The Hong Kong
Polytechnic University
香港理工大學
Faculty of Business

Research summary on "Customers' Perceived Value of Hong Kong's Retail Service"

I. Background

The service industry accounts for 87% of Hong Kong's GDP, with retail business the 2nd largest sector. About half the revenue was spent on fashion items; jewellery, watches and valued goods; commodities in department stores; electrical goods and photographic equipment; and medicines and cosmetics. When compared with a year earlier, sales of these items have increased rapidly.

The number of tourists visiting Hong Kong is growing fast, and retail organizations and governmental bodies have paid attention to the importance of attracting tourists from different countries. In particular, the number of tourists from Mainland China is a record. They made up over half of total Hong Kong visitors during 2003. The "Individual Visit Scheme" and "Golden Week" has stimulated Hong Kong retail sales, and tourists from Mainland China have injected approximately $12 billion revenue into Hong Kong's economy since July 2003.

Attracting more tourists to come to Hong Kong has become a key concern of the Hong Kong Government. We believe that excellent service should be a first priority for Hong Kong's retail service providers.

II. Research Objectives

- To understand how both local shoppers and tourists evaluate the services of Hong Kong's retailers;
- To explore both local shoppers and tourists' satisfaction level;
- To investigate in what way local shoppers and tourists determine the value of Hong Kong's retail services;
- To assess how likely they are to come back and shop again in Hong Kong;
- To compare the differences in shopping behaviour, particularly regarding the evaluation criteria for retail services among local shoppers and tourists from the Chinese Mainland and other countries.

III. Respondents' Profile

The sampling frame for tourists was formed based on the distribution of tourists from different countries in the past 12 months. The respondents' profile is shown below:

- HK	13%
- Mainland China	53%
- Asia	16%
- USA & Canada	9%
- Europe	7%
- Australia & New Zealand	2%

A total of 1885 people were successfully interviewed. The findings reflect their shopping experience with more than 300 retail outlets in Hong Kong, which the major one include Giordano, Baleno, G2000, U2/UWN, Giga Sport, Burberry, Esprit, Bossini, Sportshouse, Marathon, Polo Jean, Chow Sang Sang, Chow Tai Fook, TSL Jewellery, Luk Fook, City Chain, Broadway, Fortress, Gome, SOGO, Time Square, Grand Century Place, Ocean Terminal, Lane Crawford, Wing On, Seiyu, New World Centre, Marks & Spencer, Watsons, SASA and Bonjour Beauty collection etc.

IV. Findings to be reported in the press conference

1. Determinants of customer's perceived value:

The value of retail services perceived by both local shoppers and tourists is determined by 10 factors, with the top three being:

- Safety,
- Product Range,
- Employee Attitude & Service.

However, Hong Kong retailers were found to be performing badly in the following areas:

- Ability to match the lifestyle and status of the shoppers,
- Shopping Environment.

Tourists from different countries can be differentiated according to 10 factors; and there is discussion of which factors most influence the values perceived by tourists from different countries. This information is crucial for those retail shops wishing to target tourists from specific countries.

2. **Perceived quality of retail service and performance of frontline service employees:**

   Overall, shoppers perceive the service quality and performance of frontline employee services as just about average; The ratings are 5.02 and 4.85 (on a 7-point scale) respectively.

3. **Overall satisfaction level:**

   Generally speaking, satisfaction with retail services, perceived value of services and the overall ability to satisfy needs were found to be just above average with ratings of 6.09, 6.08 and 6.11 (on a 9-point scale) respectively.

4. **Relationship between Perceived Value, Customer Satisfaction, and Behavioral Intention:**

   How "Customers' Perceived Value" can drive service quality, the level of satisfaction and loyalty (likelihood of re-visit) was investigated. In particular, we focus on Hong Kong local shoppers and Mainland China visitors.

5. **Intention to shop again:**

   Overall, 19% of the tourists claimed they would "definitely" shop from the same retail store or retail chain again, whereas only 1% would "definitely not". Moreover, 30% of the tourists will "definitely" re-visit Hong Kong, and only 1% will "definitely not".

6. **Competitive position of individual retailers in each product market:**

   We use the customers' perceived value factors to assess the performance of major retailers for different retail categories. This is illustrated visually as follows: