



Global +Regional Consumer & Retail Trends

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Hong Kong Tourism Board Briefing

March 30, 2023

The New Normal.....we are going to see different speeds

Rise of IoT but
also going to see
Trust
+Purpose as
the key drivers
of businesses

Covid 5.0
We continue to
see the impact in
this new normal
so we must be
**agile +
resilient**

Changing
Demographics
With the rise of
Gen Z
consumers looking
at you thru a new
lens

Retailers
driving new
Tech +innovation -
focus on Customer
AI / Data / VR
+platforms

What did we learn from Covid?



Think 'safe retailing'



Know your customers



Close that last mile



Improve digital channels



Follow your customers on their journey



Demonstrate purpose + deliver on your values

Retail Innovation - elevate physical and digital customer experience

Levi's will test AI-generated clothing models to 'increase diversity'



Levi's will experiment with Lalaland's realistic AI-generated models later this year. Image: Levi Strauss & Co. / Lalaland.ai

IKEA's latest AR app can erase your furniture to showcase its own

It can scan your entire room using LiDAR and build a 3D replica.



IKEA

Steve Dent | @stevetodent | June 22, 2022 9:00 AM

IKEA already lets you [preview furniture](#) in your home via AR, but its latest AI-powered iOS app offers a big leap in capability. Called [IKEA Kreativ](#), it can scan your rooms using LiDAR and build a complete 3D replica of them, then let you delete your existing furniture. From there, you can try out new IKEA couches, tables, etc, and get a much better idea of how they'll look in your home.

The scanning is done via something IKEA calls the Kreativ Scene Scanner, which uses LiDAR if it's available on your iPhone. It also works on iPhones or iPads without LiDAR, though having it allows the app to "pull in additional spatial detail," IKEA told Engadget.



Share f t p in e

Starbucks today announced the launch of a brand new retail channel in China – Starbucks Curbside – created in partnership with Amap, a leading provider of digital map content, navigation, and location-based solutions in the market. Featuring human-centered design that translates the unique Starbucks Experience for customers on the road, the innovative service offers customers in Beijing and Shanghai a customized and hassle-free way of enjoying their coffee routines amid rush hour traffic.

MOST P



UNIQLO in Cov
28/01/2021



Joe Br stores
28/01/2021

Strong annual increases in inbound visitors for Asia Pacific

PATA SCENARIO FORECASTS OF INTERNATIONAL VISITOR ARRIVALS INTO ASIA PACIFIC, 2023 TO 2025



	IVAs, mns	Annual Change		Recovery Rate (relative to 2019), %
		Percent. %	IVAs, mns	
MILD				
2023	712.708	159.0	437.539	104.40
2024	892.030	25.2	179.322	130.67
2025	962.168	7.9	70.139	140.94
MEDIUM				
2023	512.092	103.9	260.982	75.01
2024	728.711	42.3	216.619	106.74
2025	788.081	8.1	59.370	115.44
SEVERE				
2023	382.947	70.7	158.668	56.10
2024	546.186	42.6	163.240	80.01
2025	600.616	10.0	54.429	87.98

Notes: IVAs = international visitor arrivals | mns = millions

www.PATA.org

PATA Predicts Strong Annual Increase in Inbound Visitors to Asia Pacific in 2023

The latest forecasts from the Pacific Asia Travel Association (PATA) predict strong annual increases in inbound visitor numbers for *Asia Pacific* under each of the mild, medium, and severe scenarios in 2023, with growth rates ranging from **71%** under the *latter scenario* conditions to as much as **104%** under the *mild scenario*.

Source: [PATA](https://www.pata.org)

Rise in visitor arrivals into Asia Pacific in 2023 (intra Asia)

Guess who's back: Tourist sales increase by 29 times as Chinese return to Korea's Myeongdong district – Olive Young

By Amanda Lim
28-Mar-2023 - Last updated on 28-Mar-2023 at 00:52 GMT



Olive Young's March tourist sales in Myeongdong boosted by the return of Chinese travellers. [Olive Young]

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Olive Young's March tourist sales in its five Myeongdong stores have increased 29 times year-on-year, boosted by the return of Chinese travellers.

The health and beauty retailer reported that the accumulated sales of its Myeongdong stores from March 1 to 17 have more than doubled compared to pre-pandemic 2019.

It credited this boost to the return of Chinese tourists to its shores. "The number of foreign customers visiting the store is rapidly increasing as even Chinese tourists return to the Myeongdong commercial district."

Home » Luxury goods brand Richemont reveals recovery of Chinese outbound tourism

Luxury goods brand Richemont reveals recovery of Chinese outbound tourism

Tuesday, March 28, 2023 [★ Favorite](#)



Cartier-owned luxury goods brand, Richemont, said that Chinese outbound tourism is making its way back to Asia and Australia, thus helping boost luxury spending in those markets.

Affluent Chinese tourists frequently indulge on luxury items when travelling abroad, with Skift stating that prior to the Covid 19 pandemic, Chinese buyers purchased 70% of their luxury products abroad. As Chinese tourists frequently seek lower prices for high-end goods outside of their home country, the luxury-goods industry is

heavily reliant on outbound Chinese tourism.

Klook drives Thailand's tourism resurgence with more than double growth for three quarters in a row

Headline: Klook
29.03.2023 354



le no service

APAC expected to return as world's largest regional travel market by 2025

APAC Total Travel Gross Bookings (US\$B) and YoY Change (%), 2019-2025



- The Asia Pacific travel industry is preparing for a rebound in 2023 with the rebuilding of air connectivity, strong hotel pipelines, the buoyancy of local domestic tourism activity and the opening up of China.
- The total market will reach a projected \$490 billion in 2025, 10% higher than its 2019 value. 2025 is also the year when Asia Pacific is expected to regain its top spot as the world's largest regional travel market.

[APAC expected to return as world's largest regional travel market by 2025 | PhocusWire](#)

Seeing New Green Consumers emerging in 2022 and beyond....

300M Millennials is already a big consumer base but going to see the next generation of **300M** Gen Z Consumers emerge In China

We are going to see ASEAN rising with population hitting

726M

By 2030 and over

280M new

Gen Z consumers across SE Asia +South Asia

Gen Z consumers are far more **socially aware**, tech +media savvy! they are watching you from HK to Singapore to Kuala Lumpur and they will call you out!



Retail Trends 2023

01 Physical retail is back!



- in-store sales are now up by more than 13% compared to pre-pandemic levels
- The future of physical retail: digitally-powered in-store experiences

02 The boundaries between digital and physical are blurring



- customers now exhibit greater agility across all channels.
- BOPIS (Buy online pickup in-store) is increasingly common.
- Monitoring customer behaviour across all digital and physical channels and develop 'single view of customers' is important

03 Digital investments on the rise



- New retail's digital priorities going into 2023
- According to Gartner, fulfillment execution powered by AI, collaborative ecosystems, and cost optimization are the key actions

04 Promoting value-driven consumption



- Perceptions of sustainability are quickly evolving
- Improving energy efficiency in operations and driving product development along with sustainable materials innovation remain the top actions taken by businesses towards achieving sustainability in 2022

Retail Trends 2023

05 Metaverse as Betterverse



- As the new frontier of imaginable, immersive, engage virtual world, retailers are redesigning stores and experiences around Web3.0 and metaverse
- Brands are building Betterverse to put ethic and people first, and drive human rights and economic development

06 Promoting value-driven consumption



- Inflation and further finance squeeze makes consumers reassess all non-essential discretionary spending and subscriptions
- “The Great Cancellation’ spread beyond Netflix. Consumers demand values and rewards to renew

07 Importance of keeping your employee happy



- At least 60% of consumers purchase from specific brands because of excellent service in the past, and 69% of business finds it hard to retain talent in the retail industry.
- Brands are making efforts to attract and keep exemplary teams - Incentive learning, finding meaning in work, being more purpose driven clear plan for career advancement

