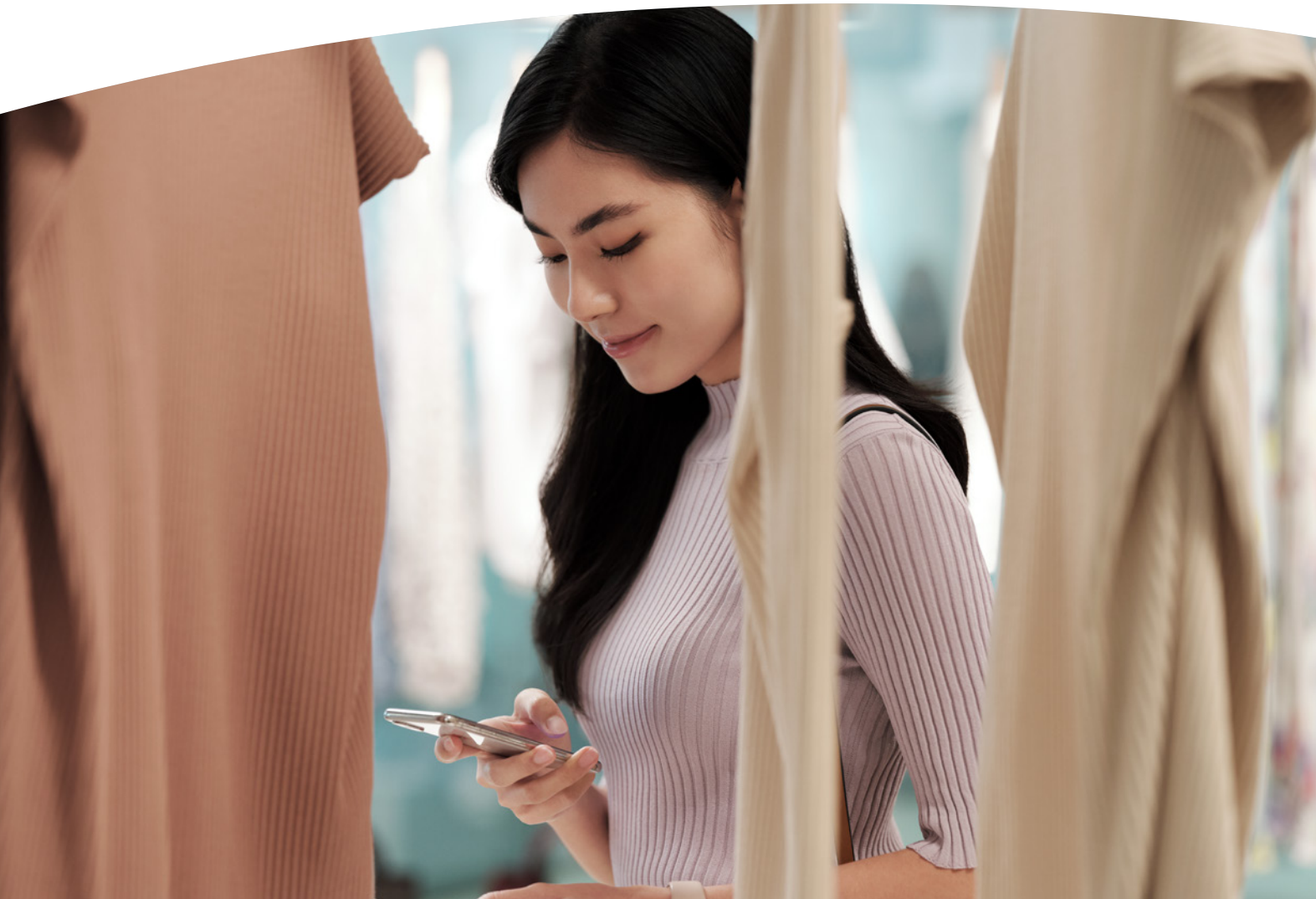
The flexible, tech-driven experiences made available during the pandemic have blurred the line between sales channels and encouraged the rise of nonlinear customer journeys. Businesses are providing new or simply different ways to shop, from the convenience of click and collect or curbside pick-up to the perks of brand-owned apps – and customers love it. **59% of shoppers reported using shopping apps more frequently during the pandemic than previously** – an 18% increase compared to results from our 2020 Retail Report.

