

DEMAND FOR LOYALTY PROGRAMMES



It is indeed harder now to woo consumers in Hong Kong. According to a survey by marketing agency ICLP, only 1% of local consumers are devoted to their preferred retail brands. The firm surveyed 750 consumers in Hong Kong and had them rate their brand relationships.

The firm says given the paltry 1% of devoted consumers, retailers need to find ways on how to deepen their relationships with their customers. ICLP found out that loyalty programmes are a major factor in driving spending, with 75% of consumers saying they would shop more frequently with a specific brand if it had a loyalty programme.

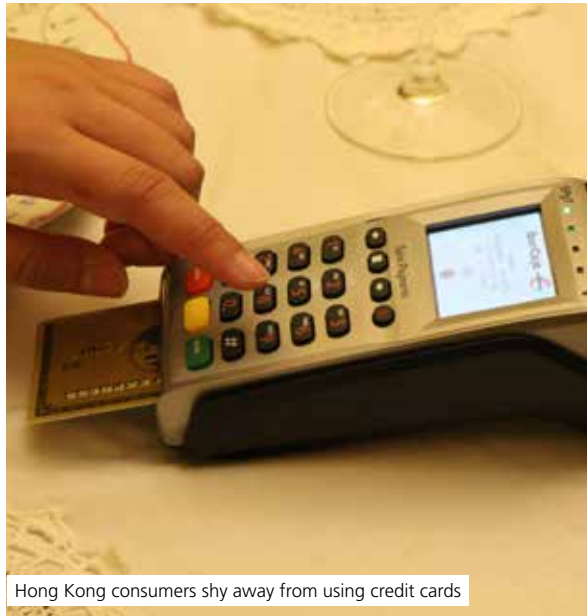
"The survey results also suggest that loyalty programmes are more significant than traditional points-based reward programmes. These more loyal consumer groups shop more frequently, spend more, and are better advocates for retail brands," the study notes.

Stronger programmes

The study suggests that to inspire more devoted customers, retailers should create stronger rewards programmes. This emphasises the drawing power of personalised rewards that 'surprise and delight' customers as a way to move them towards a more 'devoted' state.

More so, the survey reveals that 69% of consumers would buy more if retailers used their data to better understand shoppers' needs.

Communication is also a key, as 60% of shoppers would most likely consume more if retailers relayed their messages better through their brands. University of Rochester professor Ron Rogge says most of the respondents approached their relationships with favourite brands in a very similar way to their close personal relationships.



Hong Kong consumers shy away from using credit cards

Credit cards lose charm

It would seem like Hong Kongers are getting increasingly spooked by credit card use, if the recent Global Payments Report 2016 is anything to go by. Despite credit cards being the most popular online payment method in 2016 with a 53% market share amongst consumers, it was found out that credit card payments are predicted to decline by 9.3% come 2020. Hong Kong consumers are becoming more credit wary, as other modes of payment which give them greater control over their finances such as EPS cards, debit cards, and bank transfers are expected to rise.

The predicted decline in credit card use can be blamed on a number of factors. Phil Pomford, general manager Asia Pacific, Global eCom at Worldpay says that the International Monetary Fund predicts that China's economic growth will slow to around 5.8% by 2021, with Hong Kongers already feeling the pressure of record retail declines as mainland Chinese shoppers choose to shop at home. "This atmosphere of sluggish spending and financial uncertainty may be spurring Hong Kong shoppers to refrain from riskier, credit-based spending and instead choose debit payment options," he explains.

Prepaid cards and e-wallets will see incremental rises, with e-wallets jumping from 11% market share in 2016 to 12% in 2020.



In 2015, Hong Kong consumers swiped their debit cards for 126m transactions and resulted to a whopping US\$273b spend on retail and bill payments. The report also adds that debit card usage is predicted to jump by 5 percentage points over the next few years. It will eat up 12% of Hong Kong's total online payment market share by 2020.

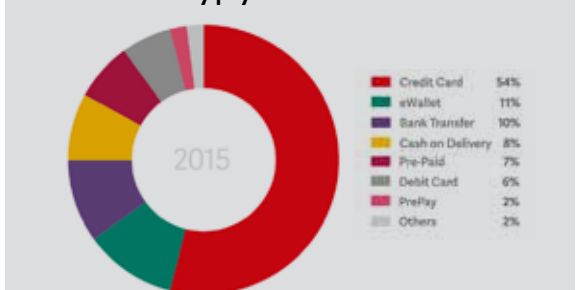
Online shoppers were also found to be more comfortable paying for their purchases via bank transfers. This mode of payment is predicted to reach 17% of the market share in Hong Kong, according to the report. Prepaid cards and e-wallets will see incremental rises as well, with e-wallets jumping from 11% market share in 2016 to 12% in 2020, equalling that of debit cards.

Debit cards over credit cards

Pomford points to convenience as a factor in consumers shying away from swiping credit cards and choosing debit cards instead. For instance, with an EPS ATM card, consumers can pay bills and taxes at convenience stores. "EPS cards are growing in popularity due to their ease-of-use and frequent, enticing promotions, so it's a natural progression to bring the EPS debit payment method online," he explains.

Hong Kong's e-commerce market is predicted to be affected as e-tailers struggle to attract cautious customers and adopt the right payment technology. The report forecasts that Hong Kong's e-commerce segment will grow by just 10% in the next few years, hitting US\$13.8b in 2020, and making the country a laggard as China and India grow by 15% and 28% per year respectively.

E-commerce mix by payment methods



Source: Global Payments Report 2016 by Worldpay