

## Hong Kong Retail Management Association Submission on 2018 Policy Address

17 September 2018

### I. Introduction

#### *Enhancing Hong Kong's Economic Development and Competitiveness*

1. It is high on the agenda of this new Government to enhance the economic development and competitiveness of Hong Kong. In face of competition from global and neighbouring economies, Hong Kong is facing increasing challenges in many aspects.
2. As the leading organization representing retail in Hong Kong, the Hong Kong Retail Management Association (HKRMA) would like to submit our views on the challenges affecting the retail industry, as well as suggestions on how Hong Kong can strengthen our position as Asia's world city, reinforce our competitiveness, and further increase the contribution of retail industry to the Hong Kong's economic development.

### II. Changing Retail Landscape

3. The contribution of retail industry is significant to the Hong Kong economy. Retail alone covers more than 64,000 establishments and employs about 7% of total workforce. Together with peripheral industries, such as import and export trade, wholesale, transportation, storage and courier services, the industry creates a total over 1 million job opportunities, representing 25% of total workforce in Hong Kong.
4. In recent years, the acute labour shortage has been damaging the economy to an alarming extent, and erodes rapidly Hong Kong's unique competitiveness as a service hub underscored by quality service in retail, catering and hospitality.

5. According to the survey findings of Hong Kong Tourism Board, the retail service level dropped from 77.9 score in 2010 to 75.9 in 2017. And the top 5 concerns rated by tourists included deteriorating service in retail, catering, and taxi, alongside city congestion and expensive food price.
6. With the fast changing retail landscape triggered by technology revolution, coupled with heightened operation challenges and deteriorating service level, we hope Mrs. Lam, the Chief Executive, would address it with practical support in her forthcoming 2018 Policy Address.

### **III. Alleviate Acute Labour Shortage**

7. Hong Kong retail sales value has been picking up since March 2017 and reached HK\$248 billion in the first half of 2018, registering a growth of 13.4% year-on-year. With steady growth of visitors, and the opening of the Express Rail Link and Hong Kong-Zhuhai-Macao Bridge, Hong Kong's retail industry is expected to see greater growth potential.
8. However, the rapidly shrinking and aging workforce is seriously dampening growth and undermines our competitiveness. The Government's statistics show that, Hong Kong's labor force will reach 3.67 million in 2019, and then decrease to 3.51 million in 2031, and further down to 3.13 million in 2066.
9. High vacancy rate and turnover have been the norms of the retail industry for some years. Currently, vacancy rate of the Association's members across key retail sub-sectors stands at an average of 8-10%.
10. To most retailers, hiring enough staff to maintain daily operation becomes the number one challenge in operation, not to mention finding extra manpower to expand business. Positions with highest vacancy rates include shop front sales, warehousing, logistics, cleaning, and staff for e-commerce development.

#### *Suggestions to alleviate the Problem*

11. The Association welcomes the setup of the Human Resources Planning Commission in 2018, and urges the Commission to come up with a string of practical measures soonest to foster a right mix of human capital and a sustainable pool of employable workers, to addressing immediate as well as long-term needs.
12. The Government has swiftly assisted the construction and elderly home sector to overcome their burning labour needs via the Supplementary Labour Scheme. We suggest, with their successful pilot experience, the Government can relax the Scheme to other industries such as retail.

13. With the opening of the Hong Kong-Zhuhai-Macao Bridge, we suggest the Government may capitalize on this high and efficient connectivity, to allow Mainlanders in the nearby areas with cheaper labour cost such as Huizhou (惠州) to work in Hong Kong on a daily commuting mode.
14. Hong Kong as a regional education hub, we should follow practice like other international cities to allow overseas and Mainland students to work while studying here. In doing so, we can have a readily new pool of workforce, and not lagging behind in the international talent hunt.
15. In particular, the VTC now recruit Mainland students to study at their Hong Kong campuses. They are neither allowed to take up internship nor to work. The Government may relax these restrictions as these students are more vocationally oriented and with high employability.

#### **IV. Drive Retail Innovation and Technology**

16. Majority of the Hong Kong retailers are brick-and-mortar operators. They are lagging very much behind its mainland and international counterparts in the e-commerce and omni-channel retailing development.

##### *Pledge for Government's Embracing Policy Support*

17. Hong Kong retailers especially the SMEs are facing enormous competitions from international giant e-platforms, which are in many ways well facilitated by respective governments. To make up for the technology gap, instead of a piece-meal funding approach, we suggest the Government to set up a cross-bureau taskforce to devise focused support to retailers orchestrated by a well devised policy.

##### *Build a Domestic Hong Kong e-platform*

18. At present, many Hong Kong retailers expand business into the mainland and overseas via the giant e-platforms such as Tmall, Taobao and JD.com. However, many SMEs find it extremely costly to sustain their business on these platforms and competition is very fierce. They find most damaging is that they have no autonomy over their valuable customer data; virtually they are losing customers to these platforms.
19. Hong Kong brands have built up a longstanding reputation and are appealing to overseas and Mainland customers. We urge the Government to facilitate building up a domestic Hong Kong e-platform incorporating HK brands and retailers.

20. We suggest this e-platform to be operated by an impartial third party such as the Hong Kong Trade Development Council (HKTDC) since its mandate is to promote international trade. With its well established e-platform and expertise in managing massive data on international sellers and buyers, we trust it can assist retailers to do international business in a fairer, less expensive, and more autonomous manner. And retailers can enjoy access to big data concerning their customers at an affordable fee.

