

The Hong Kong Retail Report 2023

Connecting ambitions



adyen

engineered
for ambition

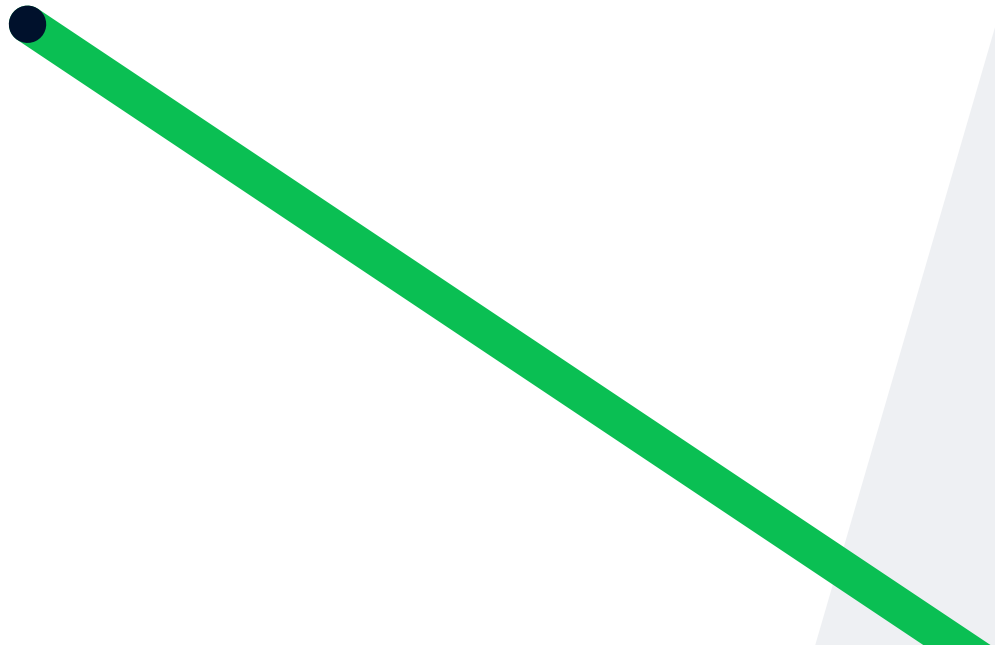
We asked over

12,000 businesses from 24 markets

to detail their fears, hopes, strategies, and investments for 2023 and beyond.



Then we asked 36,000 consumers
from 26 markets if they're getting it right.



Welcome to the Retail Report 2023

Connecting ambitions

Over the last few years, disruption has taken on a double meaning for retailers. With Covid restricting travel, economies of scale were completely lost. But there was also innovative and creative disruption, with digital transformation trends like online-to-offline shopping, artificial intelligence, and marketing automation transforming the industry as we once knew it.

This year is filled with optimism. Travel restrictions, masks, and quieter streets have been replaced with the familiar hustle and bustle. And events like 'Happy Hong Kong' encourage local consumers to provide a much-needed shot in the arm to the industry. However, the path to long-term growth remains unclear given how much consumer behavior has changed.

We polled 521 businesses and 1,000 consumers in Hong Kong, as part of a global study of more than 12,000 businesses and 36,000 consumers worldwide. We complemented this with economic research into the retail industry's latest trends.

The results are clear. The old way of shopping is out and not set to return. Customers want a more interesting and personal experience. And they want more choice on which channels they can use to engage. But retailers are ambitious to meet this challenge. In fact, 99% say they will invest to improve their business this year – more than any market we studied. The data shows that shedding legacy systems and embracing digital transformation is the way forward to fast-track growth and win over customers from home and abroad.

We've done the analysis; now it's your turn to get inspired. Are you ready to connect and disrupt?

Let's talk shop.

Kai Tang
Head of Hong Kong
Adyen

Retail in 2023

Chapter 1	Shoppers want more choices in return for their loyalty
Chapter 2	Stores can provide the best of both worlds
Chapter 3	Unified commerce is a HK \$7.85 billion retail opportunity
Chapter 4	Enterprises want to make the most of nearby markets
<u>Conclusion</u>	A connected industry is a disruptive one

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 possibilities of financial technology.

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

Consumer insights

Opinium Research LLP polled 36,000 adults in Hong Kong, Japan, Malaysia, Singapore, India, Australia, UAE, UK, Ireland, Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Canada, USA, Brazil, and Mexico. Respondents were incentivized to participate.

Business insights

Censuswide polled 12,328 businesses in Hong Kong, Japan, Malaysia, Singapore, Australia, UAE, UK, India, Ireland, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Canada, USA, Brazil, and Mexico. Respondents were incentivized to participate.

