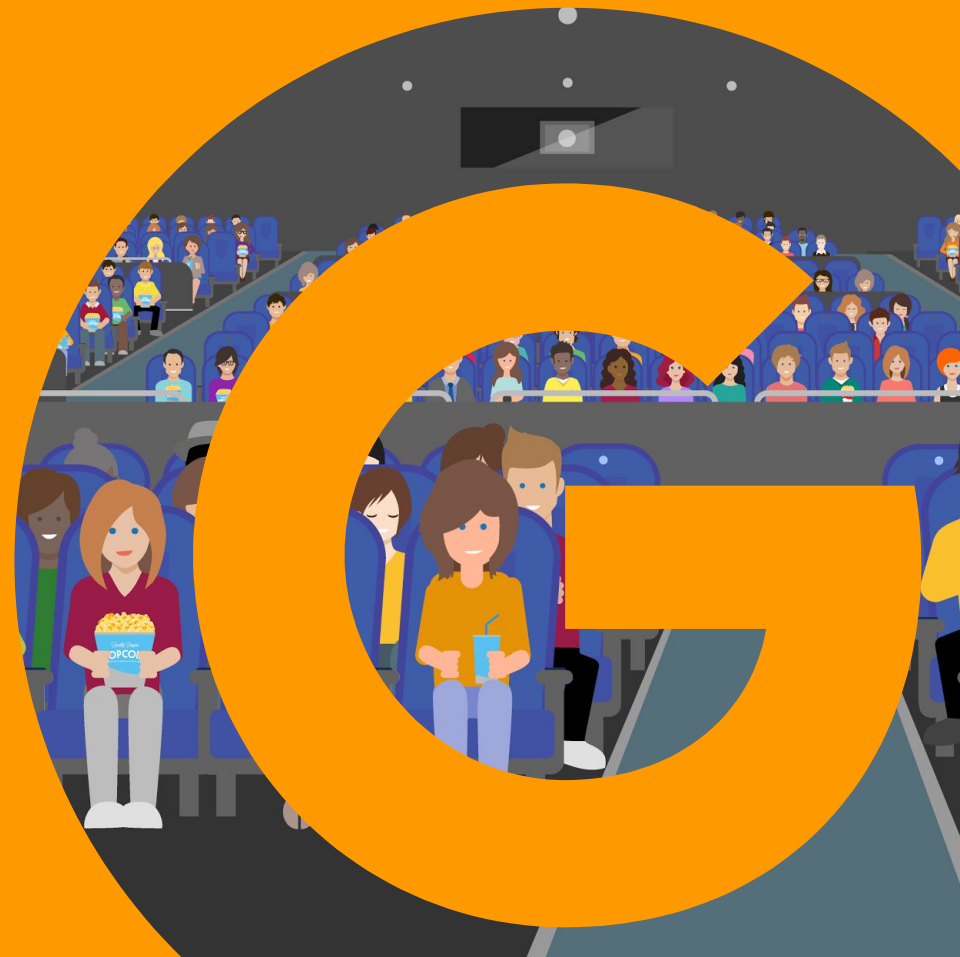


ECOMMERCE OUTLOOK

MAY 9, 2017



HONG KONG
RETAIL MANAGEMENT
ASSOCIATION
香港零售管理協會

Google



Hong Kong is one of the most digitally savvy markets in the world

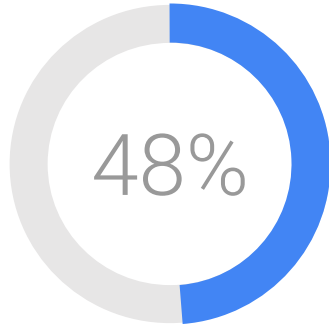
79%

Mobile Penetration

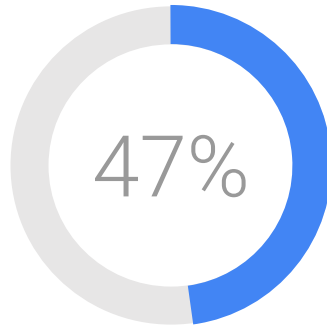
85%

Internet Penetration

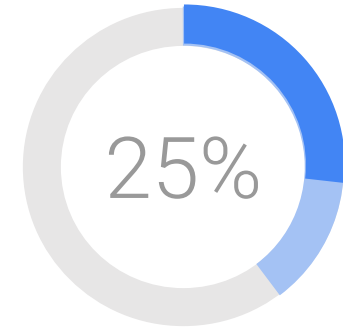
Digital is a Fundamental Component of how Hong Kong Shops



