



Impact of COVID-19 on Hong Kong Consumers' Behaviours

November 2020



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Overview



Consumers in Hong Kong have become more savvy and selective when making financial decisions



Consumers are experiencing economic constraints and are prioritising value for money

The financial position of consumers in Hong Kong has been negatively impacted by COVID-19. On average, **41 percent¹ of survey respondents in Hong Kong admit that they are being more selective in their purchases** and expect this to continue in the mid-term.

According to our analysis, consumers in Hong Kong have significantly reduced their spending in luxury and non-essential goods and have re-allocated this spending to day-to-day essentials such as groceries.



Consumers are becoming more digitally savvy and value the ease with which they can interact with organisations through digital channels

Consumers in Hong Kong are increasing the use of digital platforms to purchase goods. We have noted that **consumers value a good digital experience and are spending more with companies that provide this experience**. In addition, consumers have shifted their preferred payment methods to those that offer better rewards for online spending.



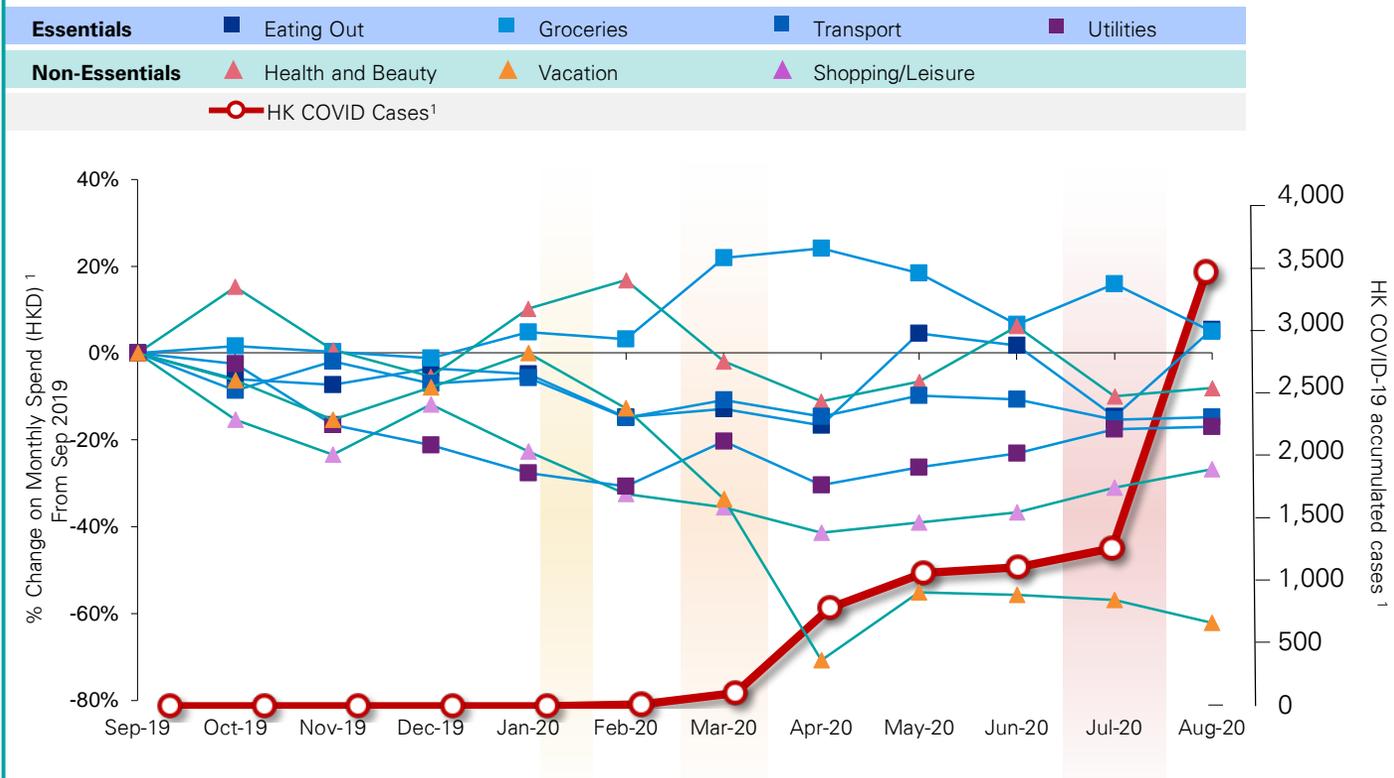
Trust is key and consumers are willing to spend with brands that are aligned with their values and priorities

Trust in a brand has become a key experience driver for consumers. In light of COVID-19, companies that are empathetic to their consumers' priorities (i.e. personal safety) in addition to delivering a consistently positive experience have experienced increased loyalty. **Consumers have demonstrated strong preferences to organisations they trust to be able to provide consistent high-quality experiences** during these challenging times.