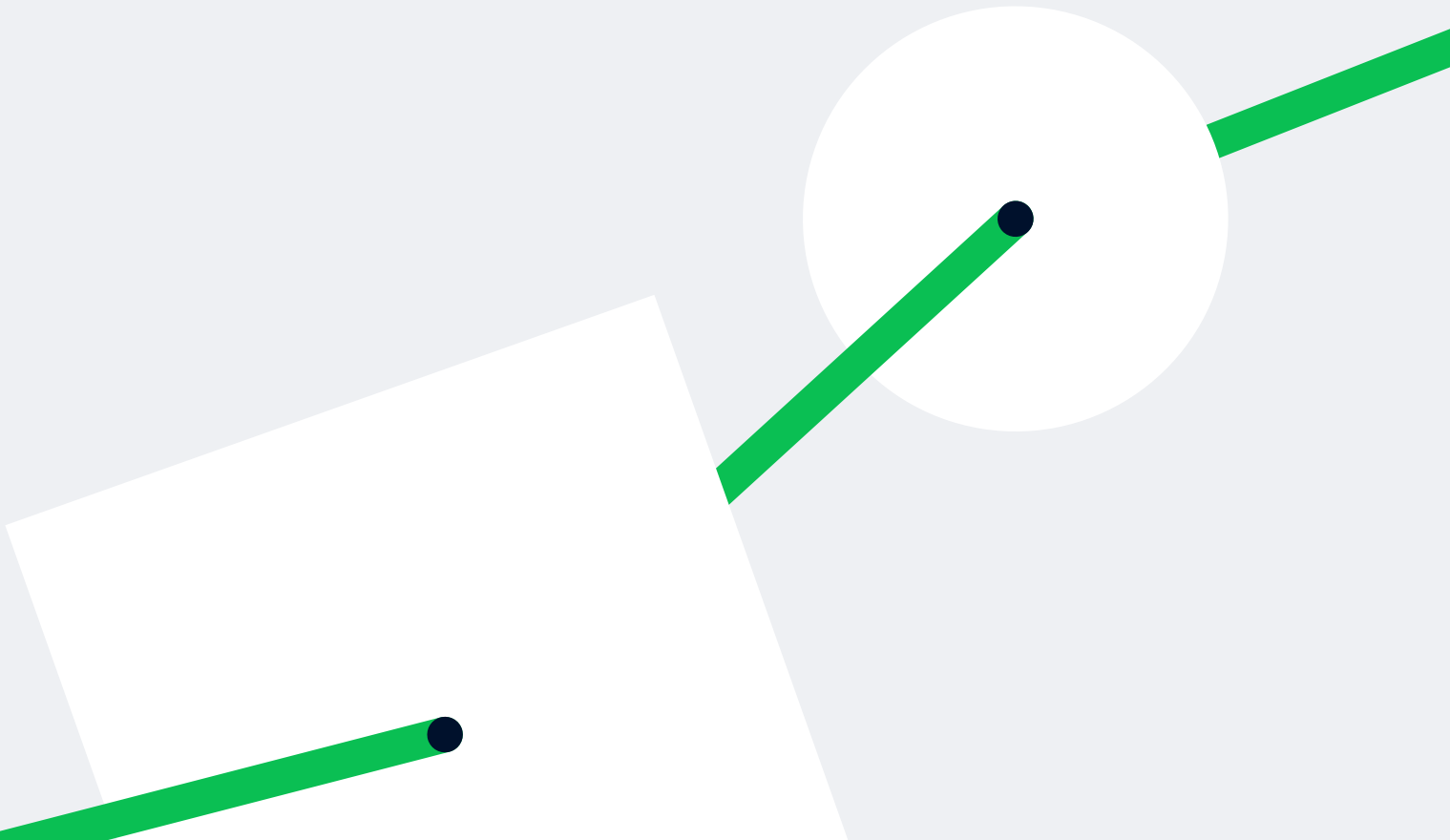
Fieldwork was conducted between February 6 and March 1, 2023. Opinium and Censuswide campaigns are conducted in accordance with all ESOMAR principles and best practice.

Economic insights

We commissioned the Centre for Economics and Business Research (Cebr) to provide analysis on the impact that the use of technologies has on the global retail industry. Calculations made use of the Censuswide poll, as well as data from the Organisation for Economic Co-operation and Development (OECD) on retail businesses from 23 countries.

Chapter 1

Shoppers want more choices in return for their loyalty





77% of shoppers want more rewarding experiences

Post-pandemic shoppers are more discerning. While tourists may yet live up to the promise of 'revenge spending' to make up for lost time, the majority of consumers aren't going to spend indiscriminately. With the pandemic accelerating the rise of ecommerce, giving consumers more choice on how they shop, retailers need to up their game to win customers over, no matter where they're from. And they need to act fast.

It starts with some of the most fundamental elements of shopping. For example, two-thirds of consumers (66%) will abandon their purchase if they can't pay using their preferred methods, whether in stores or online. The Government's recent Consumption Voucher Scheme highlights the importance of being able to accept a wide variety of payment options. With funds from the Government being loaded onto a digital wallet, those retailers that didn't accept the customer's preferred payment method, often lost the sale.

Personalization is also key for standing out from the crowd. 60% want retailers to remember their preferences and purchase history for more customized browsing. This is also true for price drops and special offers. Almost three-quarters (72%) of shoppers want more personalized discounting from retailers they regularly shop with.

When it comes to loyalty, shoppers want more. 77% of consumers believe retailers need to improve how they reward shoppers for their loyalty.

Retailers are feeling this shift. Two-thirds reported an increase in customer expectations in the last 12 months and 56% saw a decrease in customer loyalty. Yet, 68% of businesses don't have a system in place to reward loyalty at all – the highest percentage in the APAC region.

It's not that consumers aren't willing to go the extra mile to earn their rewards either. Up to 73% of them would download a retailer's app to receive better loyalty bonuses, a 16% increase from last year. It's more that loyalty bonuses lack relevance or feel generic – 55% say loyalty programs rarely offer things they want or use.