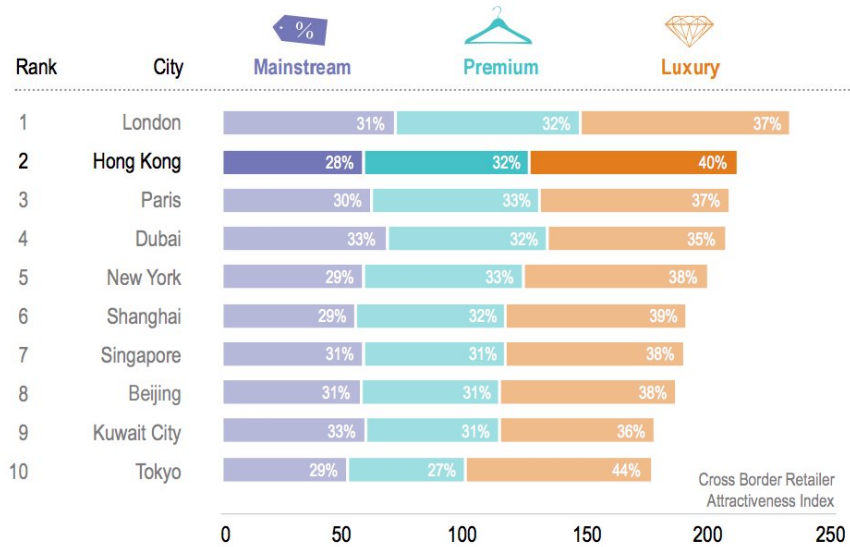
Use websites or apps to
start shopping



Use mobile to
research products
in-store



Buy online at least
once per month,
including 16% on
mobile



Note: The coloured bars and percentage values illustrate the share of international retailers by category present in each market.

Hong Kong has the 2nd highest retailer presence in the world.

The majority of retail sales are still happening in stores but eCommerce is quickly growing



Source : Euromonitor: Internet Retailing in Hong Kong. Figures are quoted in HKD.

Online Shoppers in Hong Kong are...



Selection Sensitive

28% more likely than global average to buy online due to lower price and selection/availability



Cross Border

55% said they buy online from outside Hong Kong at least once per year



Cross Channel

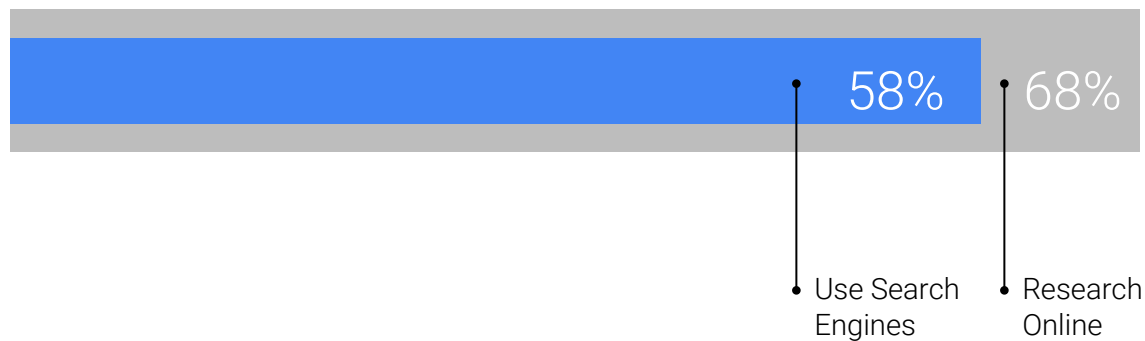
95% of retail commerce happens offline, but around half is digitally influenced




Mobile Savvy

79% have a smartphone, 97% go online once per day - more than the US

Online research is a part of the Hong Kong shopping experience, online and offline



A grayscale photograph of a woman with long hair, wearing a floral patterned top, looking down at her smartphone. The background is blurred, suggesting an outdoor setting.

Consumers are becoming more price conscious and are researching more

37%

Luxury Brands

Search Growth
2014-2016

46%

Fast Fashion

Search Growth
2014-2016

Opportunity lies in providing relevant results to influence and inform online and in-store shoppers



HK Consumers are comfortable buying online



Disclaimer: These insights should be considered only as opinions of the AdWords Sales team based on individual experience of local user behavior. These do not necese

HK Consumers are comfortable buying online

THE MOST POPULAR ONLINE

75%



Airline Tickets

71%



Hotel Reservations

31%



Apparels

31%



Car Insurance

26%



Cinema Tickets

13%



Electronics

9%



Grocery

4%



Home Appliances

Disclaimer: These insights should be considered only as opinions of the AdWords Sales team based on individual experience of local user behavior. These d

Female consumers are key

WOMEN VS MEN Shopping Habits



Women are keener online shoppers than men



68.4%

64.4%



Women purchase more items online



6.2 Items



4.6 Items

Frequency of shopping

Women

Men



4.2 Times

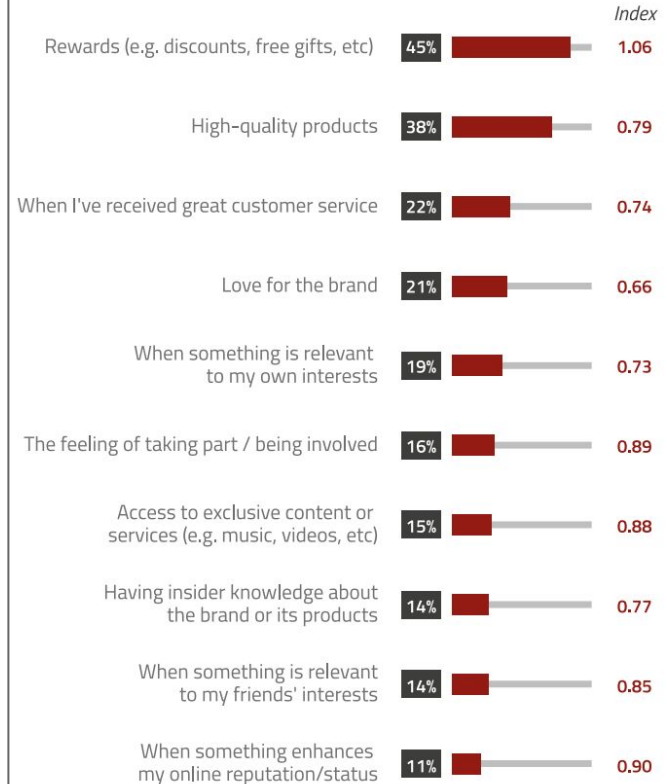


3.2 Times

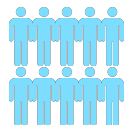
Why does the HK Audience favour certain brands?