08 Robust, agile and more sustainable supply chains



- Increasing supply chain challenge push retailers to diversify their supply chain and adapt strategic sourcing shift here in Asia Pacific
- More collaboration will be key from factory to shop
- Investing in AI to proactively manage potential lead-time variability, reduce excessive stock, and to optimise everything in the whole supply chain

ecommerce as a percentage of retail sales continues to grow across regions



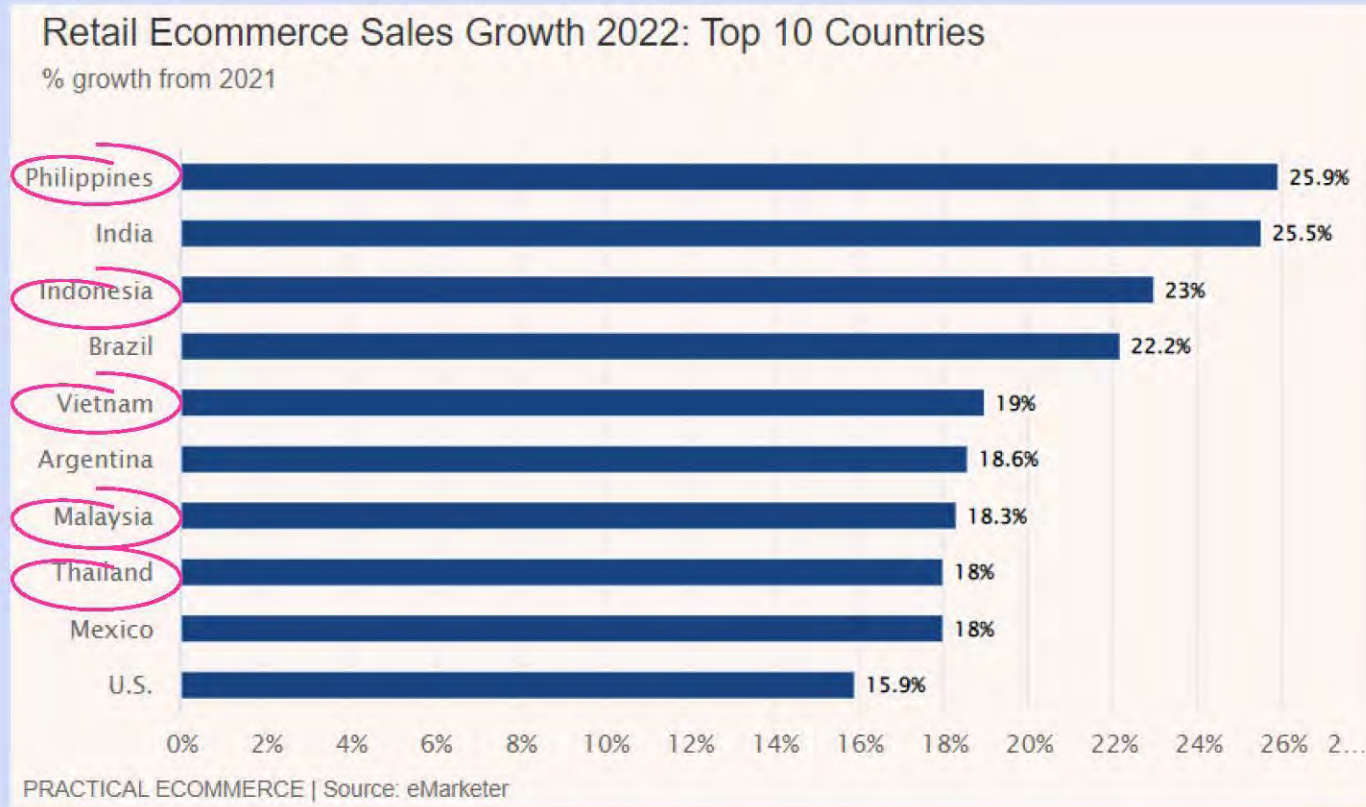
Global ecommerce stocks surged during the early days of Covid-19 but have since slumped. Despite overall slowing economic activity, key trends suggest ecommerce still has room to grow.


ecommerce
24% Sales growth in 2021


ecommerce
14% Retail Sales CAGR from 2021 to 2026

Source: Euromonitor, National Data Sources, Morgan Stanley Research estimates, EIU: Top 100 Retailers in Asia 2022

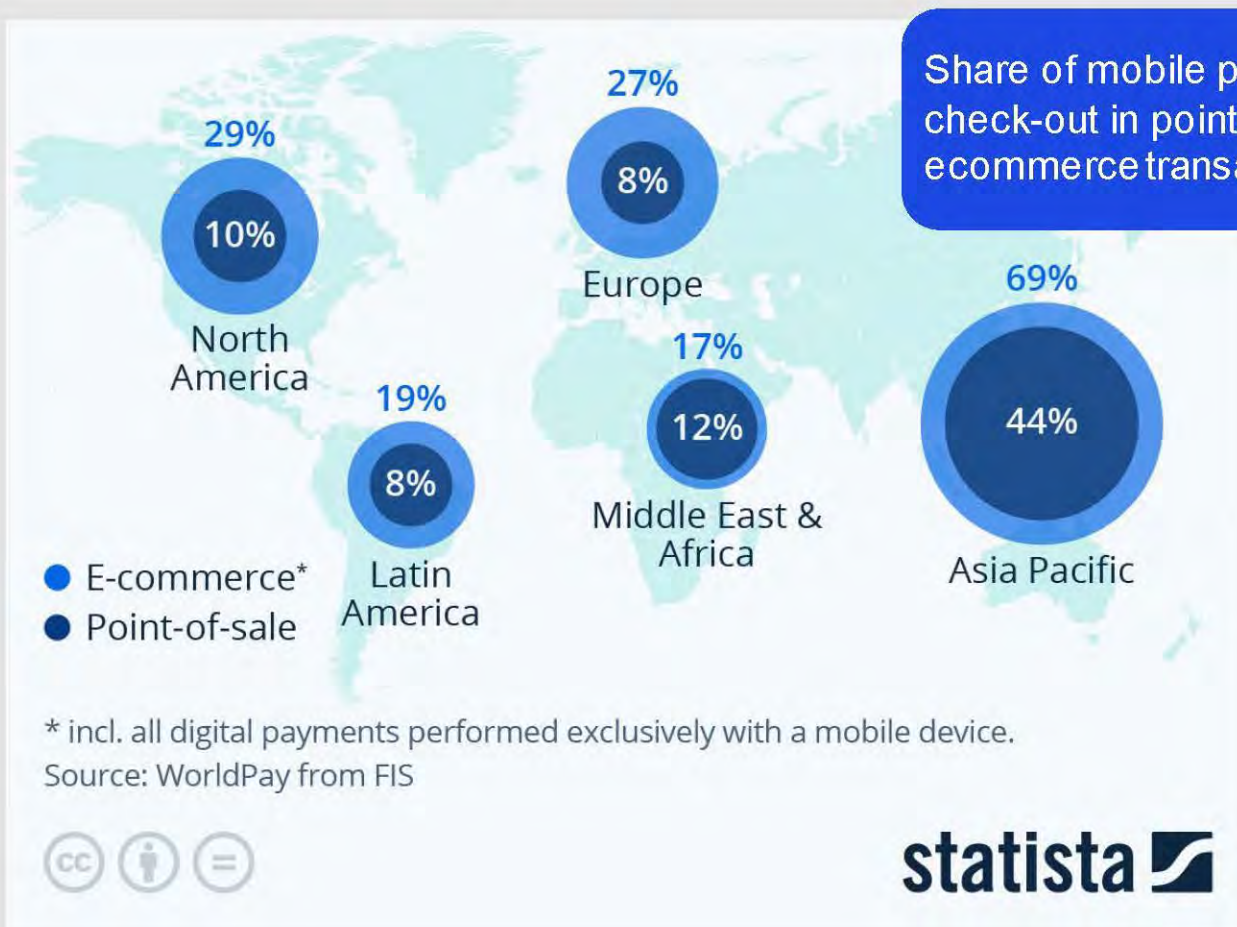
Southeast Asia tops worldwide ecommerce growth



Southeast Asia consists of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. Five of them are among the fastest growing ecommerce markets worldwide, comprising half of the top 10.

[Source: Praticale Commerce](#)

Asia is now far ahead in mobile payment adoption

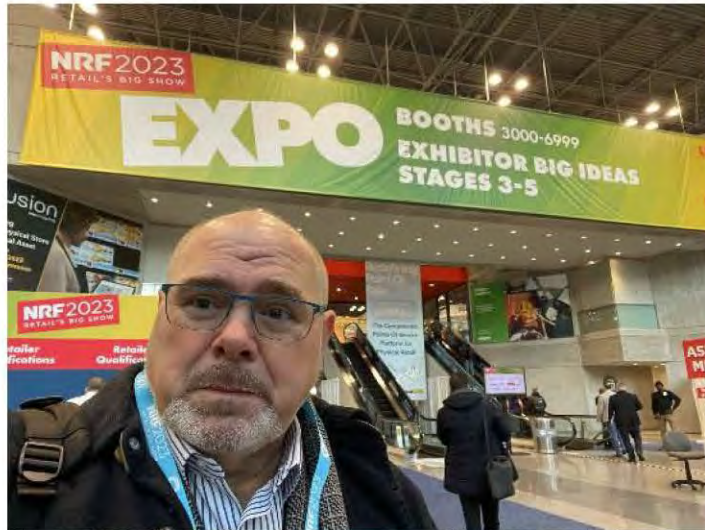


Mobile wallet payments also offer opportunities for estimated **650 million** unbanked individuals in SE Asia.