As consumers rethink their spending, opting for retailers that understand them and tailor their offering, investing in personalization is key. Retailers need to shed legacy systems to gain accurate and timely data.

Currently, 69% of businesses find it hard to categorize shoppers by their needs. However, only 27% of them use a customer relationship management (CRM) system to curate stronger personalized journeys. And only a quarter have centralized databases showing sales from all channels. This leaves only 23% of retailers who can connect online and in-store transaction data.

But progress is on the horizon. 36% of retailers are already planning to invest in collecting and analyzing payments data this year, a 33% increase from last year.





60%

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



72%

of consumers want to see personalized discounting from retailers they regularly shop with



69%

of retailers don't have the data to make intelligent decisions on customer loyalty



70%

of retailers believe it's too hard to maintain customer loyalty in the current environment

Looking further afield

The dramatic shift in customer preferences and expectations are higher in Hong Kong, but have been felt across the globe, particularly when it comes to the customer experience and loyalty personalization. This global shift is important for retailers to note, whether it's domestic shoppers, or tourists visiting from abroad, they all want an elevated, personalized experience. However, Hong Kong retailers are far less prepared for the shift to more personalized shopping and rewarding loyalty. Shifting away from legacy systems to give a holistic view of operations and customer data is vital.

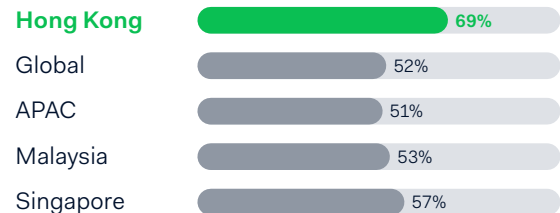
% of consumers that will abandon their purchase if they can't pay using their preferred methods, in store or online



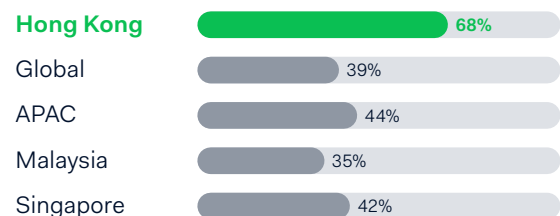
% of consumers that believe retailers need to do a better job rewarding shoppers for their loyalty



% of retailers that are finding it harder to categorize customers because they want a personalized experience



% of retailers that don't have a system in place to reward loyalty at all



R. M. WILLIAMS
EST. 1932. AUSTRALIA

“With Adyen’s Unified Commerce solution, we provide a smoother checkout process in store with mobile checkout and endless aisle capabilities, while extending digital into physical retail. We are also able to leverage payments data to fully understand our customers’ shopping behaviors.”

Nathan Alexander — CTO, R.M.Williams

From insight to action

Power your personalization strategy with data

Turn transactions into relationships with unified commerce

Retailers can elevate their personalization strategies using data. Unified commerce allows them to manage online and in-person payments data better and draw more accurate insights from it. It connects real-time data from across your physical stores, mobile apps, or online channels, as well as payment methods, brands, and regions into one centralized view. It shows you exactly what your shoppers are looking for, when and where they want to get it, and how they want to pay for it.

This keeps you ahead of the curve and lets you respond to your customer preferences quicker, more accurately, and at scale.


Unified commerce also helps you design more effective loyalty strategies. You can use actionable insights to offer tailored loyalty programs, promotions, sales bundles, perks, dynamic pricing, and subscriptions that go beyond mere discounts. And you can meet your shoppers wherever they are in their nonlinear journeys.

Having the right payments partner by your side can help you curate these customer relationships, understand the true lifetime value of your customers, and optimize your business performance.



Chapter 2

Stores can provide the best of both worlds

A decorative graphic on the right side of the page. It features a large white circle in the lower-left quadrant. A thick green line starts from the bottom-left edge, passes through the center of the white circle, and extends towards the right. Another thick green line starts from the bottom-right edge and extends towards the top-right. A third thick green line starts from the top-right edge and extends towards the center. The background is a light gray gradient with a white diagonal shape that overlaps the text area.



61% of shoppers are more loyal to retailers that offer cross-channel experiences

Covid dramatically accelerated the rise of ecommerce. Now consumers are almost split down the middle when it comes to online or offline as their first preference for shopping. And, almost half (49%) say that if they are going to shop in store, retailers need to make the experience more exciting.

Retailers, however, are committed to physical stores. 79% say that physical stores are still important to their business and 76% plan on opening new stores in the next year.

That's because they are starting to see the huge opportunity created by unified commerce.

Four in five (79%) retailers believe that physical stores help boost brand and purchase consideration, even if customers return home to make purchases online.

With physical spaces coming at such a premium in Hong Kong, a seamless link between online and offline is vital. There's no longer a need to wrestle masses of merchandise in a small space, because all stock is available for customers to browse and purchase seamlessly on in-store devices. It paves the way for stores to become places for retailers to 'wow' consumers with the more exciting retail experiences they crave. And 68% of retailers agree that this approach is successful at turning browsing into spending.

This approach also boosts customer loyalty.