Source: ¹ Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020; Q: To what degree do you feel your spending behavior has changed since the start of the COVID-19 situation?

Our analysis of transactional data reveals how the Hong Kong consumers' spending behaviour has changed

Consumer spending in non-essential goods has dropped as a consequence of COVID-19.



As a result of COVID-19, consumers in Hong Kong have changed their spending behaviour. Our analysis of spending data² since September 2019 indicates the following:

- Consumers have focused their spending on essential products such as groceries.
- There has been a significant drop in non-essential products as consumers continue to postpone big purchases.
- We have observed indications of “COVID-fatigue” as evidenced through a slight recovery in non-essentials spending after the Second Wave.

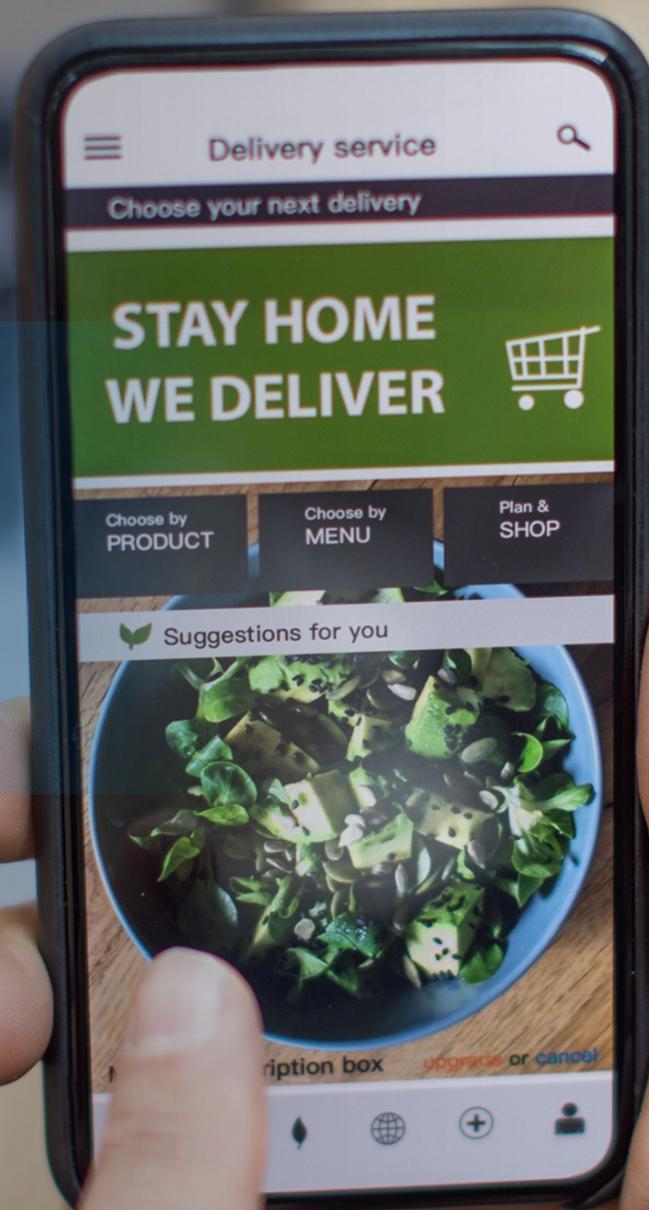
Source:
¹ Hong Kong Department of Health
² gini Transactional Data 2019-2020

First Wave (25/1)

Second Wave (15/3)

Third Wave (05/7)