TOP 10 REASONS FOR BRAND ADVOCACY

% who say they would advocate a brand online for the following reasons

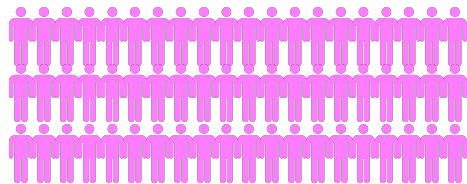


The Big 3



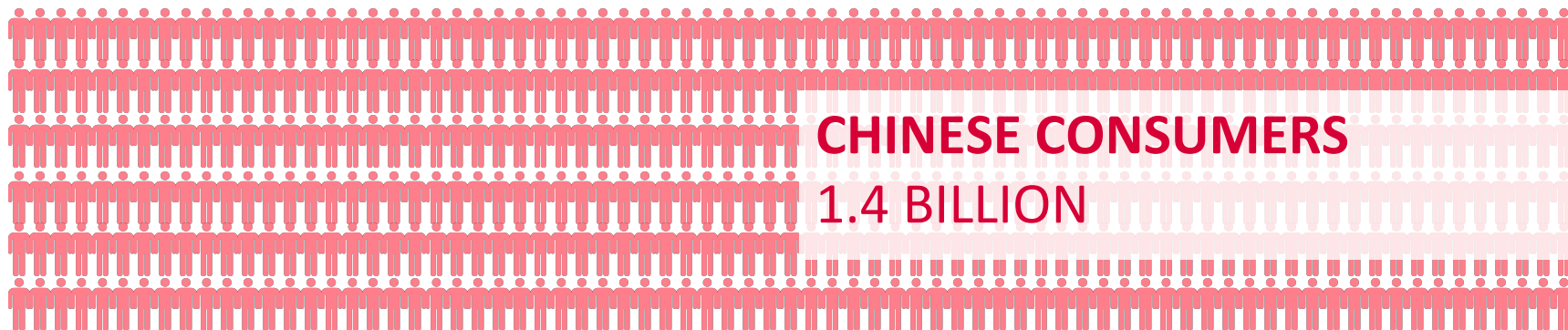
HONG KONG CONSUMERS

7.4 MILLION



MAINLAND TOURISTS

42.8 MILLION



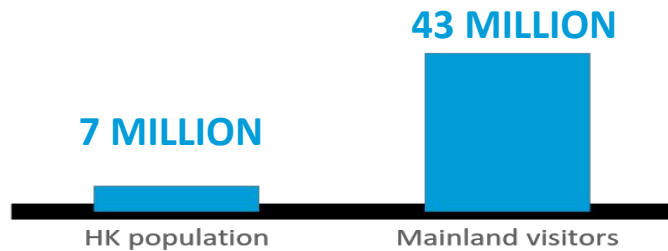
CHINESE CONSUMERS

1.4 BILLION

Mainlanders are still a big market

Despite the declining visitors & reduced spending on luxury this year

6X MORE MAINLAND VISITORS
PER YEAR (VS POPULATION)



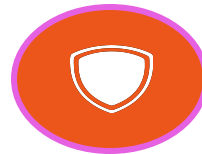
TOP 3 CATEGORIES TO BUY (IN NEXT 12M)



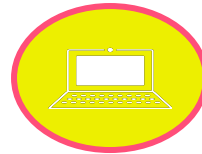
68% of mainlanders are travelling
with family (vs 60% in 2015)



HKD 21.5K money they will
spend on the next visit (same as last time)



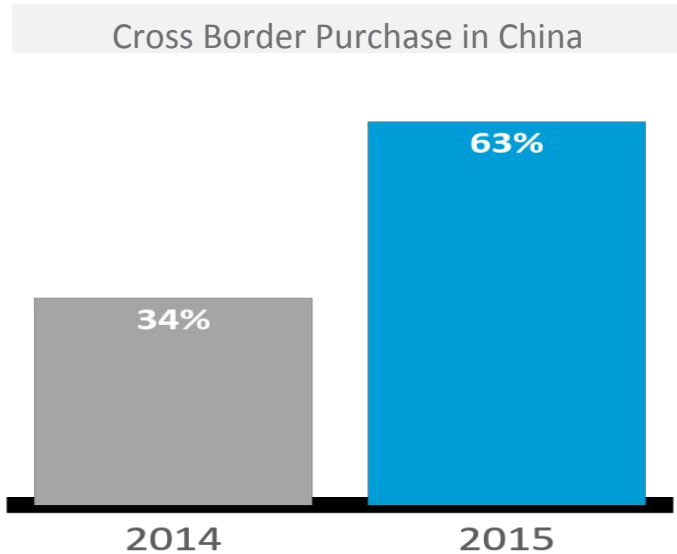
4 in 10 visitors may consider
buying insurance products from HK
(Not just investment-linked, but life and others)



4 in 5 refer to online/social
networking for info on HK products

E-COM to reach 1.4BN Chinese Consumers

3/4th of the visitors will continue to visit HK even if they get all products online



e-Platforms to Complete Overseas Purchases

Ensure presence in local e-com channels to tap into Chinese consumers' thirst for foreign products