Three-quarters of consumers (74%) would be more loyal to a retailer if they could visit a store and purchase an out-of-stock item to be delivered to their home. 69% would be more loyal to retailers that enabled them to buy things online and return them in store, while 61% are more loyal if they can shop in store and finish the purchase online (showrooming) or vice versa (webrooming).

The vast majority (79%) of retailers want to transition their physical stores to exciting experience centers, where customers can learn about the brand and shop seamlessly across channels. But they are held back by legacy systems.

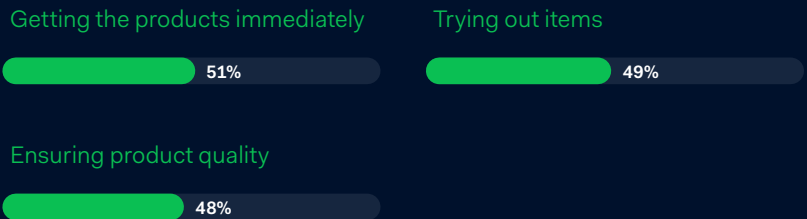
31% of retailers say that customers can shop and complete transactions across online and offline channels, while almost a third (31%) enable shoppers to return items purchased online at their physical stores.



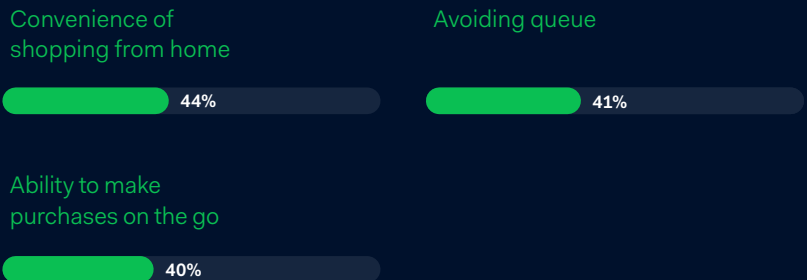
How do consumers prefer to shop?



Top reasons consumers prefer brick-and-mortar shopping



Top reasons consumers prefer ecommerce



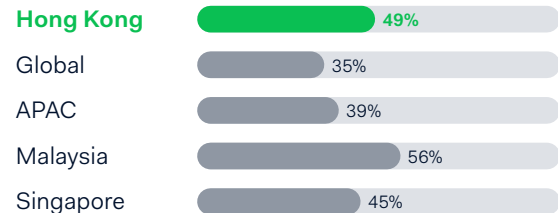
26%

of retailers say customers can easily return items purchased online at physical stores and receive a refund on their original payment method

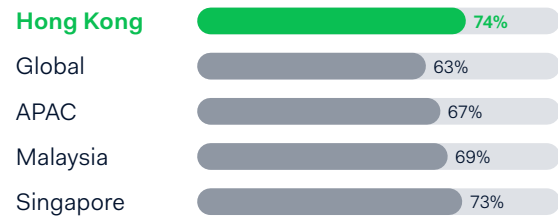
Looking further afield

Shoppers in Hong Kong have above average expectations for the physical retail experience. With a high density of retail locations, consumers are spoiled for choice. More than most markets, they want to be wowed when they shop in store. A seamless link between online and offline plays a vital role, not just in delivering a more exciting experience, but building loyalty with customers in Hong Kong. While retailers have a greater appreciation that this strategy can help boost sales both in store and online, they are not yet delivering on it.

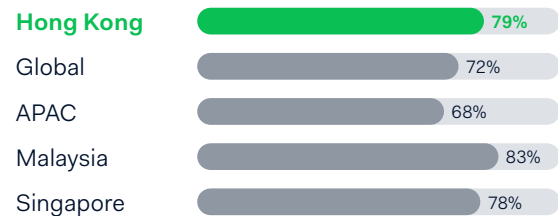
% of consumers that say if they are going to shop in store, retailers need to make the experience more exciting



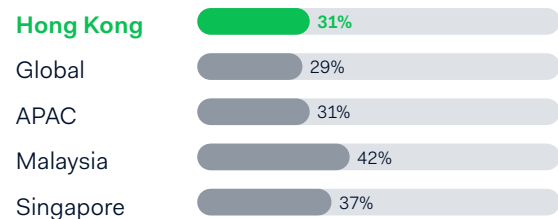
% of consumers that would be more loyal to retailers if they let them purchase out-of-stock items in store and have them sent directly to their homes