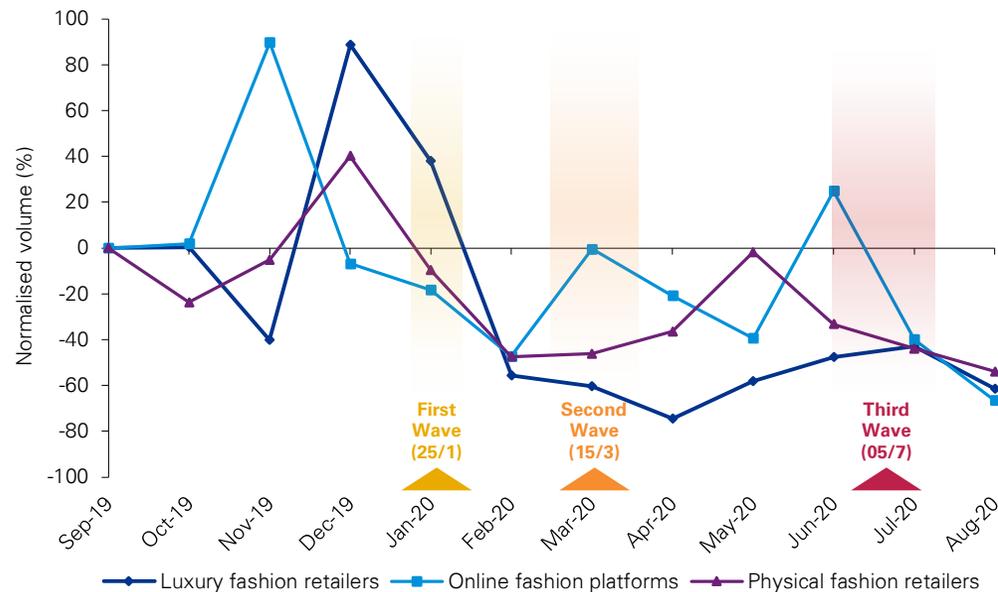
Key findings – Retail



Key findings – Retail

As consumers spend less on luxury, value for money has become a key purchase driver

Luxury retailers have yet to recover from the impact of COVID-19.



Source: gini Transactional Data 2019-2020

- Since the first wave of COVID-19 in late January 2020, we observed a drop in consumers' spending in non-essential products such as luxury retail products.
- Luxury fashion retail sales have remained significantly lower compared to September 2019, while non-luxury fashion retailers are faring slightly better.

Value for money, the ease of the shopping experience and product quality have become key purchase drivers.



Non-grocery retail purchase drivers

69%

Ease of buying

68%

Value for money

61%

Quality of product



Top non-grocery retail initiatives

66%

Free delivery & collection

57%

Social distancing & hygiene measures

51%

Special offers & discounts



Grocery purchase drivers

69%

Ease of buying

60%

Value for money

56%

Quality of product



Top grocery initiatives

59%

Social distancing & hygiene measures

50%

Special offers & discounts

48%

Free delivery & collection

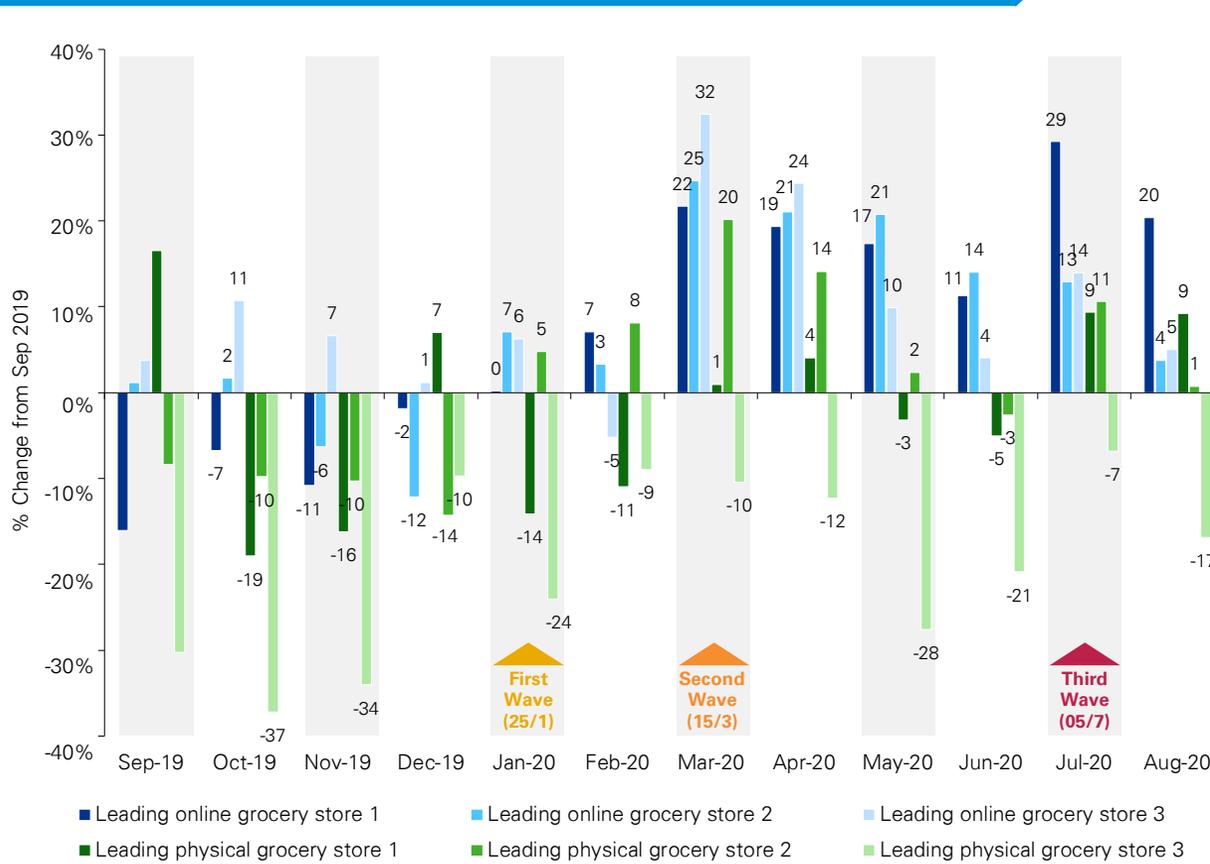
- Consumers in Hong Kong value free delivery, special offers and discounts, as household spending has tightened.

Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020; Q: Thinking about you as a customer, what type of things do you think grocery / non-grocery retailers should be focusing on now, as a result of COVID-19?

Key findings – Retail

Consumers have accelerated their use of online channels for retail purchases

Grocery retailers that provide strong online experiences have captured market share while physical-only retailers are clearly losing out.



Source: gini Transactional Data 2019-2020

Online shopping for groceries and non-grocery retail has increased.

73%  of consumers have used online channels as frequently or more often than before to buy groceries

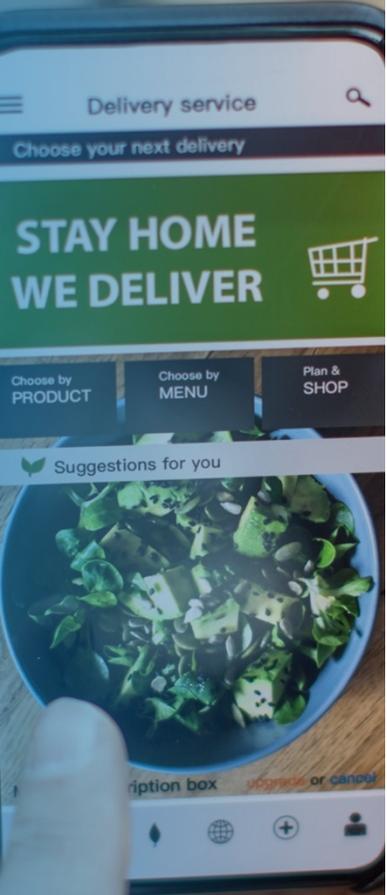
84%  are likely to continue using online channels to buy groceries in the future

75%  of consumers have used online channels as frequently or more often than before to buy non-grocery retail

97%  of those likely to continue using online channels to buy non-grocery retail in the future