Both businesses and consumers have a taste for what's possible with technology – and now there's no going back. **61% of consumers believe that retailers should deliver the same cross-channel flexibility they provided during the pandemic.** Keeping up with these expectations greatly improves the likelihood of repeat purchases and higher spending. Falling short could result in the opposite: **78% of consumers will not shop with organizations that have a bad shopping experience, either online or in-store.**

It makes sense that linking online, in-app, and in-store payments with a single system – i.e. unified commerce – has proved to enhance both brand resilience and customer satisfaction. **46% of businesses say online stores were able to offset the losses at physical stores during the pandemic.**

And the more channels shoppers use, the higher their value: 44% of businesses say a benefit of unified commerce is increased sales, 44% also say unified commerce increases loyalty and 42% say it improves customer experience.

This brings us to some interesting findings around loyalty programs. Only a handful of brands are making the most of these programs and it's an area of the customer experience ripe for innovation. **79% of consumers say retailers should use tech to make their loyalty or rewards schemes easier and more effective.** Payments-linked loyalty apps are a good place to start, since **63% of consumers would download a retailer's app to receive better loyalty rewards.**





78%

of consumers will not shop with organizations that have a bad experience - either online or in-store



63%

of consumers say they would download a retailer's app to receive better loyalty bonuses or rewards

79%

of consumers think retailers need to use technology to make their loyalty/rewards schemes easier and more effective

% of businesses that say the advantages of unified commerce are:



Increased sales.



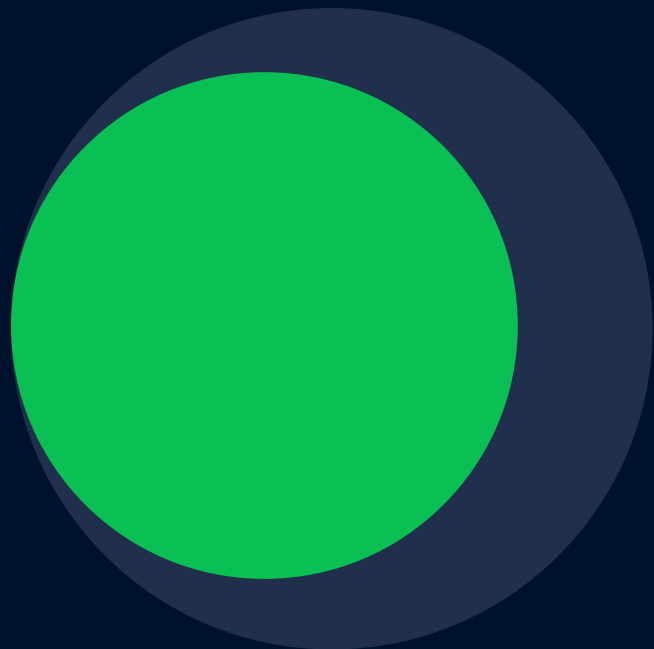
Increased customer loyalty.



Improved customer experience.



Higher average spend.