Mobile payments not only embrace the **buy now pay later (BNPL)** lifestyle, but are also ideal for **gaming**, or for **buying from social media platforms**

Source: Statista: Asia Far Ahead in Mobile Payment Adoption (Aug 2022)

NRF 2023 Retail's Big Show – New York, January 2023



Overall sentiment at the event

Headlines		
Cautiously optimistic for the future	Brick and Mortar is not dead yet	Pivot in investment in stores
Focus on people-employees and customers	Increasing pressures on inventory and margin	Frictionless customer experience across channels
Uptick in collaboration	Efficient use of technology and data	Regionalization and diversification of supply chain

Key messages we heard over the week:

- **Focus on employees** is much more prevalent now. Increasing need to use Technology and invest in training and development.
- **Authentic leadership** to drive employee engagement, diversity and inclusion, listen and connect & train and mentor.
- Need a more **granular understanding of the consumer** to provide a frictionless end to end customer experiences across all channels.
- Clear **uptick in collaboration and a shift from all in house**. Ranging from product collaborations or capabilities e.g. resale models or the authentic brand approach, approach to returns.
- A need to deconstruct value chain and license responsibility to best in class partners.
- **Pivot in investment to stores** – with a spotlight on digital enablement. It is essential to drive inspiration and experience, train and educate and become increasingly channel agnostic given consumers use all channels in purchase journey.
- Pivot towards **regionalization and diversification of supply chains** – moving away from China due to geopolitical pressures. Key to address excess inventory due to inefficient demand forecasting.
- The Big Show was a clear reminder of the **importance of the sector to society**. A sector that is increasingly global and local.

NRF 2023 Retail's Big Show



In discussion with Paige Thomas, President & CEO, Saks Off 5th

- It's about modern luxury at affordable prices
- We saw the most promotional holiday season ever at the end of 2022
- Must have a Digital first perspective
- Consumers give us a lot of info thru search!
- Trend lines are happening so much faster today than ever
- Shift in wallet to travel +entertainment
- First thing we did was to focus on the customer
- It's about showing up to win!
- Key ask from the customer.....do you really know me??
- Surprised on how savvy customers are today!!!
- But more access to more brands today and they are much more tech savvy than before Covid

NRF 2023 Retail's Big Show



In discussion with Deborah Weinswig, CEO at Coresight Research along with Harlan Bratcher, Global BD Head, JD Fashion +David Guggina, EVP Supply Chain Operations, Walmart, Yariv Bash, CEO Flytrex

- There is an excitement about retail today
- Even more excitement with Drone Delivery
- The speed play with drones is unbelievable and think about the potential on sustainability
- The future is already happening in China
- We're connecting underground with our JD.com warehousing in China
- Wal-mart is our biggest partner in China at JD.com
- Getting those products / goods to our customers at incredible speeds!
- 600 million active customers at JD.com today with our delivery promise
- Drone hubs can be like community hubs not only serving our Wal-mart customers as well as the local community
- Plan is to win in the suburbs and look to serve those rural communities
- Why get it the next day from Amazon when you can get it in 15mins from Wal-mart?!?

NRF 2023 Retail's Big Show

In discussion with Anish Melwani, Chairman & CEO of LVMH Inc and Robert Frank, Wealth Editor, CNBC:



- Luxury is sticky and it is difficult to go back once you've tried it once
- Shifts in spending since travel has returned so demand has risen dramatically
- We do expect a rebound and this trend has emerged in the last 4x downturns
- For the first time.....we say American tourists represent 30% of business in those Parisian maisons last summer
- LVMH has always been about product innovation but we are now actively looking at the Metaverse and Web 3 ++
- Tiffany has had the most successful NFT project in the world to date where they created 250x NFTs at a value of USD50k
- Experience is a key driver with new hotel projects in the pipeline with the likes of Belmond Hotel brand
- We don't talk about synergies across our brands....it's about value enhancing with our leaders working together for a purpose
- The focus on craftsmanship and keep traditions alive with those quality artisans
- **It's about restoring the art of making beautiful things!**



KPMG Retail tension framework

Retailers must perform a balancing act but how do you navigate the 3P's in an economic downturn with each of the forces pulling in an opposing direction?

