

The digital leap of Hong Kong SAR's retail sector

Global Liquidity and Cash Management

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The retail sector in the HKSAR has suffered a few setbacks due to the socio-economic sentiment and the pandemic in the past years, which has caused the foot traffic to almost disappear overnight. Retail sales in Hong Kong slumped 17.6 percent year-on-year in February of 2022, also the steepest fall since July of 2020.¹

While retailers were facing various challenges before the pandemic, the turn of events has had a cathartic effect. It's forced the retailers to immediately look into digital ways of doing business. Recent research conducted by Visa shows that 91% of consumer respondents still rely on cash with 84% of these payments taking place mainly at small merchants.²

¹ <https://tradingeconomics.com/hong-kong/retail-sales-annual>

² Visa – The Future of Commerce, Consumer Payment Attitudes Study 2020



HSBC

Opening up a world of opportunity

Why fix it when it's not broken?

Little has changed in the past decade on how consumers pay in the HKSAR. While it's not broken, the old ways have their inefficiencies. The cost and security risks in cash collections, the different reporting channels limiting real-time visibility of funds, and complex reconciliation task from data inconsistency are a few key concerns of retailers. Credit cards gave consumers convenience, but it could take weeks for retailers to receive their sales proceeds, not to mention the processing fees and charges involved.

A peek into the challenges of moving retailers on-line tells us that there is a strong consumer preference for off-line: physical stores. Retailers believe that they are unable to emotionally influence clients to close the sales without physical touch and feel in a brick-and-mortar experience. As a result, investments and development in digital solutions were relatively low amongst the small and medium enterprises (SMEs) and significantly disabled sales during the pandemic.

Evidently, the HKSAR government launched D-biz and TVP (Technology Voucher Programme) pandemic relief programs to encourage them to take innovative, digital transformation. As at February 2021, the HKSAR government has approved nearly 35,000 applications from local businesses, embracing the support for digital transformation. In fact, the positive responses were so overwhelming that the HKSAR government increased its funding from the original HKD500million in May 2020 to HKD1.9billion in January 2021, proving the success of digitalisation of local businesses.³

A chain reaction

Being that the HKSAR was a popular tourist destination, it was not surprising that most retailers preferred to have a brick-and-mortar presence. However, once the pandemic ceased the income flow from tourists, retailers had to look at enticing local consumers, virtually. It is not one-sided for retail digitisation to take off in the HKSAR now, given the accelerated demand for digital payment options amongst consumers due to the pandemic.

In 2018, the HKSAR launched its real-time payment infrastructure – Faster Payment System (FPS), which sets the backdrop for the digital movement and opened up opportunities for the market to develop its fintech capabilities. The adoption rate is undoubtedly on the rise, with usage by consumers recorded at 263M transactions in 2021, an impressive increase of 500% since 2019.⁴

At HSBC, digital transactions processed by FPS through HSBC Business Collect also tripled year-on-year since 2019, with an explosive growth of 72% in new merchants in 2021.⁵

³ <https://www.hkpc.org/en/distance-business-programme>

⁴ https://fps.hkicl.com.hk/eng/fps/about_fps/statistics.php

⁵ HSBC data

A large population of the homegrown SMEs who embarked in the digitisation journey with HSBC didn't have any e-commerce presence. While the market is proliferated with digital payment options, these SMEs prefer to kick-start their online business with minimal technical integration and providers. Providers such as *Boutir and *SHOPLINE were a natural choice - offering a simple, one-stop solution for proprietors to build online store, social media marketplace, and fulfilment process with integrated, secure, digital payment methods. They are fully embedded with HSBC's Business Collect and PayMe for Business solutions, with the advantage of instant crediting of funds, comprehensive collection reporting, and reaching every consumer who's adopted digital payments.

On the other hand, major retailers are focusing on 1:1 online sales experience by setting up satellite e-stores, social media and direct sales channels. For example, one of the prominent cosmetic chain stores in the HKSAR added a VIP section to interact with their top customers to provide differentiated and targeted marketing promotions. Each brick-and-mortar store location is also represented by its own e-store to protect their sales representative's commission income, making up for the loss from foot traffic's sales. Based on the data provided by such chain store, the new VIP section was positively tracking close to HKD1M in sales within the first month of launch.

Meanwhile, a few multi-brand retail chains are converting their sales and collections digitally in a big way, tens and hundreds of stores at a time. These retailers prioritise efficiency, data, and standardisation to manage their sales and proceeds from multiple brands and stores. HSBC's Business Collect and Virtual Account are popular solutions for its real-time enhanced data to achieve efficiency in reconciliation process. Payment links and QR codes are also widely used to embed individual invoice details to ensure there is accurate information to give customers a friendly refund experience. With HSBC, all collections processes can be digitised and standardised using a single platform online, and a single device offline – all within a matter of days.