*Set Up a “Smart Retail Experience Centre” to Promote New Technology for Omni-channel Retailing*

21. Under the new retail era, creating unique customer experience via omni-channels empowered by technology, social media, logistics, big data analytics is the key for retailers’ survival. However, the brick-and-mortar retailers are lacking resources, talents and knowledge to develop a new business model.
22. We suggest the Government to provide financial support to set up a “Smart Retail Experience Centre” in Science Park or Cyberport with a view to promulgate new and innovative technology adoption amongst retailers at an affordable cost.
23. Apart from showcasing the latest technology, and/or inviting service vendors to exhibit their products/services regularly, the Centre can serve as an idea and talent exchange platform through various activities such as business matching, education programs, sharing of best practices, TED talks, and alike to catalyze mindset change and build connection among players along the supply chain of e-tailing.
24. The Centre can facilitate enterprises to develop affordable solutions that enabling mass deployment among retailers, in particular the SMEs. At the same time, with the Government’s persistent support for start-ups, there are already many innovative retail technologies/ devices in the market, but lacking effective platforms to match them with retailers. The Centre can assist these start-up companies to work with retailers.
25. The Centre can also synergize with the Government’s policy on Innovation & Technology (I&T) development and achieve a win-win for start-ups, retailers, R&D, and technology enterprises.

*Uplift Competitiveness of SME Retailers with One-stop Funding Solution*

26. We appreciate the Government’s effort in supporting the SMEs including the retailers by offering more than 30 funding schemes. Apparently, each of these schemes usually serves a single objective, for example, the Retail Technology Adoption Assistance Scheme for Manpower Demand (ReTAAS) was set up with the sole purpose to enhance manpower efficiency with retail technology.

27. It is cumbersome and time consuming for SME retailers to apply several funding schemes in order to have extra financial outlays to achieve specific purposes. We suggest the Government to set up a single multi-purpose funding scheme for retailers to maximize the effectiveness and benefits that can bring to the retailers.
28. With a simplified application procedure, this multi-purpose funding scheme can cover assistance to a wider spectrum of retailers' needs, such as initial works on migration from offline to online (or vice versa), building omni-channels, marketing and promotion, big data tracking, supply chain and logistics management.

#### *Develop Warehousing and Provide Support to Logistics Development*

29. Hong Kong faces severe shortage of warehousing space, which hinders e-tailing development. The Government may expedite feasibility of establishing warehousing zones in nearby mainland areas by providing co-location of boundary crossing facilities.
30. Another challenge for retailers, in particular for SMEs to develop e-business is the high logistics cost. The Government may take the lead to optimize the delivery service and cost of the HongKong Post, and to provide special and affordable package to SMEs.

## **V. Strengthen Retail Talent Development**

31. The Government must take a forceful approach to build a diverse pool of talents for a balanced and sustainable economic development. In the context of retail, we require the education system to take note of the fact that the industry has transformed rapidly into a very sophisticated, advanced and mature one. It now offers promising career prospect for young people, and the education institutes should provide the right talent match for the job market.

#### *Promote Technical and Vocational Education*

32. Alongside the promotion of career opportunities in innovation, technology, finance and high-end service industries, the Government should strengthen promotion of technical and vocational occupations to young people, such as retail that calls for practical hands-on experience and requires certain period of apprenticeship.

### *Develop E-Commerce Practitioners*

33. As reflected by the IMD World Digital Competiveness Ranking 2018, Hong Kong's talent on digital development is on the drop. In fact, our development in e-commerce trading is severely impeded by shortage of home-grown practitioners at all levels.
34. We call for the Government's coordination to speed up the education and training of e-commerce practitioners through formal education as well as other in-service training channels.

### *Groom Retail Talent in Collaboration with Cities in the Greater Bay Area*

35. The Government can facilitate on-job training and exchange of students and employees with collaborative partners in cities of the Greater Bay Area. This would help groom a bigger pool of talents, enhance the overall service standard, and build a good foundation for GBA as an international tourist hub.

## **VI. Conclusions**

36. With paradigm shift to new retail, we believe retail industry will play an even greater role in the enhancement of Hong Kong's economic development and competitiveness in the years to come.
37. To capture the enormous business opportunities as well to fend off competitions amidst rapid changes, we urge the Government to render policy support to the retail industry in the following 3 areas:
  - a. On alleviating labour shortage:
    - i. come up a master plan on human capital development with practical measures by the Human Resources Planning Commission;
    - ii. allow the retail industry to enjoy relaxation clauses under the Supplementary Labour Scheme alike the construction and elderly home sector;
    - iii. facilitate the Mainlanders in the nearby areas to work in Hong Kong by commuting via the Hong Kong-Zhuhai-Macao Bridge on a daily basis;
    - iv. allow overseas and Mainland students in Hong Kong to work locally;

- v. capitalize on the existing pool of Mainland students of VTC who are vocationally oriented with high employability.
- b. On retail innovation and technology:
    - i. support with a well devised policy empowered by a cross-bureau taskforce;
    - ii. build a domestic Hong Kong e-platform helping retailers to leverage a greater pool of customer data at affordable price;
    - iii. set up a “Smart Retail Experience Centre” to promote new technology for omni-channel retailing, and encourage interflow among players; and
    - iv. develop warehousing and foster logistics development to lower current high cost.
  - c. On retail talent development:
    - i. adopt retail as one of the key industries with promising career prospect into the current education curriculum;
    - ii. speed up education and training of e-commerce practitioners via formal education and in-service training channels;
    - iii. groom talent in collaboration with partners in the Greater Bay Area.

-END-