

# 2022 Risk Radar: Consumer Markets Sector

February 2022

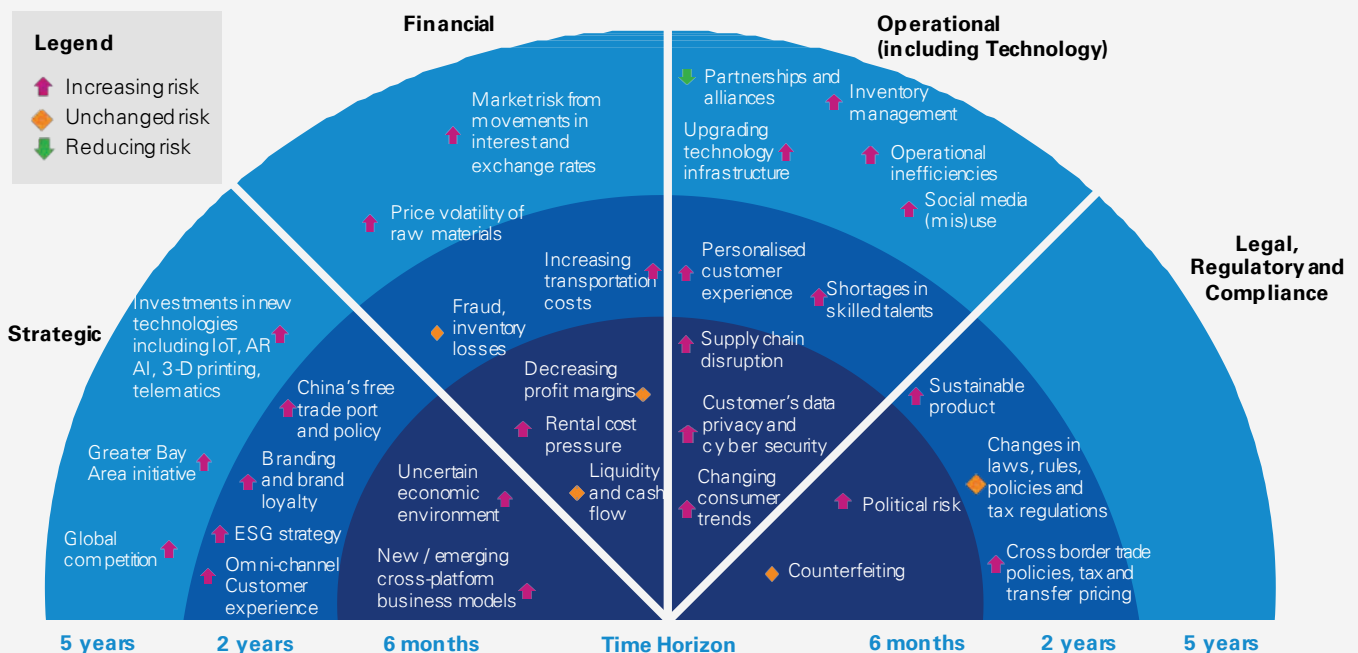


As the global economy recovered in 2021, Hong Kong's total retail sales value rose 8.1 percent compared to the previous year. However, with the rapid spread of the highly transmissible Omicron variant of COVID-19 since January 2022, the retail sector is poised to take another heavy hit in the first half of 2022, with anticipated declines in retail sales footfall and volume. Pandemic-accelerated consumer shifts towards e-commerce and mobile/digital payments have continued, with the HKSAR Government's consumption voucher scheme boosting adoption. In addition, in light of the significant amount of waste generated by the e-commerce industry as well as the global threat of climate change, consumers are increasingly expecting companies to adopt more sustainable business practices and take steps to improve their environmental, social and governance (ESG) impact.



## Key trends observed in the market impacting the industry in Hong Kong:

- The pandemic accelerated the migration of consumers from physical stores to digital retail channels that provide an integrated offline-to-online (O2O) experience. This trend appears to be sticking for the long term as many new online shoppers are not returning to physical stores;
- Companies are implementing Greater Bay Area strategies to achieve regional growth in the area, however most often only for front-office functions, e.g. sales and marketing, and communications;
- Companies are actively incorporating ESG requirements into their business strategies, products, value chain partners; and
- Retailers are engaging Key Opinion Leaders (KOLs), especially those who have a sense of connection with the brand and actually use the products, to endorse the products and attract young potential customers.



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