



Press Release

## **Greater Bay Area retailers increase focus on digital strategies, KPMG, GS1 and HSBC survey finds**

*Seventy-three percent retailers currently implementing a GBA strategy*

**9 June 2021, Hong Kong** – Retailers in Hong Kong and nine mainland China cities of the Greater Bay Area (GBA) are increasing their use of both direct-to-consumer e-commerce and third-party e-commerce platforms, with a majority of respondents also implementing GBA-specific strategies, according to a joint survey by KPMG China, GS1 Hong Kong and HSBC.

The fifth edition of the study, titled [\*Retail's Realignment: The Road Ahead for Omnichannel in the Greater Bay Area\*](#), surveyed 2,053 consumers and 400 senior retail industry executives in Hong Kong SAR and nine mainland GBA cities and examines the digitalisation and technology trends and related corporate strategies in the retail sector. It finds that as consumers embrace an increasingly online-to-offline (O2O)-driven retail ecosystem, companies need to focus on making the online experience user-friendly, engaging and easy to transact on.

According to the survey, one in two (50%) of Hong Kong consumers said they felt more comfortable about shopping online since the start of the pandemic, not far behind the 59% of respondents from the nine mainland China GBA cities surveyed. Tellingly, 24% of Hong Kong consumers and 23% of those in the mainland GBA cities say they could live without physical retail stores.

**Alice Yip, Partner, Head of Consumer and Industrial Markets, Hong Kong, KPMG China,** says: "Consumers are buying more online than ever before, and the retail brands who have best survived this rapid transition are those who have proven agile in their response to the growing demand for digital engagement. Hong Kong and mainland China GBA retailers are already implementing strategies for regional growth across the region while also looking to expand into Southeast Asia, with industry leaders emphasising the need for adequate localisation of products, services and marketing approaches to attract the growing pool of digital-savvy consumers."

The survey finds 73% retailers surveyed are implementing a GBA-specific strategy across one or more of their business functions. The most common business functions for which 43% of surveyed retailers are implementing a GBA strategy are sales and marketing and communications, as companies look to attract customers in the mainland China market. Thirty percent of those retailers polled are developing a GBA programme for fulfilment, logistics, operations or supply chain management.

The majority of consumers surveyed expect a seamless transition from an in-store experience to an online experience. At the forefront of these expectations is Generation Z ("Gen Z"), with 73% of Gen Z consumers in Hong Kong and 86% in mainland GBA cities expecting a swift response to product enquiries logged on online chat, and expecting brands to use tech including AI to help shortlist new products. They also expect AR functions to help them make better purchases online (61% in Hong Kong and 82% in mainland GBA cities). The research also shows Gen Z consumers



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prefer contactless shopping (60% in Hong Kong and 77% in mainland GBA cities). Seventy-six percent of retailers surveyed are adopting at least one type of Gen Z-specific strategy.

While shoppers are unequivocal in their expectations, the study suggests retailers are failing to react fast enough to consumers' O2O needs. The research shows a vast gap between customer expectations and what retailers are delivering, with 77% of Hong Kong and 85% of mainland respondents in the GBA indicating that retailers need to have a better connection between channels and create a seamless customer journey. Among retail executives surveyed about their actions to enhance customer experience, only 39% of businesses were currently focusing on the integration between physical stores and online, suggesting a significant gap in retailers' O2O propositions.

**Anna Lin, JP, FCILT, Chief Executive, GS1 Hong Kong**, says: "Consumers expect a seamless transition from an in-store experience to an online experience. They also want to engage with brands across social media and other digital media and they expect brands to use technology to improve customer service, ease of payments, flexible delivery options and convenient returns." This suggests that brands and retailers who forge an online-to-offline solution that encompasses multiple digital points of engagement will enjoy a significant marketplace advantage in the future.

"GS1 unique product identification provides a way to bridge the gap between physical and digital, and creates one source of truth for product information along the supply chain. By registering products with internationally recognised standard identifiers like GS1 barcode, it gives every product a clear, accurate and consistent digital identity across different channels, enabling a more satisfying consumer experience in search, share, purchase and ease of return. Ultimately, this gives consumers a greater level of trust and loyalty relating to the products they buy."

About two-thirds of consumers (65% in Hong Kong and 67% in mainland GBA cities) said that they had become more comfortable using digital payments. Retailers are taking actions to enhance customer experience, with 30% of surveyed respondents citing that they are prioritising technology investments in order to create a seamless purchasing and transactional process.