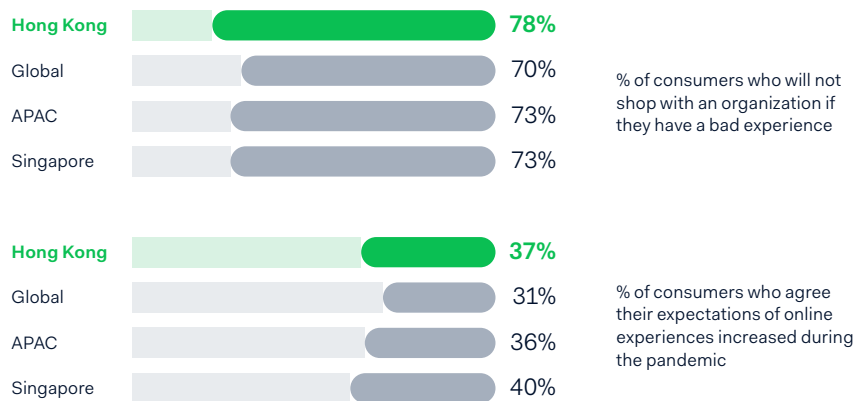




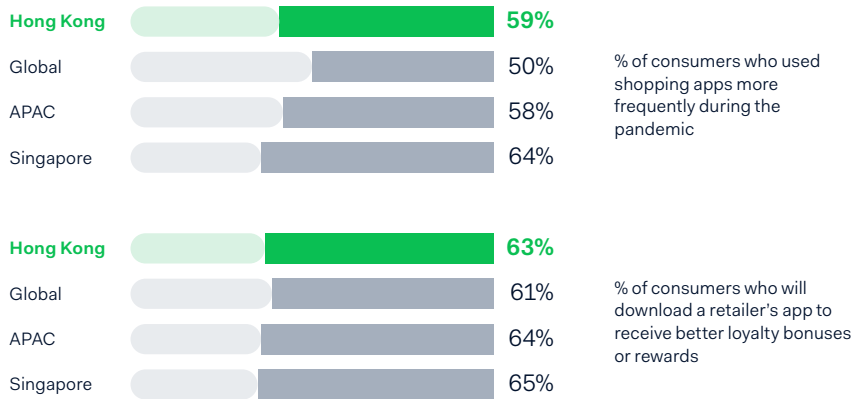
# How does Hong Kong compare?

Businesses need to be aware that Hongkongers have high expectations on customer experiences, whether online and offline.

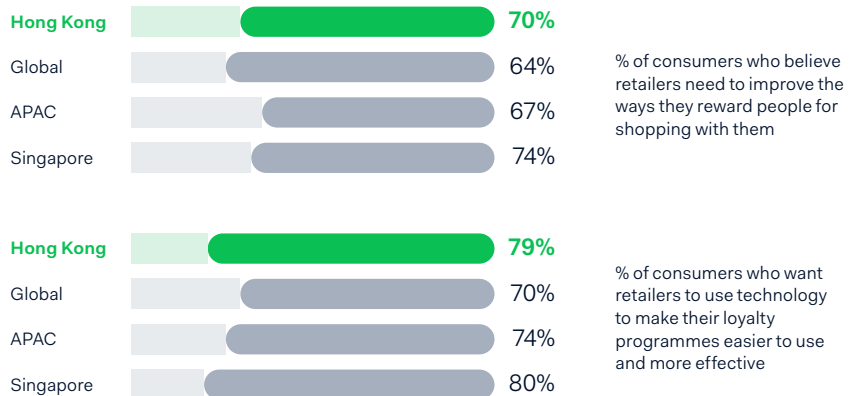
In fact, Hong Kong consumers are amongst the most discerning of all markets surveyed. They will not shop with retailers if they have a bad experience, and are 8 percentage points above the global average. When it comes to online experiences, more than one-third of Hongkongers agree their expectations have increased, higher than the global and APAC averages.



The pandemic has changed consumer behavior in Hong Kong, with the majority of Hongkongers saying they have increased the use of shopping apps. They are also more likely to download a business's app if it offers them a bonus or special offer.



When it comes to loyalty, Hongkongers want retailers to step up their game. They rank above the global average in wanting retailers to improve how they use loyalty programmes, and technology is a vital way to achieve this.





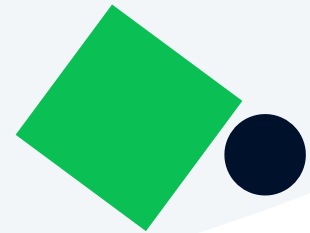
Grab

*"Consumers expect the same experience, whether that's online or offline. For example, you might be at the mall shopping, but when it comes to ordering coffee, you might pull out your Grab app and order self pick up from a store that allows you to avoid the line, pay for it digitally and it's a more superior experience."*

**Saad Ahmed** — Managing Director - Regional Head of Commercial, Grab

# From insight to action

# Cross-channel recognition and payment-linked loyalty



## **Address customer needs in real time**

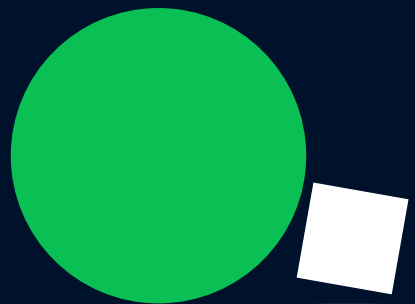
Payments data enables businesses to build a picture of their customers, their purchases, and their preferences in real-time, across every channel and region. With these insights, businesses can investigate their customer segments, understand their behavior, and shape their strategy with confidence.

## **Recognize and reward loyal customers**

Use customer recognition to make loyalty programs more frictionless by removing the need for a traditional loyalty card or app. When customers make a payment online or in a physical store, businesses can automatically recognize them and award them with points, discounts, or a reward.