* Boutir Limited ("Boutir") and Starling Labs Limited ("SHOPLINE") are integrated partners of HSBC Business Collect and PayMe for Business.

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In the retail world, consumers expect retailers to anticipate their needs, provide targeted recommendations and differentiated marketing promotions in real-time. It is not merely about giving them a satisfactory experience, but also about inspiring and encouraging them to interact more with the merchants through various digital channels. Following the challenges brought upon by COVID-19, and subsequent lockdowns across countries and cities, we're seeing more interests from our clients across all sectors to move their offline business to online, or leveraging on social media as their sales channels. Given the level of convenience, we foresee this trend will continue beyond COVID-19, hence becomes the new normal in the retail world. HSBC endeavors to provide innovative receivables and payments solutions to help our clients transform in this new normal, further improve the consumer experience, and reduce costs wherever possible.

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**Amy K S Ng**

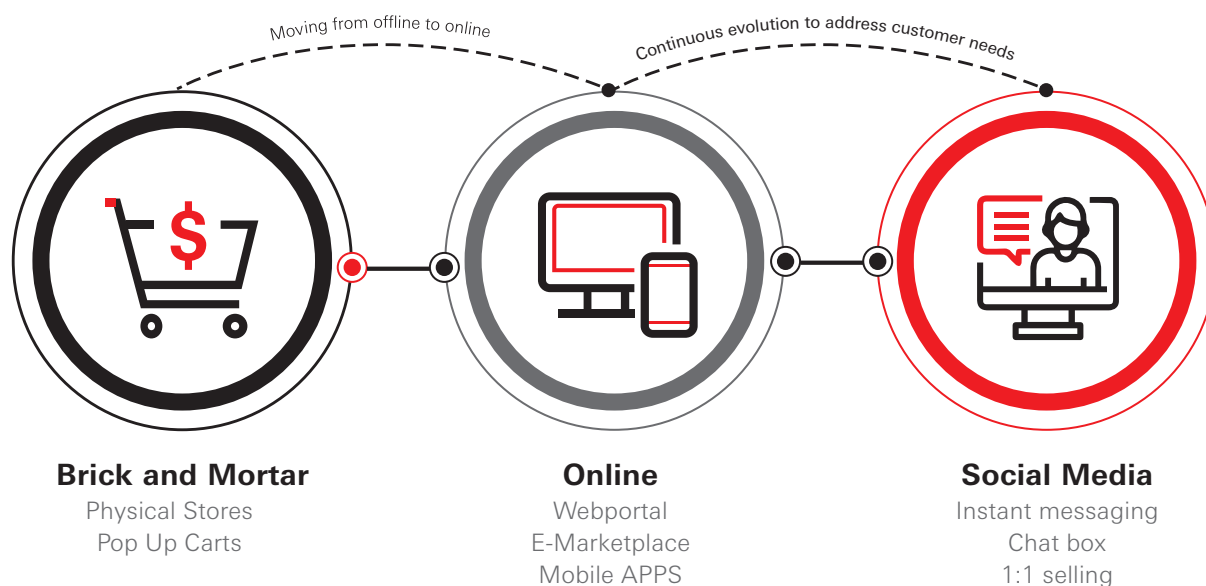
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Summing up your collections with HSBC

As retail 2.0 trend takes off, interoperability across online and offline channels becomes more important. HSBC is one of the preferred partners in the retail sector with its comprehensive digital collection solutions addressing the needs of different business models and requirements. Digitising your collection process is not just about transforming the process, but also about realising and applying your funds quicker, so that you have an efficient working capital cycle. As the old saying goes – “cash is king”.

Consumer-to-Business New Normal – Online and Offline Expansion of Sales Channels



HSBC Business Collect is a digital payment solution catered for businesses of today – for both online and in-store. The single payment platform allows you to fully digitise your collection process with minimal IT resources.

The benefits of HSBC Business Collect:

- ◆ Reduce administrative cost compared to cash collection
- ◆ One platform and/ or device, multiple payment options
- ◆ Consolidated all-in-one report to ease reconciliation
- ◆ Instant credit of funds (10 seconds based on FPS)
- ◆ Quick and accurate refund process
- ◆ Security feature with embedded information in QR code
- ◆ Pay link solution / PayMe QR options enable personalized 1:1 selling and closer dialogues with customers

If you reach your customers through any of the following sales channels or business models then this is a solution for your business.



Online to offline



Online store



mCommerce



Physical stores



Bill payments

Complementing the digital solution is Virtual Account which helps to identify sales from individual brands or stores by its unique virtual account identifier. It also automatically reconciles your collections with some integration efforts.

If you are looking to extend your business to an online shopping platform or enhancing your customers experience on your existing e-shop, we can help to simplify this transformation with our integrated partners.

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