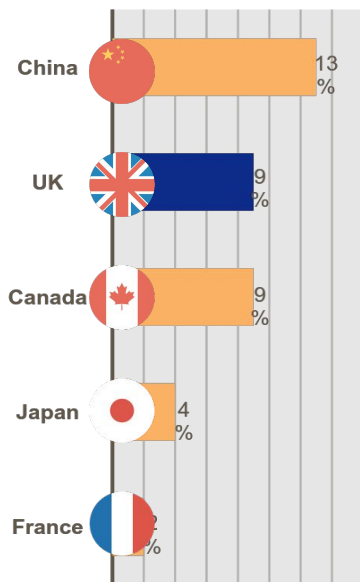
Source: Nielsen Mainland Overseas eCom study 2015

China shoppers love to purchase from abroad

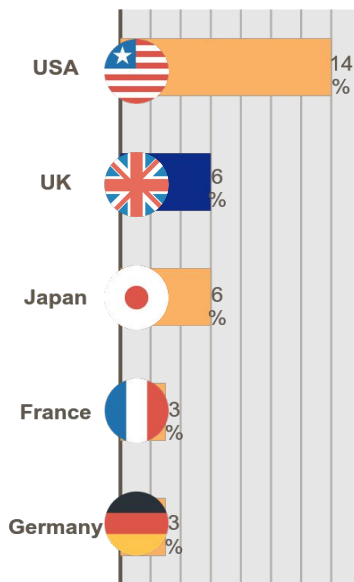
Top 5 Countries for Cross-Border Shopping¹

% of Online Shoppers

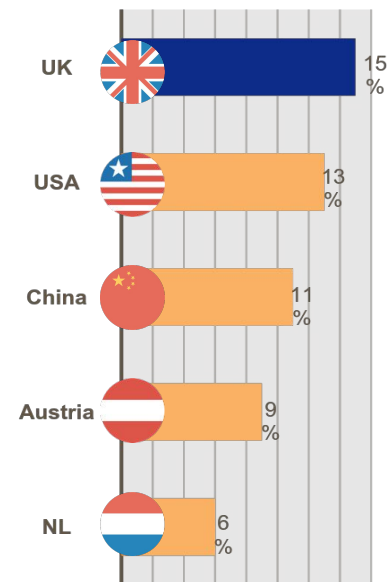
US Shoppers



Chinese² Shoppers



German Shoppers

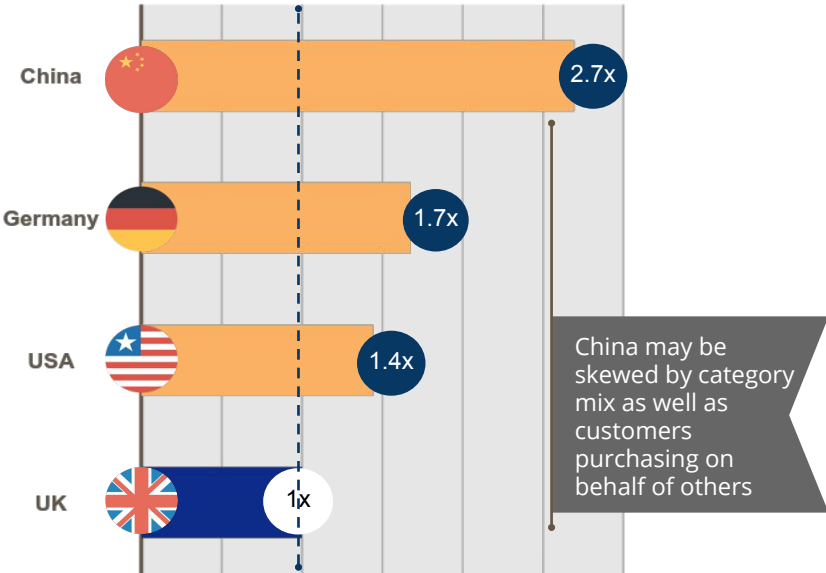


1. Question: "Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months?" US n=563; China n=639; Germany n=614

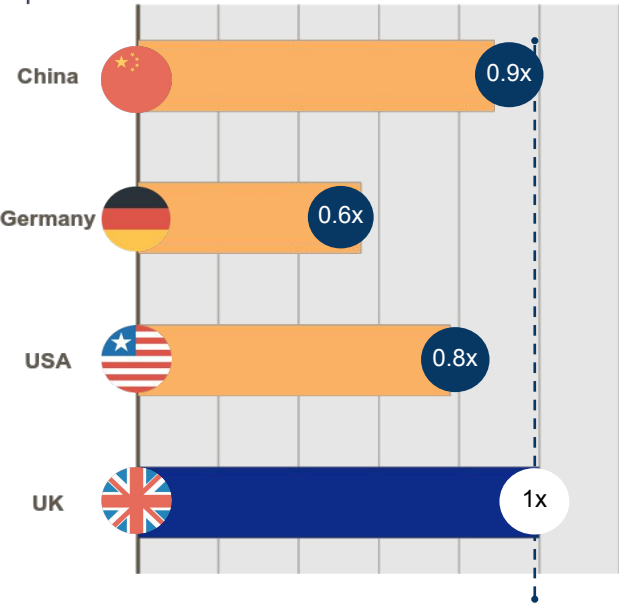
2. Hong Kong responses are assumed to be a subset of customers shopping from China