## Chapter 3

**The physical store  
still has its place, but  
needs a technology  
makeover to match**





## 63% of consumers prefer to shop in-store

While shopping apps and online experiences have become increasingly important, that doesn't mean consumers will be happy to wave goodbye to the physical store. In fact, **63% of Hongkongers prefer to shop in-store**. And the pandemic has given the store renewed purpose in the consumer's mind, with **40% saying they have a new appreciation for being able to touch, feel or physically try products before they buy**.

Businesses realize that stores will continue to play an important role: **42% expect the proportion of revenue to increase from physical stores in the next year**, and **36% plan to open more physical stores in 2022**.

This doesn't mean we can stock some shelves, throw open the doors, and expect the crowds to come and buy. It's about creating a destination that entices: **62% of consumers say physical stores should be exciting places to visit**. Stores must offer something more than the products and services available online.

Technology proves pivotal in creating an in-store experience worth visiting. From endless aisle shopping – providing kiosks or terminals to check additional stock for home delivery – to offering new ways to pay through QR codes or mobile payment terminals, **70% of consumers say they are more likely to shop with retailers that use technology to improve the shopping experience**.

But even more crucial is the ability to connect online and physical channels to ensure a truly seamless experience: **65% of consumers would be more loyal to a retailer that lets them buy things online and return in store.** Shockingly, **only 20% of businesses say they currently provide this option.**

Customer and staff experiences are inextricably intertwined; any technology leveraged for in-store experiences should help, not hinder, sales teams. **67% of consumers say they would love it if in-store sales assistants used technology** to assemble items from their online wish list in the changing room ready for them to try on.



64%

of consumers say physical stores are an important touchpoint, even if they shop with the same retailer online.



36%

of businesses plan to increase their number of physical stores in the next year.

### Customers are more loyal to businesses that:

71%



Allow them to buy out of stock items in store, and have them delivered to their home.

65%



Offer buy online, return in store options.

58%



Have physical stores and online options.

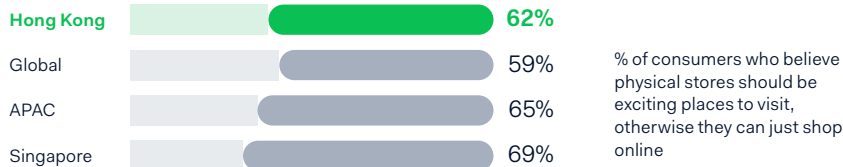
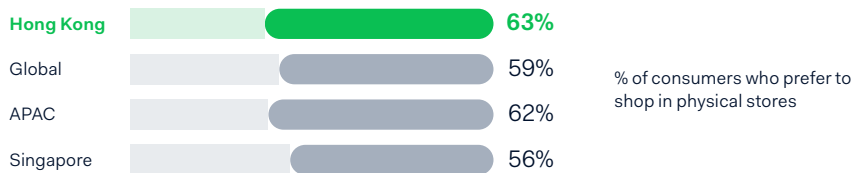




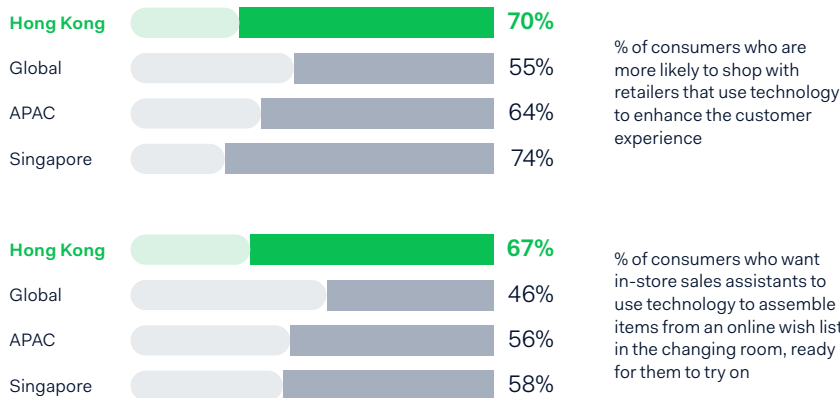
# How does Hong Kong compare?

While Hong Kong consumers' passion for technology exceeds almost all other markets surveyed, their love for physical stores stays on. It's all about using technology to enhance and link these offerings.

