

**Hong Kong Retail Management Association  
Submission on 2021 Policy Address Consultation**

**Executive Summary**

**16 August 2021**

**I. Introduction**

1. The Hong Kong retail industry has been in recession for more than two years by now. The Association would like to provide an update on the retail market outlook and to present recommendations to the Chief Executive for the 2021 Policy Address.

**II. The Retail Market Outlook Remains Pessimistic**

2. The total Retail Sales Value (RSV) for the first half of 2021 increased by 8.4% year-on-year primarily due to the extremely low base in 2020. When comparing to a normal first half of 2019, the RSV registered a decline of 28% or even 30% against that of 2018.
3. For the whole year of 2021, the Association expects the RSV will only register a mid-to-high single-digit growth, representing virtually a decline of about 30% from a normal year of 2018.

**III. Recommendations: Near-term Measures**

**A. Implementing a Safe and Progressive Approach to Reopen Borders**

4. The Government should strive for the reopening of borders in a safe and progressive approach as early as possible, especially with the Mainland. The return of visitors should be prioritized by nature, with business visitors as a priority batch.

**B. Considering the Re-launch of Electronic Consumption Voucher (ECV) Scheme in 2022**

5. With a gloomy retail outlook in 2021, we urge for a re-launch of the ECV Scheme with refinements on the benefitting sectors, such as whether or not to include the transport sector.
6. The Government should improve the application of e-payment gateways, such as (a) enhancing customer service performance; (b) shortening the settlement period of Stored Value Facility; and (c) reducing the commission fee, especially for Octopus.

**C. Preventing a Rapid Surge in Retail Rental when Borders Reopen**

7. The industry anticipates that even with the return of visitors, the retail sales situation will not resume to the pre-pandemic level. The Government should ensure that the landlords would not

increase rents at an unreasonable rate once the borders reopen, so as to prevent another wave of shop closures.

#### **IV. Recommendations: Mid-to-longer-term Measures**

##### **A. Rebuilding Confidence amongst Hong Kong People**

8. The Government should step up its effort to rebuild the confidence of HK people on all fronts, and to inject more positivity and hope into the society, especially to young people.

##### **B. Bringing HK Retailers to the GBA to Benefiting from the Central Government's "Dual Circulation Policy"**

###### Orchestrating Policy Support to Retailers

9. The Government should set up a high-level industry task force including representatives from leading retail associations to assist HK retailers to capture the vast opportunities under the Central Government's top initiative of "Dual Circulation Policy".

###### Developing the GBA Market as Top Priority

10. The Government should devise fast track policy to support HK retailers' early market entry into the GBA, including the provision of subsidies, tax concessions, funding schemes, and inducements to operators to improve logistic efficiency between HK and the Mainland.
11. The HKTDC should target retail as a top priority industry under its "GoGBA" platform, providing multi-faceted support to retailers.

###### Facilitating a Setup of Online Business Platform to Serve Mainland Customers Under "Individual Visit Scheme" (IVS)

12. Given the current zero inbound tourism and the rapid rise of online commerce, it is vital for HK retailers to be able to capture the spending of Mainland visitors via virtual business platforms.
13. The Government should adopt a holistic approach to (a) support HK retailers to expand their markets, initially targeting visitors under the IVS; and (b) organize a Government-led online cross-border shopping festival(s)/related exhibitions to showcase HK merchandise.

###### Leveraging the Duty-free Shopping Hub Recently set up in Major Mainland Cities

14. The Government should expedite if HK retailers could participate in the development of the duty-free hubs of the international consumption center cities (國際消費中心城市) earmarked by the Central Government recently.
15. Concurrently, the Government should provide measures to fend off potential competitions from these cities, including:
  - a) Improve easy-to-buy infrastructure in HK.

- b) Speed up visa application process for the Mainlanders.
- c) Lobby the Central Government to increase the personal duty-free amount to match with that of other duty-free cities like Hainan.
- d) Promote HK as a unique international city and shopping hub to the Mainlanders.

#### Promoting Hong Kong Branding in the Mainland

- 16. The Government should reinforce the promotion of HK on all fronts in order to improve HK's eroding image, and to support HK retailers to develop more quality and experiential driven shopping experiences.
- 17. To promote HK as a comprehensive tourist and business destination, the HK Tourism Board and the HKTDC should escalate their promotion efforts to enhance HK Branding in the Mainland and overseas.

### **C. Rendering Support to Speed up New Retail Development**

#### Capitalizing on the Rapid Growth of Online Retailing

- 18. The Government should support HK retail industry to capitalize on the rapid growth of online retailing and to speed up the industry's online transformation.

#### Establishing a Designated Government Setup to Support the Retail Industry

- 19. The HK retail industry is a key pillar of the economy, but there is no specific department within the Government that looks after its development. The Government should designate a specific bureau, or set up a cross-departmental unit to oversee the retail industry.

#### Speeding up Technology Adoption

- 20. The Government should facilitate retail technology adoption and digitalization through nurturing a new retail ecosystem with practical solutions to address retailers' pain points.
- 21. The Government should leverage the retail industry as a powerhouse in HK's development into a smart city, exemplifying latest technology adoption, such as 5G, AI, robotics, big data, etc.
- 22. The Government should introduce a one-stop funding solution for SME retailers.

#### Nurturing New Retail Talent

- 23. The Government should project digital talents required in the next 10 years including retail, and render support to enhance the retail industry image as a prospering profession, so as to attract new blood while equipping in-service practitioners with new technologies and skill sets.

#### Setting up Logistics Industrial Park

- 24. The Government should allocate land to set up a Logistics Industrial Park, which would enable retailers to establish supply chain in a cost-effective manner.

**D. Building Hong Kong as a Retail Management Education Hub in the GBA**

25. The Government should ride on the industry's capability in offering world-class quality talent management and spearhead the following developments:
- a) To facilitate retail Qualifications Framework (QF) to be promoted in the GBA.
  - b) To enable HK education providers to set up campus in GBA with retail management as a key discipline.
  - c) To facilitate the interflow of retail talents between Hong Kong and GBA.
  - d) To promote HK's signature retail recognition schemes and award programmes to the counterparts in GBA.

**E. Introducing a Legal Framework to Rectify Hong Kong's Distorted Retail Rental Market**

26. The Government has the responsibility to rectify the distorted retail rental market, so as to improve the unduly high operating cost and to stabilize the labour market, which will enhance HK's overall competitiveness.
27. The Government should work on a legal framework to provide commercial tenants with due and reasonable protection.

**V. Conclusion**

28. The Association urges the Government to implement more focused measures to assist the retail industry and its members are committed to render full support to the Government to revive the economy and rebuild hope and confidence in Hong Kong.

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