International consumers are both valuable and loyal

Average PayPal Transaction Value
Multiple of UK Average PayPal Transaction Value



Annual Repeat PayPal Transactions with Same UK Retailer
Multiple of UK median



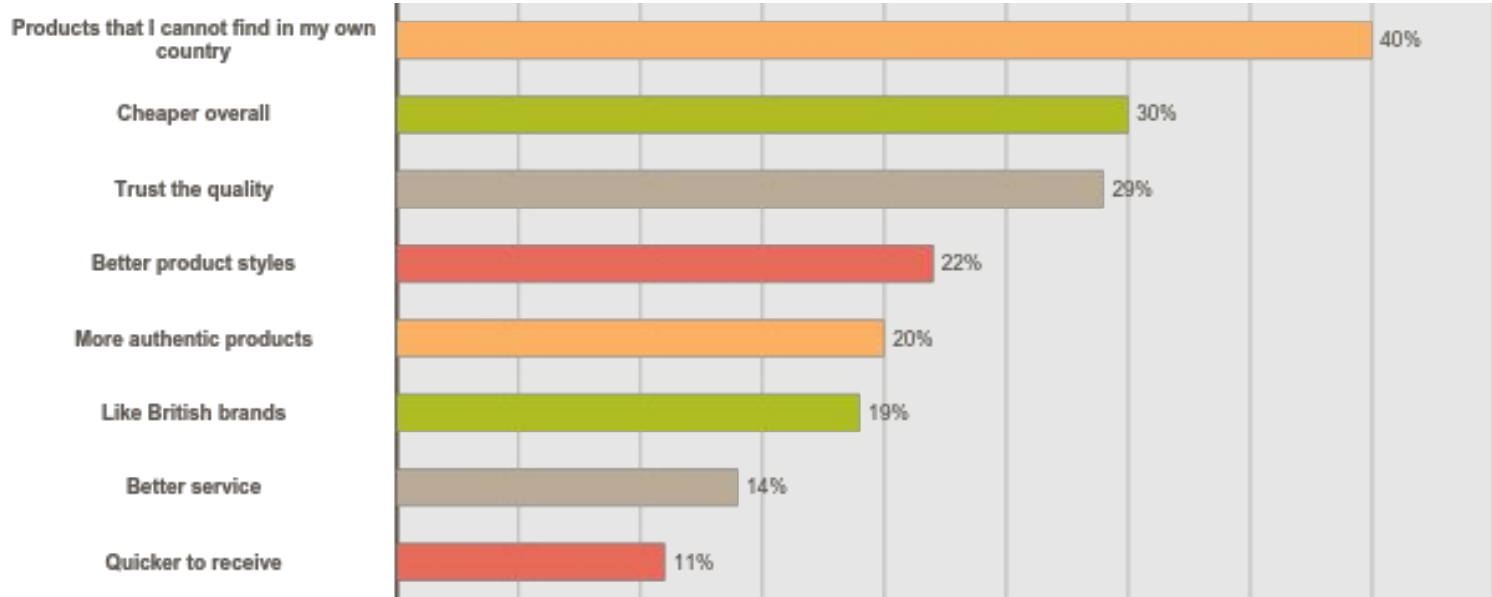
1. Excludes sales from online marketplaces e.g. eBay, tangible goods only

6 essentials to win in the world's largest E-Commerce markets



International consumers purchase due to unique products, price and quality

KNOW YOUR PULL FACTORS



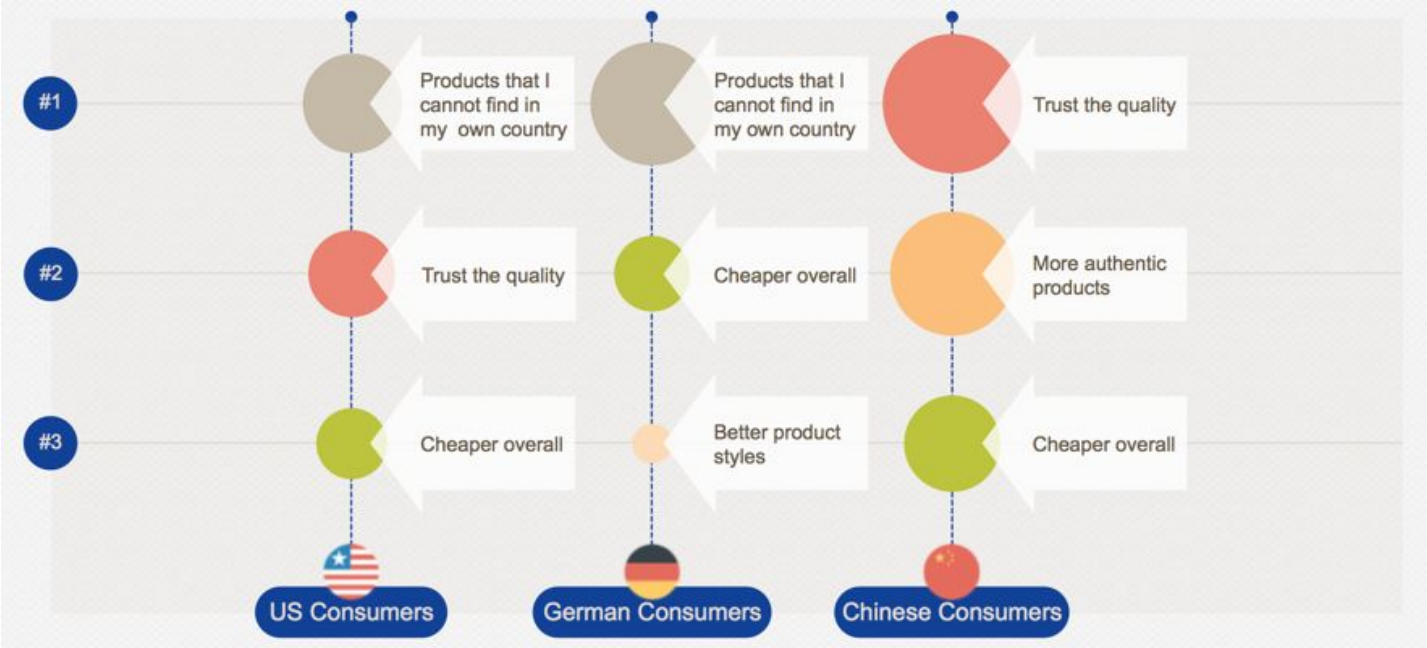
1. Question: "Why did you decide to buy from a retailer based in the UK rather than a local retailer? Select all that apply" (n=2,290)