Planet

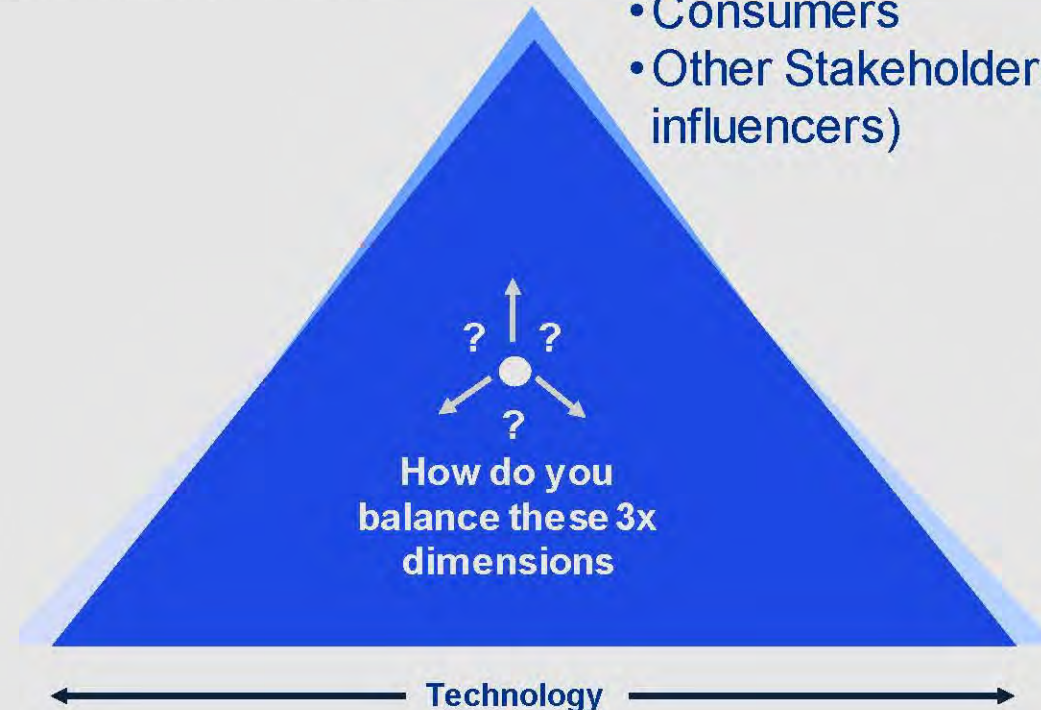
- Sustainability
- Society
- Regulation

People

- Employees
- Consumers
- Other Stakeholders (policy makers, influencers)

Profit

- Growth
- Margin protection
- New business model & Innovation



Tech-savvy consumers still value physical retail experiences

Tech & mobile savvy consumers



Digital native Gen Z



Socially aware



“ I prefer contact-less shopping ”

Chinese Mainland GBA cities

80% Change on 2021 study (↑2%)

Hong Kong SAR

61% (↑1%)



“ I am more comfortable and confident to shop online in the future ”

Chinese Mainland GBA cities

64% Change on 2021 study (↑5%)

Hong Kong SAR

50% (0%)



“ I can live without physical retail shops ”

Chinese Mainland GBA cities

18% Change on 2021 study (↓5%)

Hong Kong SAR

18% (↓6%)





Anne-Laure Descours, Chief Sourcing Officer, PUMA



Anne-Laure Descours
Chief Sourcing Officer,
PUMA

As the chief sourcing officer for Puma, and a member of the company's management board, Anne-Laure Descours looks after global sourcing for the brand and oversees its sustainability strategy and implementation based in Hong Kong.