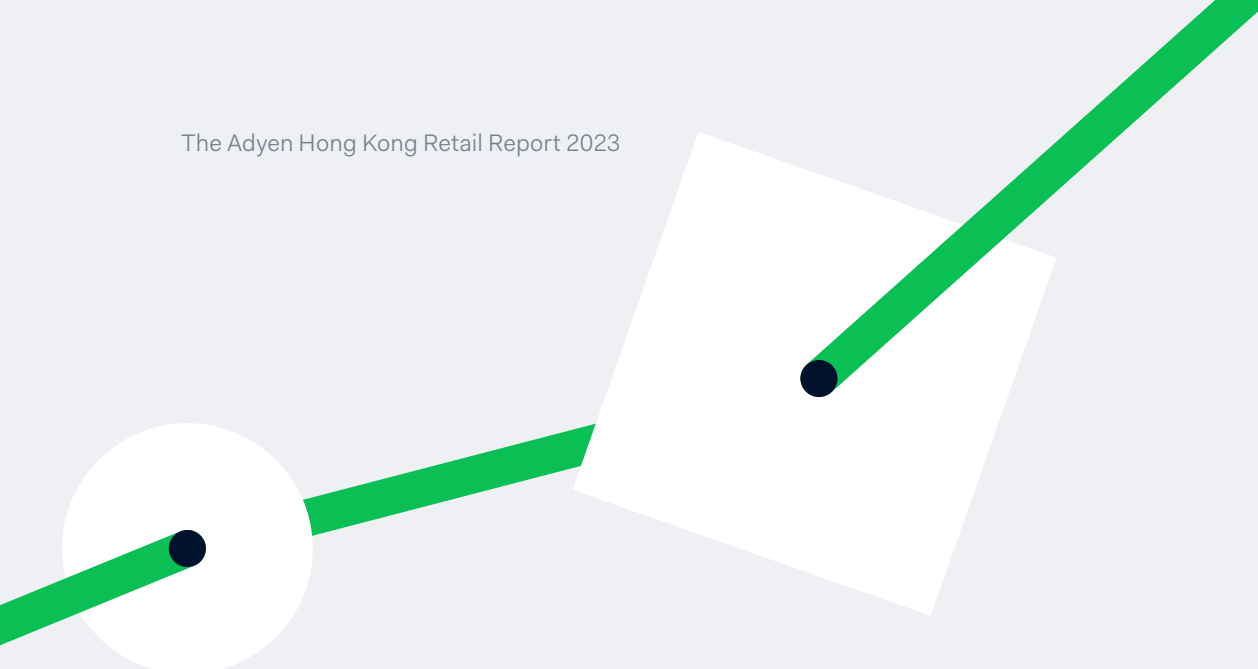


% of retailers that understand physical stores help boost brand and customer consideration, even if the customer makes a purchase online



% of retailers that say customers can easily shop and complete transactions across channels





G-STAR RAW

“Both in-store and online, the checkout experience is very important. A smooth checkout is immediately reflected in your conversion because the more pleasant the experience, the greater the chance that a customer will continue the purchase and come back.”

Arn Knol — Commercial Director (Ecommerce & Digital), G-Star

From insight to action: Transform your stores with the right payments solution

Unify payments to unlock new customer experiences

Customers don't see a difference between online and offline transactions, and neither should your payments system behind the scenes. Adopting a single platform for payments makes deploying more interesting customer experiences a breeze. Whether it's a traditional POS, self-checkout through a kiosk or app, or the full endless-aisle experience, a single payments platform gives you higher authorizations, greater customer insights, and complete security.

Empower staff with the right hardware

From cash registers, or POS software on ancient computers, to separate solutions for card payments and printing receipts, each legacy piece of technology in store can represent a compatibility error or piece of the customer experience waiting to go wrong. And these legacy systems take up vital real estate in your stores which could be put to much better use.

Modern POS solutions can combine all of your hardware requirements into one device to completely transform your store's operations, from orders and payments, to staff and inventory management. They enhance the customer experience, freeing your staff from a fixed till to better serve customers, and improve authorization rates at the same time.



Chapter 3

Unified commerce is a HK \$7.85 billion retail opportunity

The background features abstract geometric shapes. A large white circle is positioned in the lower-left quadrant. A thick green line enters from the bottom-left, passes through the center of the white circle, and extends towards the right. Another thick green line enters from the top-right and extends towards the center. A third thick green line enters from the bottom-right and extends towards the center. The overall design is clean and modern, using a palette of green, white, and light gray.



Four percentage point revenue growth last year as retailers broke down silos

Removing legacy systems and seamlessly linking sales channels through unified commerce is vital to create the journeys and experiences that consumers demand. It is also the vehicle for retailers to achieve their ambitions.

Retailers' ambitions for the next three years are to invest in innovation (23%), improve the customer experience (22%), increase capacity to analyze data (22%), boost revenue (20%), and reduce costs and find efficiencies in the business (19%).

Unified commerce will help retailers meet their ambitions by breaking down silos throughout the organization – something 44% of retailers struggle with.

By connecting detached frontend and backend systems into a single platform, retailers can shift how they use technology to support their businesses. Technology becomes an integral part of their offering, from customer experience, to inventory, to supply chains and everything in between. All feeding valuable insights and data to one central location.

In fact, retailers who used unified commerce in 2022 saw a 4 percentage point boost to their revenue. And our research finds an estimated HK \$7.85 billion increase to the sector if more retailers adopted unified commerce.

The opportunity is certainly there for retailers. But only 15% have invested in unified commerce for their business.

But the race is on amongst retailers to gain a share of the spoils and they are starting to understand the benefits of unified commerce. 43% agree unified commerce helps increase sales, 40% say it improves the customer experience, 36% improved efficiency in fulfillment and 35% improved inventory management.

On the shoppers' side, unified commerce has a positive influence on shopping intention. 38% say offering home delivery for purchases made in store would make them more likely to shop with one retailer over another. 31% say a slick mobile app, while a quarter say seamless omnichannel shopping.

That's why 39% of retailers are beginning to invest in unified commerce, while 45% are in the consideration phase.