Source: OC&C Consumer Survey (powered by Toluna), OC&C analysis

Key purchase drivers differ across countries

KNOW YOUR PULL FACTORS

Top 3 Pull Factors by Country for Consumers to Buy From Foreign Retailer vs Local Retailer

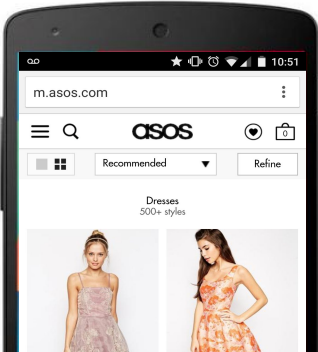


1. Question: "Why did you decide to buy from a retailer based in the UK rather than a local retailer? Select all that apply"; US n=724; Germany n=974; China n=592

Successful international retailers focus on strengths

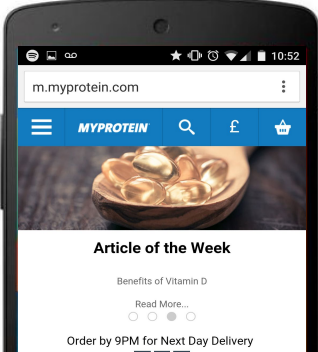
FOCUS TO CLIMB FAST

Top 3 Factors where Fast Climbers are Outperforming²



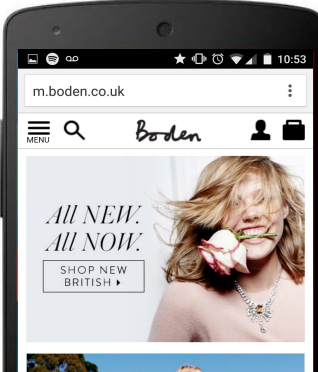
ASOS discover fashion online

- 1 Free & easy returns
- 2 Affordable shipping
- 3 Safe & preferred payment method



MYPROTEIN FUEL YOUR AMBITION

- 1 Trust in product authenticity
- 2 Safe & preferred payment method
- 3 Pricing & promotions



Boden

- 1 Free & easy returns
- 2 Affordable shipping
- 3 Unique product offering

1. Question: "When making the decision to purchase from <UK retailer A>, how important was it to you that they offered the following?"
2. Outperforming average of the 36 UK retailers included in the consumer survey: ASOS n=86; Graze n=48; MyProtein n=43; Boden n=31

Each market ecosystem is unique, which requires a different approach to succeed

ADAPT FOR ONLINE ECOSYSTEMS

E-Commerce Leading Players by Type

Relative Size (Traffic, Penetration¹)