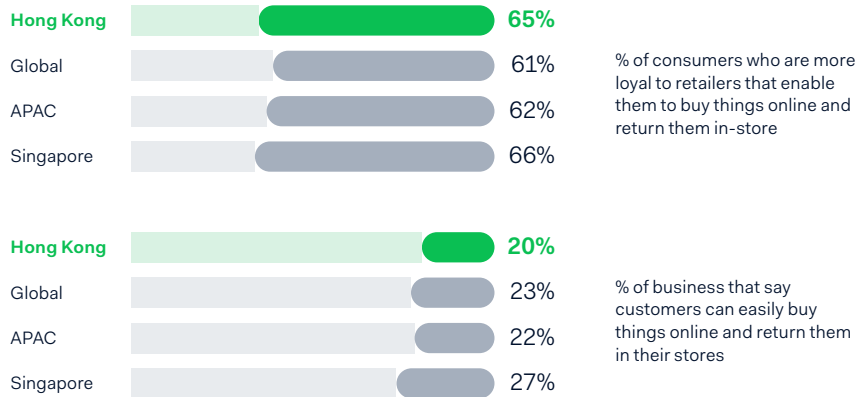
Hongkongers' expectations have changed and they want the physical stores to be exciting places to visit, otherwise they will just shop online.



Most Hongkongers want technology to be used to enhance the customer experience. For example, they want retailers to use technology to assemble items from their online wish list before they come into the store. This significantly exceeds the global average by 20 percentage points.



A perfect example of the retail flexibility consumers love is buying things online and returning in-store. More than the global average, Hongkongers are loyal towards retailers that enable this experience – just behind Singapore. However, Hong Kong businesses fall short of the expectation and lag behind most markets when it comes to offering this experience.





*“We can go to the customer rather than the customer having to queue and come to the till point. This has been especially good at Christmas, where we can queue bust, but also help our less-abled customers, who sometimes might feel intimidated coming to the till point.”*

**Mike West** — Digital Director, LUSH

# What's next

# Driving in-store convenience through technology



## How to improve in-store experiences with payments innovation

### **Enhance in-person payments**

Offer flexibility with options like endless aisle shopping. Use the point-of-sale terminal to get feedback and better interact with customers.

### **Make donations easier**

Make donating at the checkout easier for businesses and their customers.

### **Recognize customers**

Personalize experiences and grow loyalty through data insights, brand apps, or payments.

### **Localize the checkout**

Present customers with relevant languages and payment options.

# Chapter 4

**There's untapped potential in real time payments data**





## 32% of businesses use payments data to create a better picture of their customers.

Our research shows that consumers want businesses to recognize, predict, and meet their needs in a relevant and timely way: **56% of consumers prefer retailers who remember their preferences and previous shopping behaviors to create a more tailored shopping experience – well above the global average of 47%**. On top of that 45% of consumers like it when retailers serve personalized adverts and product suggestions. Businesses who can leverage real time data insights instead of relying on historic data will be best placed to deliver these more personalized, sophisticated experiences.

The insights unlocked via payments data, particularly unified payments, allow businesses to act more immediately on what consumers are telling them. A growing number of businesses are leveraging this opportunity – but many are still missing out. **29% of businesses use payments data to understand user behavior and improve customer experience, and 32% to build a better picture of their customers.**

Those businesses who are using payments data can identify popular product lines, inform inventory management, create personalized marketing

campaigns, and inform decision making – a testament to the wealth of insights made possible through payments data.

Businesses need to strike a delicate balance. Clearly, consumers want businesses to personalize the customer experience and use technology to create unique interactions – this can't be achieved without data. However, with data breaches seemingly becoming more common and very clear legislation in the form of the Personal Data Privacy Ordinance, businesses have to go the extra mile to ensure they use and store data responsibly.

**50% of consumers believe retailers shouldn't be able to use their data or purchase behavior information unless they give express permission. And 43% of consumers will only allow data to be stored and used by retailers if there are assurances around security and privacy.** Businesses need to stay informed and compliant to protect shoppers and themselves from data breaches and fraud.





56%

of customers prefer retailers who remember their preferences and previous shopping behaviors to create a more tailored shopping experience.



45%

of customers like it when retailers serve personalized adverts or suggestions.

### Businesses are using payments data to:



Build a better picture of customers.



Drive personalized marketing campaigns.



Understand user behavior and improve customer experience.



Help with inventory/guide what stock needs to go where.



Identify popular product lines and guide product development.



Inform decision making in other areas of the business.