61%

of consumers would be more loyal to retailers that offered seamless omnichannel shopping



46%

of retailers plan on connecting backend systems to customer-facing payment channels in the next 12 months



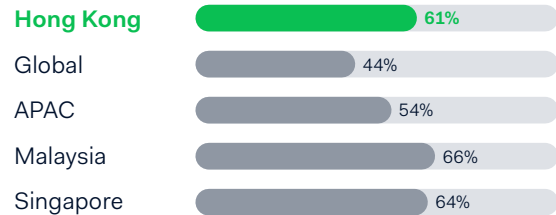
31%

of retailers plan to invest in technology to enable customers to shop online and return in store and vice versa

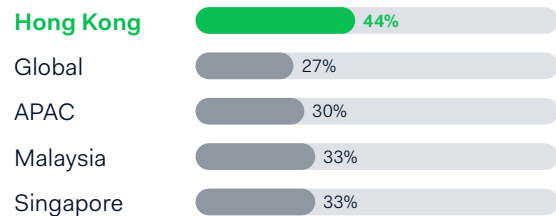
Looking further afield

As we learned in the previous chapter, unified commerce has a great opportunity to transform stores in Hong Kong. And there is greater consumer appetite for unified commerce experiences here than in other regions. On top of that, Hong Kong businesses grapple with organizational silos more than any region surveyed. While Hong Kong businesses lead the Asian region, they still lag behind the global average for investing in unified commerce. However, there is higher consideration than in other regions.

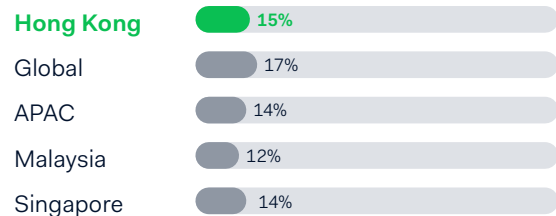
% of consumers that would be more loyal to a retailer that offered seamless omnichannel shopping



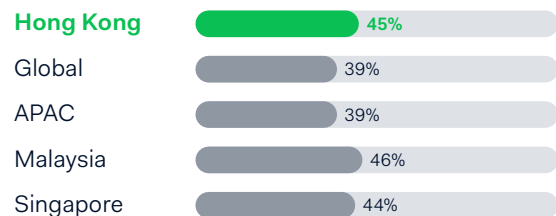
% of retailers that say silos within the organization are a major challenge for their business



% of retailers that have already invested heavily in unified commerce



% of retailers that are considering investing in unified commerce



Love,
Bonito

“Unified Commerce has helped us increase our market share, allowing us to reach out to our customers thoughtfully. Consumers who have tried us across multiple sales channels typically have higher average transaction values, because they understand our products better, so there's more loyalty to the brand.”

Dione Song — CEO, Love, Bonito



From insight to action: Shift your focus from touchpoints to journeys

Connect the dots through unified commerce

Shoppers focus on end-to-end experiences and not individual channels. Yet businesses have been interpreting customer experiences through the lens of siloed touchpoints. Unified commerce makes both see eye to eye and helps retailers keep up with their customers' complex and dynamic habits.

It connects multiple touchpoints into a seamless journey and curates personalized, frictionless experiences for your customers.

Take back control of your operations

Operational agility is key in today's global economy. Break down silos through unified commerce to connect your frontend channels and backend systems and streamline your operations.

Embrace a holistic, long-term strategy as you do so. Think of key business, organizational, and technological factors. Consider the channels you'll connect and the supply chains, legacy systems, and operating models involved. Are you conducting cross-border and local transactions? And do you need to revise your team structures for more agility?

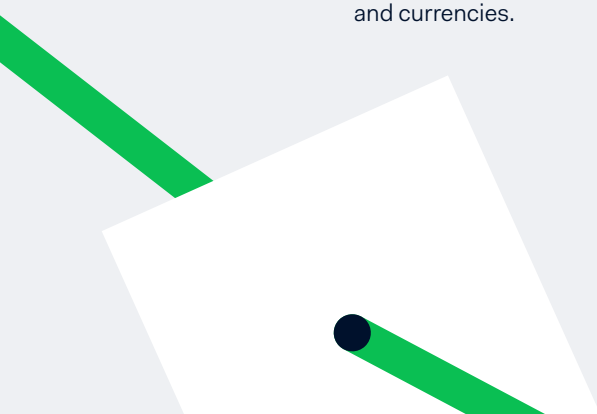
Strengthen your supply chain management

Unified commerce can help retailers better manage their supply chains. It connects components like warehousing, inventory, and procurement, showing you the weak links.

It powers your operations with data. This optimizes your stock allocation, delivery, and returns, wherever you conduct your business. And it makes you reliable for your shoppers.

