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PRESS RELEASE

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PolyU study reflects the need to improve service quality of HK's retail sector

According to the latest research report on "Customer Perceived Value (CPV) of Hong Kong's Retail Sector" released by The Hong Kong Polytechnic University (PolyU)'s Asian Centre for Brand Management (ACBM) under the Faculty of Business, the overall performance on customer's perceived value of shops has declined, raising an alarm for Hong Kong retail and tourist industries.

Launched in 2004, this biannual study aims to assess both local shoppers' and tourists' perceived value towards local retail services, so as to provide local retailers the direction for further improvement in service standards and for brand building activities. The latest survey was conducted between July and mid September 2008, with a total of 2,739 questionnaires completed by shoppers from Hong Kong, the Chinese mainland and overseas countries. It reflects the shopping experience of more than 400 retailers from seven main retail industries, namely, Fashion, Footwear, Jewellery / Watches, Department Store, Cosmetics, Consumer Electronics and Telecommunications.

The CPV index continues to fall below the 2004 baseline (100) over the four phases of study from early 2007 to 2008, after reaching its peak in the second half of 2006 (100.5). The overall CPV index has decreased from 98.1 to 97.0 in this phase. Among the nine performance factors of CPV, the indexes of seven of them have dropped. The survey identified nine factors crucial for customer perception of the value of Hong Kong retailers, including perceived risk and safety, enhancement of self-image, service attitude / skills, product quality, promise and interaction, price, shopping environment, effort spent in purchasing and consuming the service, and the ability of the merchandise to match the lifestyle of the shoppers.

The latest survey also shows shoppers' overall spending per transaction. On average, shoppers spent $1,863 per transaction, a drop by 25 per cent when compared to the previous phase. Fashion retail category has recorded the largest drop in overall spending per transaction (-39.7 per cent), followed by Department Store (-37.8 per cent) and Jewellery / Watches (-20.8 per cent). The Footwear category has the slightest drop in overall spending per transaction (-8.9 per cent). The Centre has pointed out the key concern in Hong Kong retail industry is how to increase shopping expenditure. Although average spending from mainland shoppers has dropped 26 per cent, they are still the biggest spenders with an average transaction of $2,117, much more than non-mainland tourists ($1,517) and local shoppers ($1,630). Nevertheless, non-mainland tourists have spent more on Consumer Electronics (an average of $3,600 per transaction) when compared to mainland tourists ($3,122).

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Despite improvements in the aspects of “service attitude / skills” and “effort spent in purchasing and consuming the service” during the retail experience, the indexes of all performance factors have declined. “Ability to match lifestyle” factor has recorded the largest drop (-3.3, out of 100), followed by “shopping environment” (-3.2), and “price of product” (-1.8). Hong Kong has always been considered as a safe, reliable and low risk shopping destination; however, performance in customer perceptions of safety has also experienced a drop (-1.2) in this phase, which may possibly be due to the increasing number of complaints received earlier this year.

Among the retail industries, Department Stores have demonstrated the most consistent and stable performance. Jewellery / Watch and Department Store retailers received the highest rating on staff performance and store service. For language proficiency, Consumer Electronics retailers and Jewellery / Watch retailers performed the best in English and Putonghua respectively. Hong Kong’s retailers have been putting more effort in Putonghua training over the past two to three years. However, the improvement seems to be slow, with an incremental increase of approximately six per cent over the last three years.

Figures also reflect that fashion retailers have gradually become the worst industry performer in terms of service attitude, interaction / promise and product quality. This has contributed to a lower overall CPV index and satisfaction level.

Further analysis has been done on tourists who have repeatedly visited Hong Kong. They mainly come from the Chinese mainland, Taiwan, Japan, Korea and Asia. Results show that their average spending per transaction is more than those who are visiting Hong Kong for the first time. A plausible explanation for the reduced spending of repeated visitors may be they are familiar with local retailers so they have more confidence in shopping in Hong Kong again.

For repeated visitors from the mainland, nearly 60 per cent of them are from Guangdong Province. Among these Guangdong shoppers, 70 per cent are frequent Hong Kong visitors. Therefore, focusing on their behaviour and issues such as brand loyalty and brand management are some of the hottest topics for the local retail industry.

Dr Sherriff Luk, Director of Asian Centre for Brand Management, said, “Among the first-time visitors from the mainland, about 40 per cent are from Guangdong, seconded by Shanghai (eight per cent) and Beijing (five per cent). Visitors coming from the fast developing cities such as Changsha (Hunan), Wuhan (Hubei), Chongqing and Chengdu (Sichuan), and Tianjin are still the minorities, representing approximately one per cent of the total sample from each city. It reflects that the individual-travel scheme has heavily relied on Guangdong tourists, and further promotion is still necessary to capture more opportunities from other cities.” Results further show that the average spending from other cities is on average more than tourists from Guangdong. For example, average spending per transaction for Shanghai, Zhejiang and Jiangsu tourists is $2,470 when compared to Guangdong tourists ($2,009).

Prof. Judy Tsui, PolyU Associate Vice President, Dean of Faculty of Business, Director of Graduate School of Business and Chair Professor of Accounting, said, “The majority of shoppers in Hong Kong tend to be brand buyers, in which people are strongly motivated by the company brands, this is particularly true for mainland tourists. Of the brand purchased, only 39 per cent of them had heard about the brand previously in their home cities. We suggest that Hong Kong retailers should dedicate more effort on brand building activities to increase brand awareness.”

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Dr Leslie Yip, Associate Head of Department of Management and Marketing, said, “This study provides evidence that customer perceived value (CPV) is positively associated with brand preference. The higher the CPV, the higher the brand preference. It results in brand loyalty. Therefore, customers with higher brand preference have much higher spending per transaction when compared to low brand preference customers (a difference of more than $600 per transaction, contributing to approx. 41 per cent).”

Founded in 2005, ACBM focuses on conducting applied research on branding issues with practical value for improving business performance. As a regional centre for branding and retail studies, ACBM aims at creating and improving brand value, and organizing research projects on the management of brands as market-based assets.

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