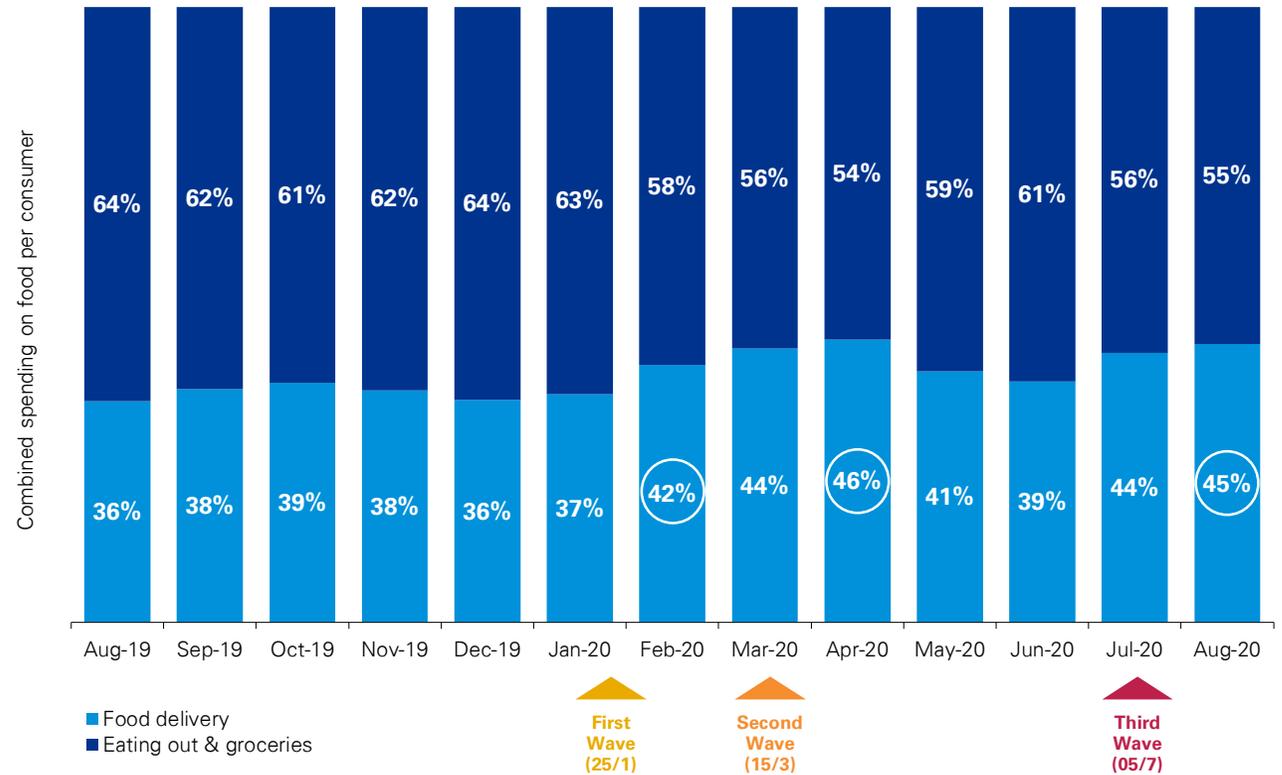
Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020; Q: How have your shopping habits with grocery retailers/non-grocery retailers changed during COVID-19? And how likely it is that you will continue using these methods in the future, once all restrictions are lifted?

Consumers continue to show a willingness to spend with brands and experiences they trust



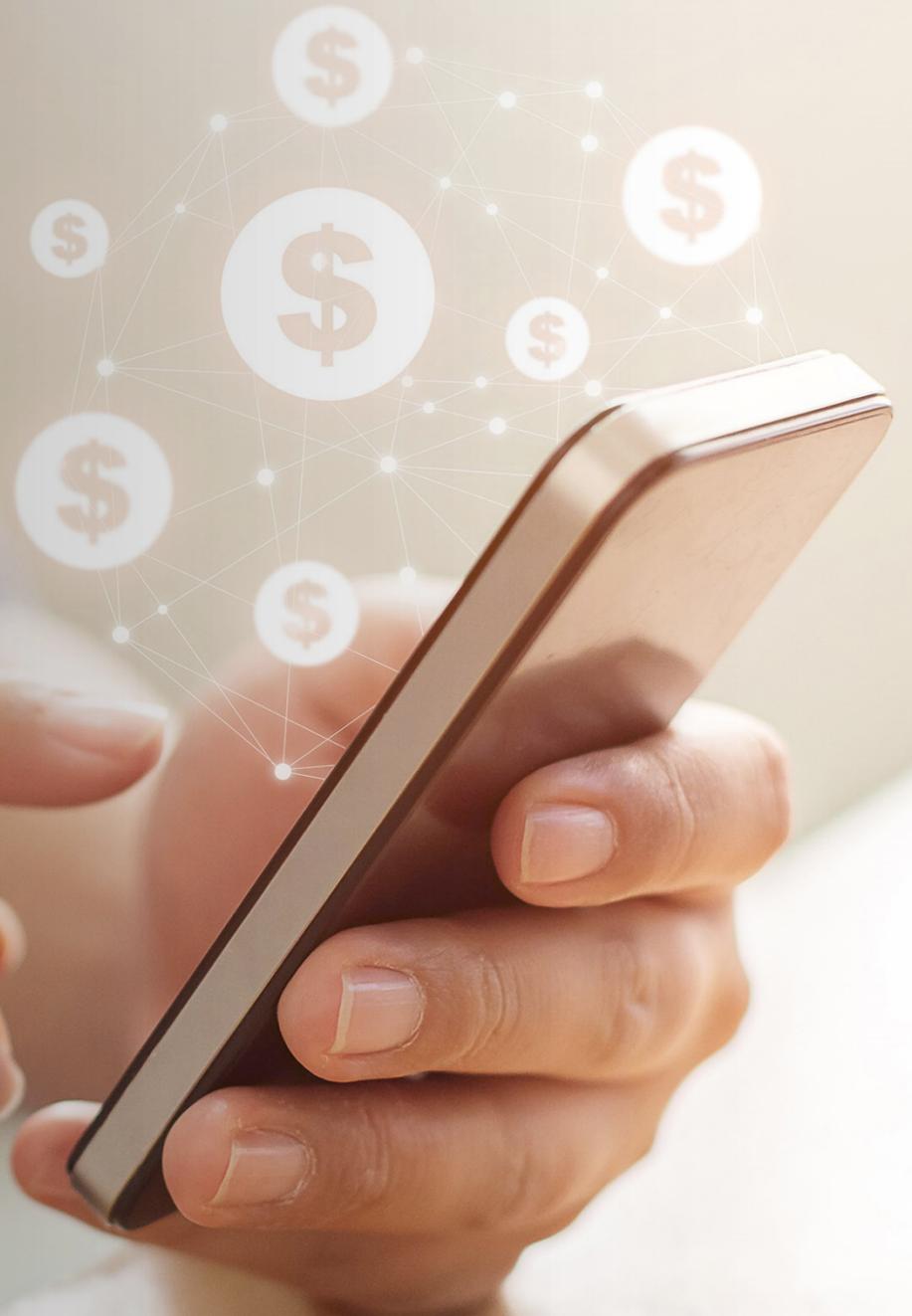
- Online food delivery services have built up a strong foundation of loyal consumers during this period. These organisations have consistently delivered high quality experiences aligned with their brand promise of providing food in a fast, convenient, and safe (via social distancing) manner.
- These organisations are now evolving and expanding their services to other areas such as grocery delivery as they build on the trust and loyalty they have established with consumers.

Food delivery companies have been able to grab and maintain a share of customers' wallet by delivering consistent and trustworthy services.



Source: gini Transactional Data 2019-2020

Key findings - Financial Services



In Financial Services, the Hong Kong consumer places importance on the value, quality and experiences of the products and services they receive



- Consistent with overall consumer trends, value for money, quality of products and services, trust and a great customer experience are most important to consumers.
- Financial Services organisations will need to continuously deliver in these areas to capture and retain leading positions.
- Although “value for money” in Financial Services is not as tangible to end consumers compared to retailers, leading organisations are becoming more creative in communicating this value to their clients.
- By leveraging strong partnerships, leading organisations remain relevant to the end consumer by providing value through an ecosystem with multiple engagement points in the overall client journeys.



Banking

Quality of product, personal safety, trust and consumer experience are important for consumers purchasing banking products.

49% 
Quality of products and services

45% 
Customer experience

45% 
Personal safety

44% 
Trust in the brand



Insurance

Value for money, trust, consumer experience and quality of products are key drivers for consumers buying insurance products.

57% 
Value for money

55% 
Quality of products and services

44% 
Trust in the brand

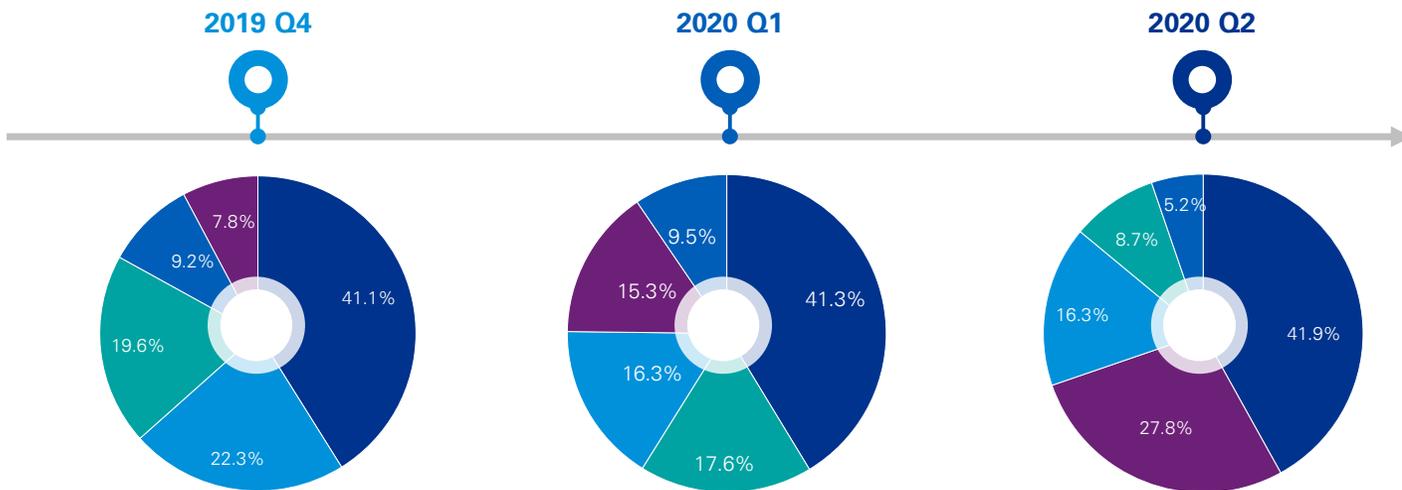
43% 
Customer experience

Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020
Q: Which of the following is important to you now when buying a product or service?