Manage your payments better

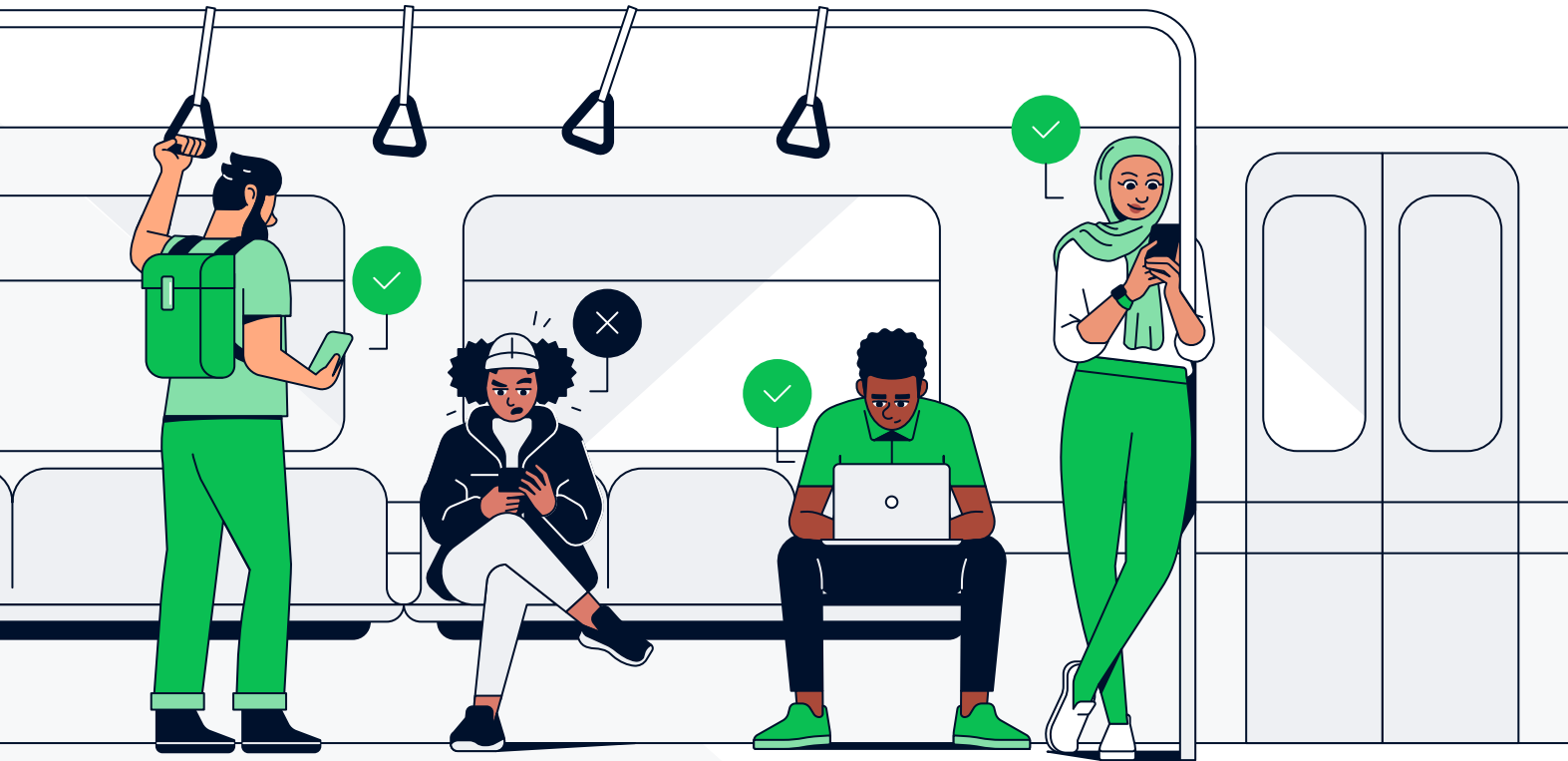
Move away from a fragmented payments ecosystem to a unified one. Instead of aligning different payment solutions across multiple channels, unified commerce means you can have a single payments stack. This improves authorization rates, optimizes costs, and eliminates downtime. It gives you a consolidated view of your payments across channels, payment methods, banks, and currencies.



Chapter 4

Enterprises want to make the most of nearby markets





37% of retailers plan to expand into new markets online

And 33% of retailers plan to expand via physical stores. Hong Kong is a well-established hub for retailers in Asia. 72% of businesses reported being in a better position in 2023 because of the diversified revenue generated from operating in multiple markets.

With border closures and travel restrictions par for the course, cross-border commerce was more challenging over the past few years. Now businesses are once again looking to make the most of these nearby markets.

Compared to last year, more retailers plan to invest in cross-border commerce in the coming year. The top 5 destinations they're targeting are China (45%), Canada (28%), Australia (28%), Brazil (19%), and Japan (17%).

This maps neatly onto consumer behavior and expectations. Almost a quarter (24%) of shoppers surveyed reported having made an online purchase from a retailer based in another country in the last six months.

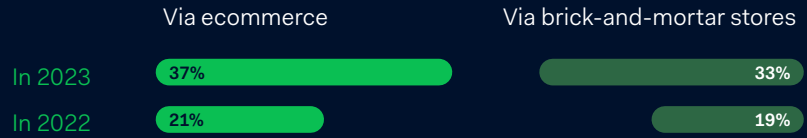
The top considerations for customers when engaging in global ecommerce relate to variety, price, and convenience.

Up to 30% of shoppers look for unique products that are locally unavailable. When it comes to payments, 38% said they would only buy products from abroad if the delivery charges were reasonable. 15% would avoid it altogether if they had to incur customs charges in addition to the delivery fees.

As for the payment methods, shoppers still prioritize flexibility. Around 21% would only shop on websites in other countries if they can use their usual payment methods. Another 19% reported to do so if the retailers automatically converted prices to their local currency.



