

Hong Kong Retail Management Association
Submission on
2019-20 Budget Consultation

19 December 2018

Introduction

The Hong Kong Retail Management Association (the Association) presented recommendations on how the Government may assist the retail industry to transform to the next level in the face of digitalization and new retail order through a submission on 2018 Policy Address to Mrs. Carrie Lam, the Chief Executive, in September (*Appendix I refers*).

The recommendations outlined in the said submission stay relevant and practical in regard to our pledge for the Government's support in its forthcoming 2019-20 Budget. In addition to these recommendations, this paper underscores 3 key areas that we would like to obtain focused assistance from the Government.

I. The Transformation into the New Era of Retail

Development Gaps in Hong Kong Retail

1. The global trend of online shopping, omni-channel and digital retail experience is not only irrevocable but advancing at an extremely fast pace. Unfortunately, the traditional retail model is still dominating in Hong Kong, and there is a large gap for our retailers to catch up with the international developments.
2. There have been some arguments saying that Hong Kong is too small for online business models; and our strengths lies in brick-and-mortar retailing. However, we feel that the changing lifestyle of new generations in the 21st century is the key impetus for future retail growth. We can no longer allow the land size of our city or our traditional strengths to prohibit our development.
3. Under this circumstance, it is a much saddened fact to see traditional and established retailers who realize the need to change, are lacking both technical know-how and talents; whereas for small retail chains and SMEs, they virtually lack everything, with funding as the key setback.

Practical Assistance from the Government

4. In order to help the industry to transform and prevent from aging, we urge the Government to spearhead the set-up of the following:
 - a) A domestic Hong Kong e-platform
 - b) A “Smart Retail Experience Center”

Building a domestic e-platform

5. We reiterate that a domestic Hong Kong e-platform incorporating domestic brands and retailers is critical for transformation as it will help our retailers to regain autonomy over fierce international competitions, retain valuable customer data, and provide retailers with cost-effective services.

Setting up a “Smart Retail Experience Center”

6. Concurrently, we suggest the Government to set up a “Smart Retail Experience Center” or entity alike under the governance of Science Park or Cyberport. As the success of new retail hinges on the growth and synergy of a number of peripheral sectors, it is hoped that the Center can connect stakeholders and fortify joint efforts to drive the retail transformation.
7. In practice, the Centre can promote application of latest technologies on customer fronts, internal operation, process automation, warehousing, etc, and to catalyze interflow among organized retailers, SME retailers, technology providers, innovators, stakeholders, startups and more.
8. Moreover, some process automations should be achieved by the works of the Center, which would help to close part of the manpower gap, though may not be significant at the beginning.
9. We strongly believe that the above-mentioned set-ups and initiatives, together with effective training programs and warehousing/logistics support can encourage many retailers to venture into new e-business model in a guided manner at an affordable cost.

Adopting a holistic approach to uplift the retail industry’s competitiveness

10. We think it is necessary to have a blueprint for retail transformation. To this end, the Association submitted a comprehensive proposal on how to uplift the retail industry’s competitiveness through enhancing technology adoption to Mr. John Tsang, the then Financial Secretary in July 2016. We also submitted it together

with our submissions on the Policy address and Budget in the past two years (*Appendix 2 refers for the proposal*).

II. Re-branding Hong Kong retail industry to attract young talents

Addressing the problem of manpower shortage

11. Manpower shortage has been a long-standing issue which is not only affecting the business results of retailers but also negatively impacting the customer service quality of HK.
12. The import of labour is a quick and effective way to solve the issue for certain labour-intensive retail sectors, which our Association have been advocating for quite some time. Besides this quick fix, in the long run and for the benefits of the entire retail industry, we need to attract local talents to join us.
13. Unfortunately, our traditional retail models impose a dull image on the industry in general. Therefore, it is difficult for us to recruit and retain young talents, which is damaging to our industry in the long run. Moreover, this has been worsening the manpower shortage situation.

Reviewing the Government's supporting funding to the retail industry

14. We are pleased that the Government allocated a funding of HK\$130 million in its 2014-15 Budget to support retail manpower development, including HK\$70 million for the Earn & Learn Pilot Scheme, HK\$10 million on raising the industry's image, and HK\$50 million for launching the Retail Technology Adoption Assistance Scheme.
15. However, the impacts of the overall funding are not as effective as it was originally planned due to a number of unfavorable external factors such as rapidly changing market situation, acute shortage of labour, changing aspirations of youngsters, and rapid advancement of technologies.
16. We think it is time for the Government to review the funding and to re-adjust it to reflect the changing realities of the industry. At the same time, it is necessary to inject additional funding to speed up the retail transformation due to digitalization, and to project a brand new image of retail industry to the young people.

Re-branding the retail industry & rejuvenating talents

17. We believe with the rapid development of new retail business model, the industry can provide an attractive and solid ground for young talents to develop their career.
18. However, we need extra resources from the Government to conduct a lot more consistent marketing initiatives so as to project the industry's new image and its vibrant prospect that can create excitements in the community. This can be done, for example, by engaging young and admirable artists as icons for promotions through various channels.
19. At the same time, we require the Government's support to build and launch a holistic and comprehensive talent development program with effective platforms (e.g. mobile learning) in order to make this re-branding and talent rejuvenation successful.
20. We are also greatly interested to look into retail related training opportunities within the Greater Bay Area, which would certainly enhance the attractiveness of the retail industry to young talents.

III. Reinstating Hong Kong as an international retail hub by hosting the Asia-Pacific Retailers Convention and Exhibition (APRCE) in 2023

21. The Association is one of the 18 member associations of the Federation of Asia-Pacific Retailers Association (FARPA). Established in 1983, the FARPA is the only international organization representing the interest of retailers in the Asia Pacific region (*Appendix 3 refers*).
22. The FAPRA organizes the Asia-Pacific Retailers Convention and Exhibition (APRCE) every two years, of which member associations from different regions are invited to bid as the hosting country/city.
23. In recent years, the APRCE attracts an average some 2,000 visitors from the host country/city and the region. The next event will be held in Chongqing, China in 2019; and Indonesia has recently won the host status for the 2021 event.
24. As the founding member of FAPRA, our Association held once the event back in 1987. To reinstate our Hong Kong's leading status on international front, and to showcase our success in the retail transformation to local and international counterparts, we would like to bid as the host for the 2023 APRCE.

25. It is required that if the Association wishes to bid as the host for the 2023 event, we need to indicate our interest to the FAPRA Secretariat before March 2020, and present our bidding proposal in October 2020 to the FAPRA members.
26. Since hosting the APRCE will not be a frequent and recurring exercise, at least not within a short period of time, our Association is facing practical difficulties including securing suitable venue, financial resource, manpower, and expertise in likewise event management if we wish to bid for the event.
27. Therefore, before we can proceed to the next step, we would like to seek the Government's commitment and support in the following areas in 2019:
- a) To secure prominent venue such as the HK Convention and Exhibition Center for the 2023 event (which is normally held in October);
 - b) To support with financial commitments;
 - c) To help connecting the Association to the Hong Kong Tourism Board, and/or the Hong Kong Trade Development Council in regard to implementation if it deemed as the appropriate approach.

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