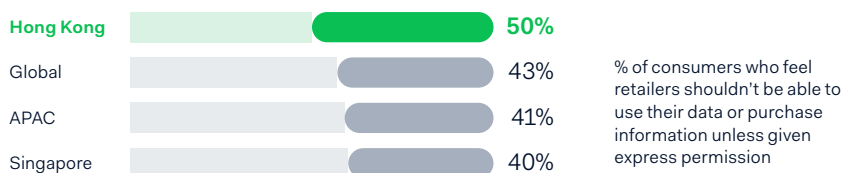
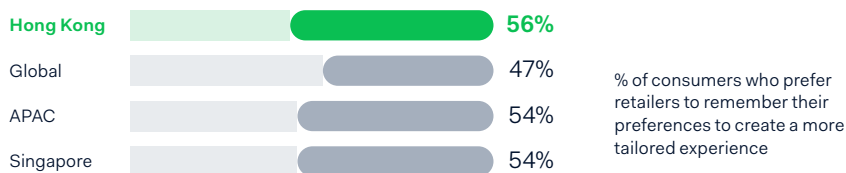




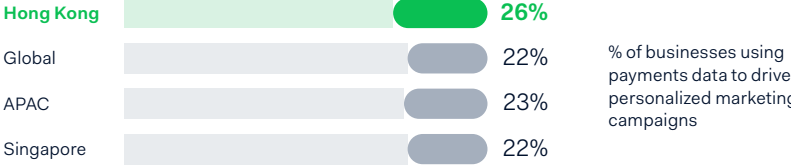
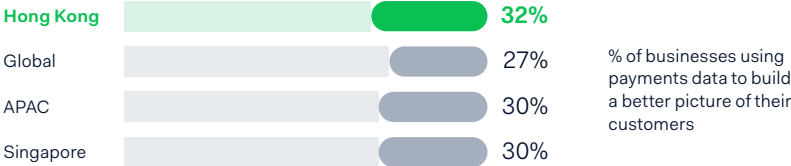
# How does Hong Kong compare?

Businesses in Hong Kong face a greater challenge than those in other regions – because more than half of the consumers want retailers to use data to improve the customer experience, but they also have higher concerns about data privacy.

In fact, Hong Kong is one of the few markets we surveyed where the majority of consumers prefer it when retailers remember their personal details to personalize the customer experience. This tends to be more popular in APAC than in other regions. But they are also more nervous about how companies are using their data – perhaps because Hong Kong was ahead of the curve legislating around data privacy. Nonetheless, Hongkongers are amongst the most concerned groups when it comes to the belief that businesses shouldn't be able to use personal data without express written permission.



There is a delicate balance between using data to improve the customer experience and protecting customer privacy. Hong Kong businesses are ahead of their global peers in this regard, however there is still room for improvement.





*“The rise of digital channels, business intelligence capabilities, and transaction data helps us to better understand our customer base, and to run better targeting, better proposals, and better promotions to these customers.”*

**Casper Mooyman** — Head of Marketing, Domino's

# From insight to action

# Securing trust with smooth payment authentication



## **Make the most of customer data while staying compliant**

No ecommerce strategy is complete without a clear plan for Strong Customer Authentication (SCA), especially since consumers expect the process to be fast, with no action required from them. There's no one-size-fits-all approach to applying SCA, but the right technology partner will take care of this for businesses.

Implementing authentication protocols, even when required by regulations, helps to reduce fraud – but there are additional steps businesses should take to ensure secure payments.

With the Adyen Authentication Engine, we won't trigger 3D Secure for out of scope transactions or exemptions. We'll also skip 3D Secure if the issuing bank doesn't enforce it.

# A resilient industry with new ambition

The evidence is there.  
Businesses are optimistic about 2022.

Whilst innovation, resilience and adaptability will be required, there is also opportunity. Digital transformation remains a key priority. Consumers continue to drive innovation and flexibility, and businesses are expected to keep up. Investing in technology across the entire business will help you adapt to whatever comes next and outperform the competitors.

At Adyen our focus is, and always has been, on supporting long-term, sustainable growth. We're committed to ensuring our customers remain at the forefront of this ever-evolving industry and look forward to speaking with you about how payments can be the strategic growth driver you're looking for.

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Adyen is the financial technology platform of choice for leading companies. By providing end-to-end payments capabilities, data-driven insights, and financial products in a single global solution, Adyen helps businesses achieve their ambitions faster. With offices around the world, Adyen works with the likes of Facebook, Uber, Spotify, SHEIN, Grab, Klook and Singapore Airlines.

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