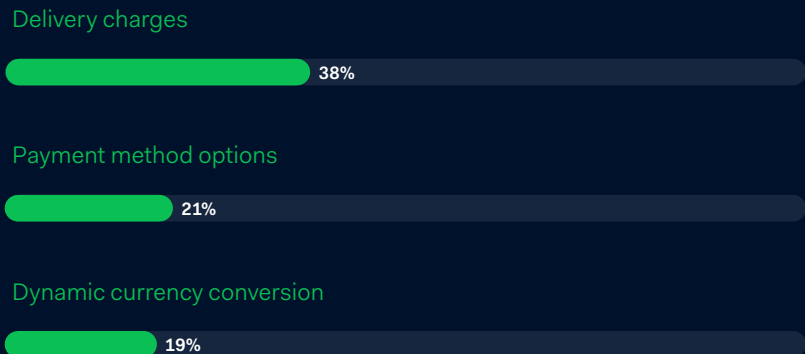
Global expansion plans for retailers



24%

of shoppers in Hong Kong and 21% of shoppers globally made an online purchase from a retailer in another country in the past six months

Top considerations for shoppers in cross-border ecommerce



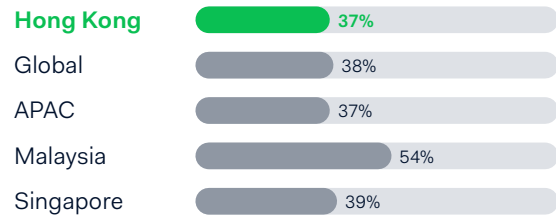
Looking further afield

As an established hub for many international retailers, Hong Kong performs well in comparison to most other markets when it comes to cross-border commerce. Hong Kong leads all regions for being better off due to diverse revenue streams from multiple markets. But retailers face competition from neighboring markets to capture increased market share. With tourists being so important to retailers, there is a lot of room for improvement to offer international payment methods, though Hong Kong is on par with the global average.

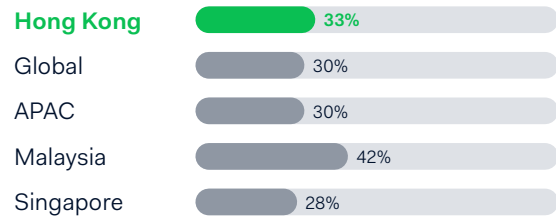
% of retailers that said their business is in a better position because they have diverse revenue streams from multiple markets



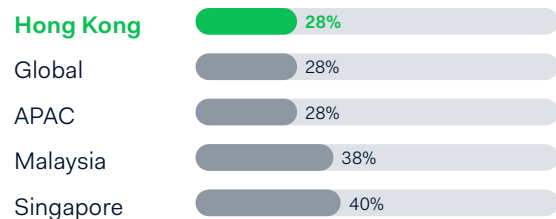
% of retailers that are planning to expand to new markets by selling online



% of retailers that are planning to expand to new markets by opening physical stores



% of retailers that offer international payment methods or common payment options from outside their operating country





“We needed an omnichannel solution that would cover all our international bases, bypassing the need to integrate anything specific. Now, with Adyen, we're ready.”

Chloée Daullé — Group Treasurer, Christian Louboutin



From insight to action: Strategize your expansion and diversify

Choose a payments partner that helps you scale

Expanding into foreign markets is financially complicated. Consider currency conversions, taxation, and banking requirements. You don't have to navigate these challenges alone or start from scratch, especially if you're already operating in multiple markets.

A payments partner with an international footprint can bring all your cross-border operations under a single platform to remain connected wherever you are. The right partner should provide local and international acquiring options so you can optimize conversions or bypass the need to open local bank accounts. Retailers can receive payments in their usual currency, regardless of the customer's location. And shoppers can pay with their trusted payment methods and preferred currencies.

A trusted payments partner makes your localization strategies efficient, compliant, and enjoyable. You can avoid the headache and increased costs that come with working with multiple intermediaries. It simplifies the nitty-gritty details of international payments, allowing you to focus on delivering consistent yet locally relevant and diverse shopping experiences around the globe.

Understand payment methods to cater to “glocal” shoppers

How customers prefer to pay can vary greatly from country to country. And many countries have their own unique payment methods. Cross-border retailers need the right payments partner to help you set up shop. There's a clear need for such a partnership. Only 28% of retailers in Hong Kong currently accept payment methods from outside the operating country of their business despite customer preferences for them. And only 29% of retailers accept all major card payment methods, even though 71% of their customers prefer using them when shopping in store and 78% of them when shopping online.

Working with the right global payments partner allows you to seamlessly, quickly, and easily integrate locally accepted payment methods. And you can automate which payment methods to offer based on a customers' location, creating a world-class experience, globally.

Conclusion

A connected industry is a disruptive one



Retailers can become trendsetters. By connecting with their consumers and integrating their technologies and systems, they can sync with ongoing trends and set the course for new ones. Instead of reacting to disruptive forces, they can become creative disruptors.

At Adyen, we support our customers' journeys toward long-term sustainable growth. We're passionate about engineering new solutions for their ambitions and ensuring they're ahead of the curve in this rapidly changing and complex industry. We look forward to exploring with you how financial technology can power your way forward.

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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 Meta, SHEIN, Uber, L'Oréal, Cathay Pacific, Grab, Klook, and Singapore Airlines.