Consumers in Hong Kong are showing preferences for payment options that award their online shopping behaviours

Consumers have shown increasing appetite for cards with generous cash rebates, particularly on online spending, beating those offering travel loyalty benefits.

- Leading Card 1 with reward cash rebate
- Leading Card 2 with travel loyalty rewards
- Leading Card 3 with loyalty reward
- Leading Card 4 with travel loyalty rewards
- Leading Card 5 with additional "online" reward cash rebate



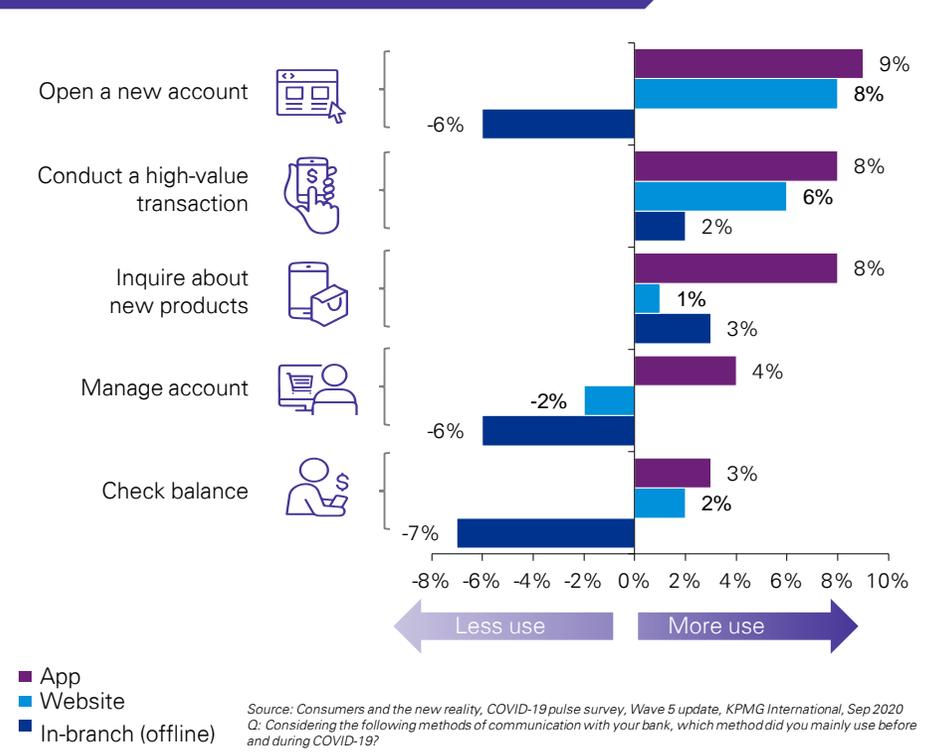
Source: gini Transactional Data 2019-2020

- Hong Kong credit card usage trends show that the new realities of online shopping has also impacted consumers' decisions on their payment preferences.
- Credit cards that have been marketed as providing more rewards for online purchases have overtaken cards that provide less valued rewards due to the current situation (i.e. travel).
- We expect this trend to continue as leading Financial Services have accelerated their partnerships with many online retailers and food delivery companies.