#1 Player 

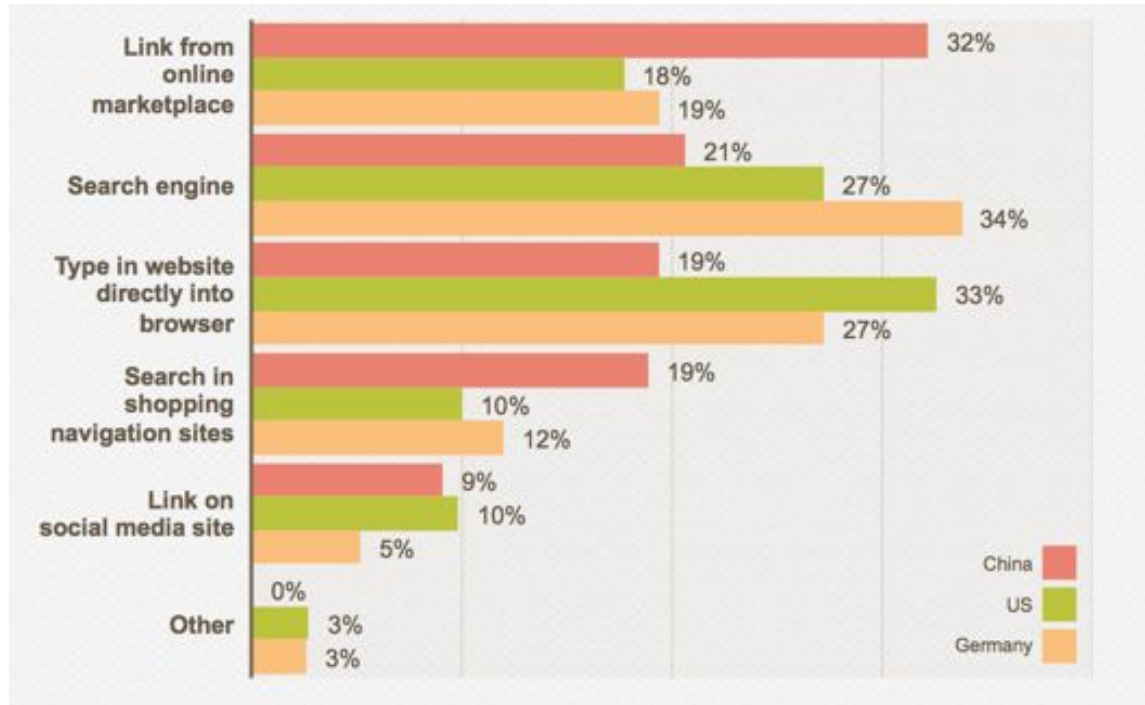


1. Traffic: Marketplaces & Generalists, Penetration: Social Networks

Source: iResearch, Similarweb rankings, OC&C analysis

Ways retailers reach international consumers varies significantly by market

ADAPT FOR ONLINE ECOSYSTEMS



1. Question: "How did you access <UK Retailer A> online?"

2. Sample sizes: China n=398; US n=559; Germany n=584

Source: iResearch, OC&C Consumer Survey (powered by Toluna), OC&C analysis

If you can't beat them...join them



April 2014 **Burberry** becomes the first luxury brand to open a shop front on Tmall

New Look opening 20 stores in China but relying on Tmall for eCommerce growth

Existing cross-border shoppers identify different key barriers to non-cross-border shoppers

BREAK BARRIERS BEYOND THE BASICS

“To what extent do the following discourage you from purchasing more from overseas retailers?”

Top 5 Barriers Indicated as “Very Strongly Discouraging”

Current Cross-Border Shoppers ¹	Non Cross-Border Shoppers ²
1 Concern about the security of my personal or financial details	1 Website and/or customer support not available in own language
2 Lack of trust in the retailer and/or product authenticity	2 Payment in foreign currency and/or higher overall cost to buy internationally
3 Returns difficult and/or costly	3 Returns difficult and/or costly
4 Payment in foreign currency and/or higher overall cost to buy internationally	4 Concern about the security of my personal or financial details
5 Returns difficult and/or costly	5 Concern about customs duties/fees and/or taxes

1. Consumers who have bought something online knowing that it was shipped from outside of their country (n=2,241)

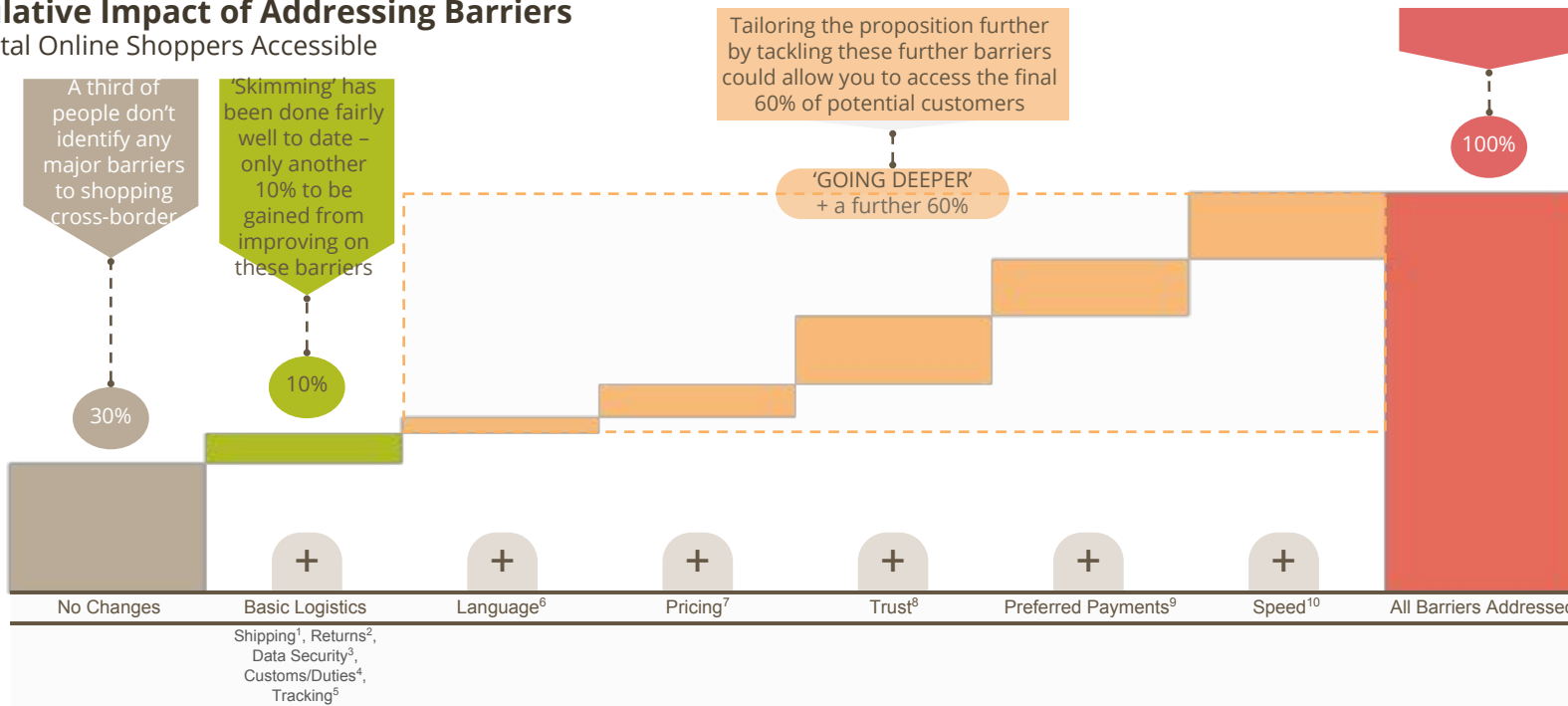
2. Consumers who have never knowingly bought something online that was shipped from outside of their country (n=759)

