

2021 Risk Radar: Consumer Markets Sector

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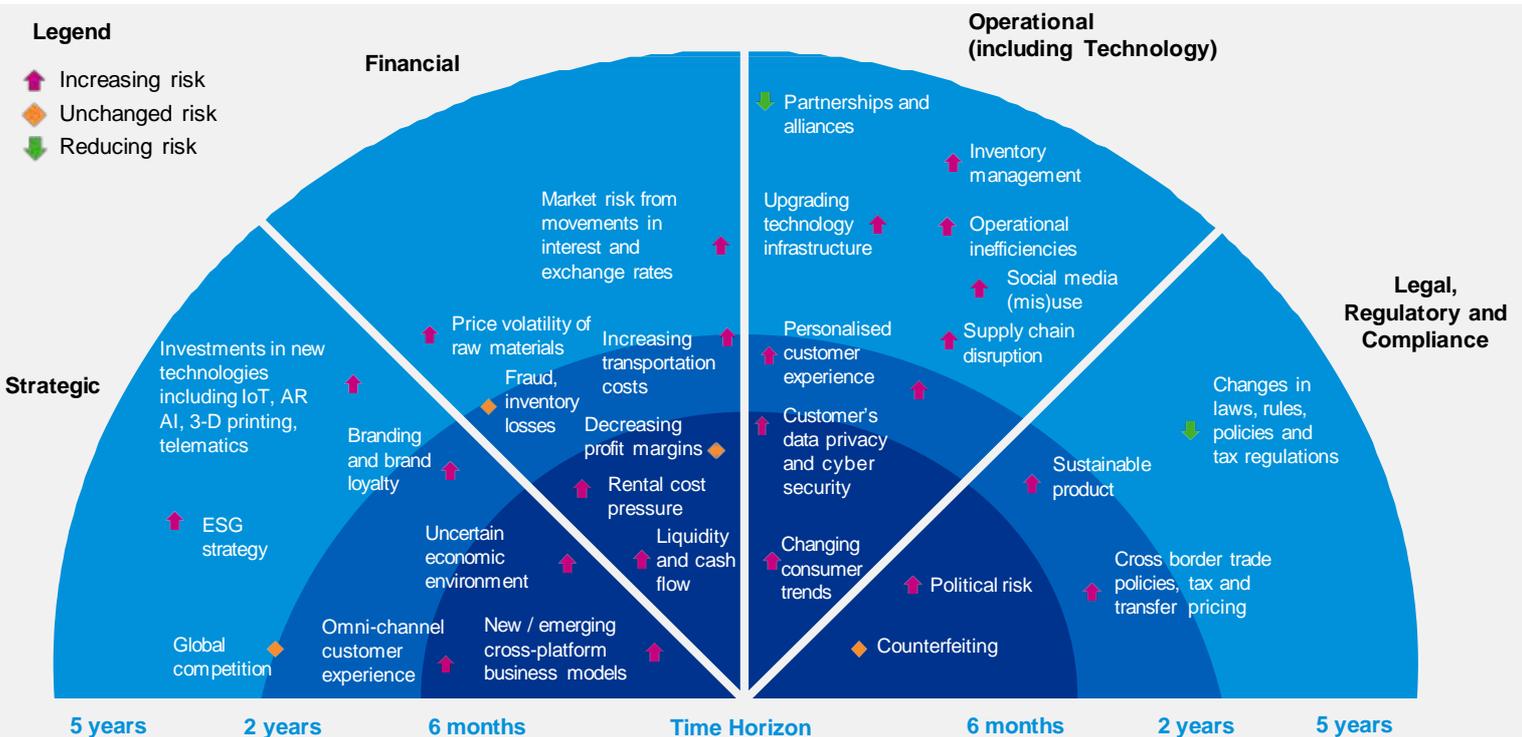


The Hong Kong market has seen particularly strong disruption as consumers have accelerated their use of online shopping due to COVID-19 pandemic control measures and related travel restrictions. As a result of this digital shift, in-store retailing has been particularly affected. Companies in this market, both existing and new entrants, must expect to compete in a dynamic and fast-paced cross-border environment. In the future, the word 'retail' may likely become redundant, to be replaced by 'consumer commerce'.



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

- Slowdown of the economy due to the COVID-19 outbreak is affecting the retail outlook and consumption demand;
- Store-based retailing has already passed its zenith. The pandemic has put additional pressure on non-digital business models;
- Consumers are increasingly concerned about the sustainability of brands. ESG factors are becoming one of the key factors customers are considering when making purchases. Hence, many companies are defining ESG strategies and applying ESG practices to their business models;
- Increased focus on tailoring products and services to deliver a seamless customer-centric experience; and
- Emergence of new business models with technologically innovative means to reach and capture customers. Increased levels of digital engagement and experiences require the retailers to maintain the highest level of cybersecurity, which in turn meeting the safety needs of customers.



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