

Workforce talent a key challenge for Hong Kong retailers to win over customers and transform industry, KPMG and HKRMA analysis finds

Wider adoption of technology and targeted staff training needed for competitive edge

22 July 2019

A shortage of workers and a high staff turnover rate are among the major challenges Hong Kong retailers face in an industry in need of transforming to win over customers and prospective talent, KPMG and the Hong Kong Retail Management Association (HKRMA) find in their new report.

Those challenges, both linked to manpower issues, trailed only high rent (79 percent) as the biggest hurdle cited in a survey of 281 retailers with operations based in the city. KPMG and the HKRMA jointly conducted the survey earlier this year, culminating in the report *Minding the Retail Gap: Hong Kong's talent challenges and future strategies*.

"The retail industry is a pillar of Hong Kong's economy, and its workforce is vital to its continued success," explains Alice Yip, Partner and Head of Consumer and Industrial Markets for Hong Kong at KPMG China. "Retaining those who work in retail and making the industry more attractive to prospective employees are high priorities."

A majority of surveyed industry leaders expect the undersupply of talent to lead in the next two years to lower customer service quality, slower or negative sales growth, and diminished staff morale and productivity. Each of the three effects is anticipated by more than half of all respondents.

The most difficult roles to hire for are front-line customer service staff and retail salespersons, at 72 percent each. They were followed by technicians supporting retail technologies/digitalisation/e-commerce (64 percent) and supervisors or managerial grade staff (63 percent). Retailers also recognise they need a technologically savvy workforce to lure customers and prospective talent.

Annie Yau Tse, Chairman of the Hong Kong Retail Management Association, says: "The new era of retail enabled by the latest technologies is essential not only to customer experience but also to Millennials setting their sights on careers in the industry."

Customer service in Hong Kong was rated by survey respondents and focus group participants as comparable to two years ago and showing room for improvement.



However, if the retail manpower shortage persists or worsens, customer service could suffer, affecting Hong Kong's image as a shopping destination compared to other cities. The lack of talent could also frustrate the industry's ability to transform technologically, further hindering its competitiveness regionally and globally.

Anson Bailey, Partner, Head of Consumer and Retail for Asia-Pacific and Head of Technology for Hong Kong at KPMG China, says: "The next generation of talent in Hong Kong needs to be nurtured, and we need to up-skill at all levels. If traditional businesses stand still, they are finished."

Those surveyed singled out reinforcing staff training as the top strategy they would consider in the next two years, at 64 percent. That was followed by providing higher staff incentives (57 percent), adopting technology-enabled service/automation (53 percent), highlighting career possibilities associated with their brand (52 percent), and hiring more mature or older staff (52 percent).

The Greater Bay Area initiative represents a significant source of opportunity for retailers. Despite opinions about the vast economic development plan being mixed, industry leaders expressed optimism it could help address Hong Kong's talent challenges.

Prospective customers should also be cultivated in light of the GBA, says Tse. "The bulk of visitors to Hong Kong are Millennials from mainland China. Most of these people are tech savvy, so embracing technology will be vital to meeting the wishes of shoppers from across the GBA," she notes.

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About KPMG China

KPMG member firms and its affiliates operating in Mainland China, Hong Kong and Macau are collectively referred to as "KPMG China".

KPMG China is based in 22 offices across 20 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 153 countries and territories and have 207,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG was also the first among the Big Four



in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG's appointment for multi-disciplinary services (including audit, tax and advisory) by some of China's most prestigious companies.

About HKRMA

The Hong Kong Retail Management Association (HKRMA) was founded in 1983 by a group of visionary retailers with a long-term mission to promote Hong Kong's retail industry and to present a unified voice on issues that affect all retailers.

HKRMA has been playing a vital role in representing the trade, and raising the status and professionalism of retailing through awards, education and training.

As the leading retail association with membership covering more than 8,000 retail outlets and employing over half of the local retail workforce, HKRMA is one of the founding members of the Federation of Asia-Pacific Retailers Associations (FAPRA) and is the only representing organisation from Hong Kong. FAPRA members cover 17 Asia-Pacific countries and regions.

Media contact:

Nina Mehra
External Communications, KPMG China
Direct: +852 2140 2824
Email: nina.mehra@kpmg.com

Linda Pui / Jimmy Chan
Citigate Dewe Rogerson
Direct: +852 3103 0118/+852 3103 0102
Email: KPMG@citigatedewerogerson.com