To 'go deep' you need to tackle barriers beyond the basics

BREAK BARRIERS BEYOND THE BASICS

Cumulative Impact of Addressing Barriers

% of Total Online Shoppers Accessible



1. Delivery shipping costs; 2. Difficult to return goods and/or return shipping costs; 3. Concern about security of personal or financial details; 4. Concern about customs duties / fees and/or taxes; 5. Lack of delivery/tracking notifications; 6. Website and/or customer support not available in local language; 7. Payment in foreign currency and/or higher overall costs to buy from another country; 8. Concern on counterfeiting and/or lack of trust in the retailer; 9. Preferred payment method not always offered; 10. Delivery time not fast enough

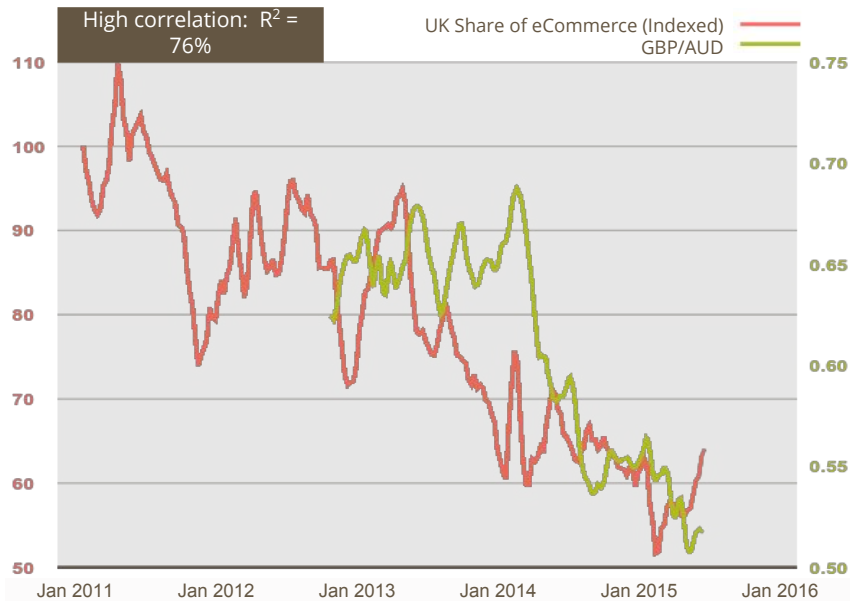
Currency is an influencing factor for some cross- border shoppers

PRICE SMART FOR CURRENCY MOVEMENTS

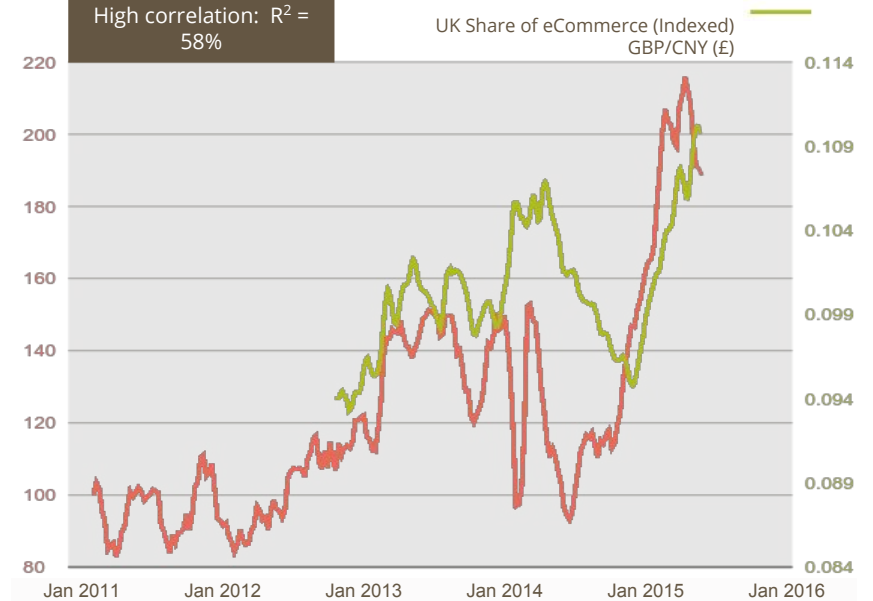
UK Share of eCommerce vs Exchange Rate

2013-15 YTD

Australia



China



The CEO's Playbook for Success in the World's Largest E-Commerce Markets



KEY TAKE-AWAYS

1

ENGAGE WITH MILLENNIALS AND AGING POPULATION

Millennials are trend influencers and status seekers with digital being the key medium to engage/influence them while businesses need to start focusing more on the growing 60+ age group

2

TARGET THE “MAINLANDERS”

Focus on the multiple touch points in their journey

3

E-COM TO TARGET THE 1.4BN MAINLANDERS & BEYOND

Develop customer-centric shopping experience to differentiate your offer
Focus on the Super Cross-border consumers

Thank you