**Lewis Sun, Head of Product Management, Asia Pacific, Global Liquidity and Cash Management, HSBC**, says: "In order to deliver a seamless customer journey, more retailers in the Greater Bay Area are looking for a single platform that can take payments from multiple channels – from credit cards, bank transfers to e-wallets. At HSBC, we observed exponential growth in the transactional volume of our Omni Collect payment solution in Asia since it went live in 2018. In Hong Kong and mainland China alone, the volume has increased 125% year on year in April 2021, while the transactional value has grown 165%."

As retailers and brands develop more complex digital channels and deploy new technologies, sourcing, upskilling and reskilling talent to build a future-ready workforce will be a key priority for retailers in navigating the new normal and capture growth opportunities. With technical areas such as IT and systems support (38%), data analytics (35%), and research & development (31%) identified as top areas demanding more workforce, professional development programmes as well as talent exchange within the GBA will provide opportunities to fill the gaps.



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While convenience is important, the survey also finds authenticity is the number one attribute attracting consumers to brands in amid the pandemic, in both Hong Kong and mainland GBA cities with 68% and 65% of consumers respectively more conscious of product origin and authenticity, as their focus on health, sustainability and well-being are sharpened. Demonstrating authenticity and explaining purpose is thus also more important than ever before for retailers to build trust with customers.

**Key takeaways for Greater Bay Area retailers**

<b>Align data collection practices with analytics capabilities and consumer preferences</b>	<ul style="list-style-type: none"> <li>➤ Be more disciplined in collecting data</li> <li>➤ Assess current analytics capabilities and gaps that need to be addressed to fully leverage the data</li> </ul>
<b>Harness technology to meet consumer expectations for experience and product authenticity</b>	<ul style="list-style-type: none"> <li>➤ Consumers embracing new technologies expect it will deliver benefits such as an improved customer experience searching for goods online and addressing product or order inquiries</li> </ul>
<b>Adapt O2O strategies to reflect the changing roles and interconnectivity of digital and physical retail channels</b>	<ul style="list-style-type: none"> <li>➤ Retailers selling a product across multiple channels must wholly integrate physical stores and online channels with social-media strategies that create a comprehensive brand proposition</li> </ul>
<b>Leverage the GBA, EdTech and third-party tech providers to source qualified talent and upskill/reskill workers</b>	<ul style="list-style-type: none"> <li>➤ Take advantage of GBA-related talent schemes</li> <li>➤ Work more closely with educational institutions to retrain or upskill workers</li> <li>➤ Examine selection process for third-party technology providers, focusing not only on cost but also industry expertise and fit</li> </ul>
<b>Tailor products, services and marketing for Gen Z and other demographic groups</b>	<ul style="list-style-type: none"> <li>➤ Examine how to better target Gen Z and other consumer segments through data-driven research and differentiated product and service offerings</li> </ul>
<b>Develop comprehensive strategies for expansion in the GBA and other Asian markets</b>	<ul style="list-style-type: none"> <li>➤ Consider the GBA's advantages for establishing shared service centres and back office functions, and assess how evolving regulations will affect the cross-border flow of goods, talent and human capital</li> <li>➤ Carefully consider localisation strategy when expanding into Southeast Asia</li> </ul>



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### **About KPMG China**

KPMG member firms and its affiliates operating in Mainland China, Hong Kong and Macau are collectively referred to as “KPMG China”. KPMG China is based in 28 offices across 25 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen, Xi’an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global organisation of independent professional services firms providing Audit, Tax and Advisory services. We operate in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG’s appointment for multi-disciplinary services (including audit, tax and advisory) by some of China’s most prestigious companies.

### **About GS1 Hong Kong**

Founded by the Hong Kong General Chamber of Commerce in 1989, GS1 Hong Kong (GS1 HK) is the local chapter of GS1®, which supports companies’ digitalisation to enhance supply chain transparency and efficiency, ensure product authenticity, and facilitate online and offline commerce with global supply chain standards (product identification key and barcode) and a full spectrum of standard-based platforms, solutions and services.

Currently, GS1 HK has around 8,000 corporate members covering close to 20 industries including retail consumer goods, food and food services, healthcare, apparel, logistics as well as information and technology. By engaging with communities of trading partners, industry organisations, government, and technology providers, GS1 HK is fostering a collaborative ecosystem with the vision of “Smarter Business, Better Life”.

Headquartered in Brussels, Belgium, GS1® is a not-for-profit, standards organisation that has 115 national chapters serving 150 economies globally.

For more information, please visit [www.gs1hk.org](http://www.gs1hk.org).

### **About The Hongkong and Shanghai Banking Corporation Limited**

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of \$2,959bn at 31 March 2021, HSBC is one of the world’s largest banking and financial services organisations.