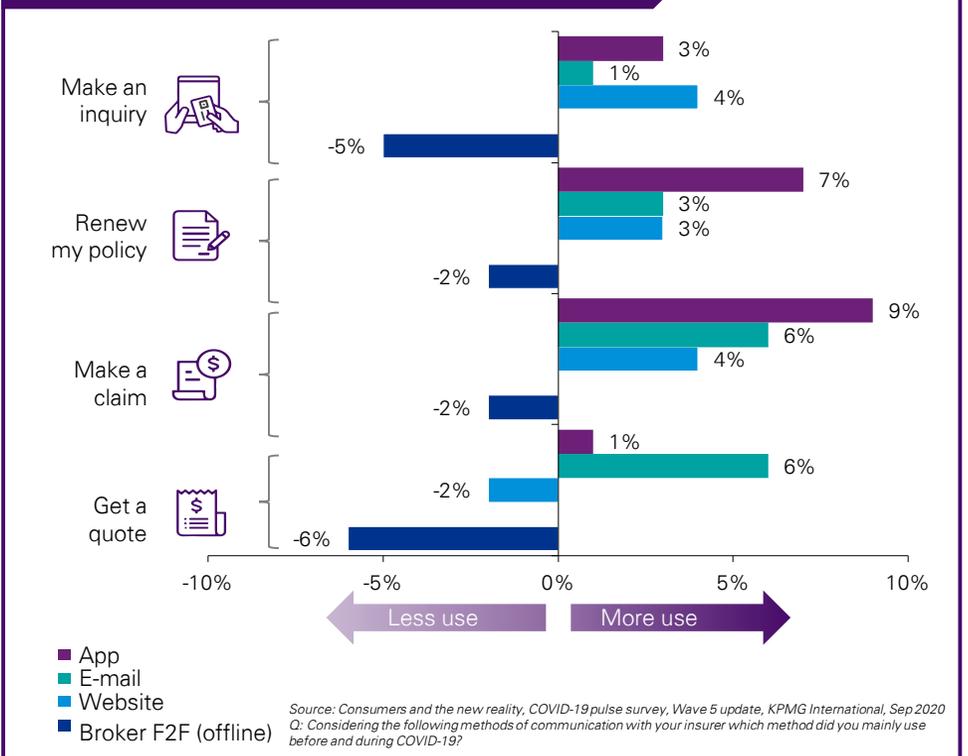
Consumers expect banks and insurers to deliver enhanced digital experiences

Leading financial services organisations are providing enhanced digital experiences to their consumers. Consumers are expected to continue the increased usage of digital channels for standard activities. As a result, leading organisations are taking this opportunity of increased consumer digital engagement to focus on providing improved personalised, digitally enabled and efficient experiences.

Banking consumers in Hong Kong are expected to continue using digital channels for standard daily activities.



Insurance consumers in Hong Kong are also expected to continue to engage through digital channels.



Consumers place a high level of trust in banks and expect banks to be digitally secure

As consumers in Hong Kong expect an increased level of digital engagement and experiences with their banks, there is a need for banks to continue to maintain the highest levels of cybersecurity. From our survey, consumers want banks to focus on digital security first, and this underpins their trust in the organization.

Areas of greatest importance to the consumers' digital experience



Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020
Q: Many banks aim to provide their customers with a tailored offering and service online. Which of the following are most important to you, when interacting with banks online?

Areas where banks should focus on to continue providing a great digital experience.



Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020
% shows top mentions. Q: Thinking about as a customer, what type of things do you think that banks should be focusing on now, as a result of COVID-19?

Key focus areas



Organisations need to rethink their value propositions to adapt to changing behaviour and continue focusing on enhancing digital experiences



Consumers are experiencing economic constraints and are prioritising value for money

Organisations will need to:

- Consider and enhance its offerings to remain relevant to the consumer and their changing behaviour
- Provide consumers with value in every touchpoint in the end-to-end customer journey
- Partner with others in the eco-system to further strengthen the value of the overall experience for the consumer



Consumers are becoming more digitally savvy and value the ease with which they can interact with organisations through digital channels

Organisations will need to:

- Move beyond basic digital experiences and functionalities to meet increasing consumer expectations
- Ensure consistent and customer-focused messaging across digital and traditional channels
- Understand the changing digital customer journey and proactively invest for the future consumer



Trust is key and consumers are willing to spend with brands that are aligned with their values and priorities

Organisations will need to:

- Understand their consumers' priorities and continue to focus on the areas that have established trust in the brand
- Translate brand values into the consumer experience
- Continue to prioritise digital security and protection of the consumers' data with the expectation that online transactions and activities will continue to increase

Methodology overview



Methodology overview



We have conducted consumer research to better understand the impact of COVID-19 in Hong Kong consumers' changing spending behaviours to enhance customer experiences across a number of different sectors.

Consumer behaviour data (customer needs and expectations during COVID-19, purchase drivers, channels interaction and trust).



Survey participants

12,334 consumers globally; representative sample of **1,000 in Hong Kong**, across four sectors (grocery, non-grocery, banks and insurance)



Dates

May – September 2020



Collection method

Online-based questionnaire to track customer trends



Participating territories

Canada, US, Brazil, France, Germany, Italy, Spain, UK, Mainland China, Hong Kong (S.A.R), Japan and Australia

Transactional data

Time period segmentation:

From September 2019 to August 2020

Sample size:

~8.000 consumers

Age break-down

- 18-25 – 34%
- 20-25 – 30%
- 30-35 – 17%
- 35-45 – 15%
- 45-60 – 4%

Data anonymised

Let's get in touch!

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