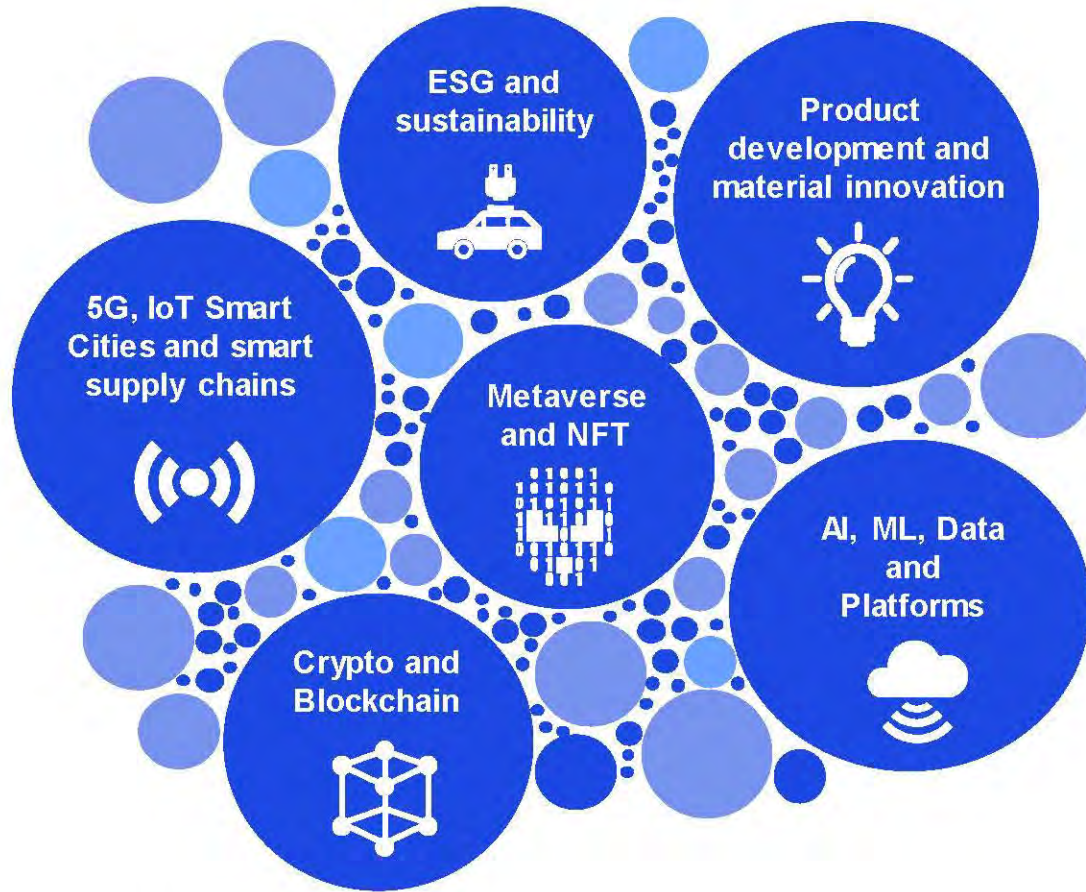
"Everybody has to take steps to understand the business impact of sustainability," Descours explains. "Management needs to understand why sustainability is the backbone of what we do as a business and what regulators are putting into place right now. There is no other choice if you want to be in business five or 10 years from now."

Descours says 70 per cent of carbon emission in Puma's apparel and footwear are being created at the supplier level so collaboration is essential in meeting sustainability objectives. It means working with supplier factories to reduce emissions and reduce waste and bring them on board. It also means working with industry rivals as well.



Hong Kong becoming a growing Consumer +Tech +Innovation Hub...

With barriers to adoption lowered, this has resulted in an exponential uptake in technology +investments here in the Asia Pacific and across the globe.



Metaverse and NFT – major investments including private equity and gaming.



Crypto and Blockchain and Web 3.0 – on cusp of mainstream e.g. Decentralised Finance



ESG driving a major shift in priorities as we move to greater sustainability



5G, IoT, Smart Cities and need for smart supply chains will increase Data consumption across platforms.



Solving Data platform models via AI, ML, both within and between organizations.



Greater product development along with material innovation will be key for smart manufacturing

We will be connected like never before with IoT Devices

Total
Installed base of
Internet of Things
30.9bn
units by 2025
worldwide





Luxury Redefined

Building trust with Chinese consumers
through authenticity and integrity



We identified five core luxury consumer “personas” in China and two emerging personas with growing significance as the market matures

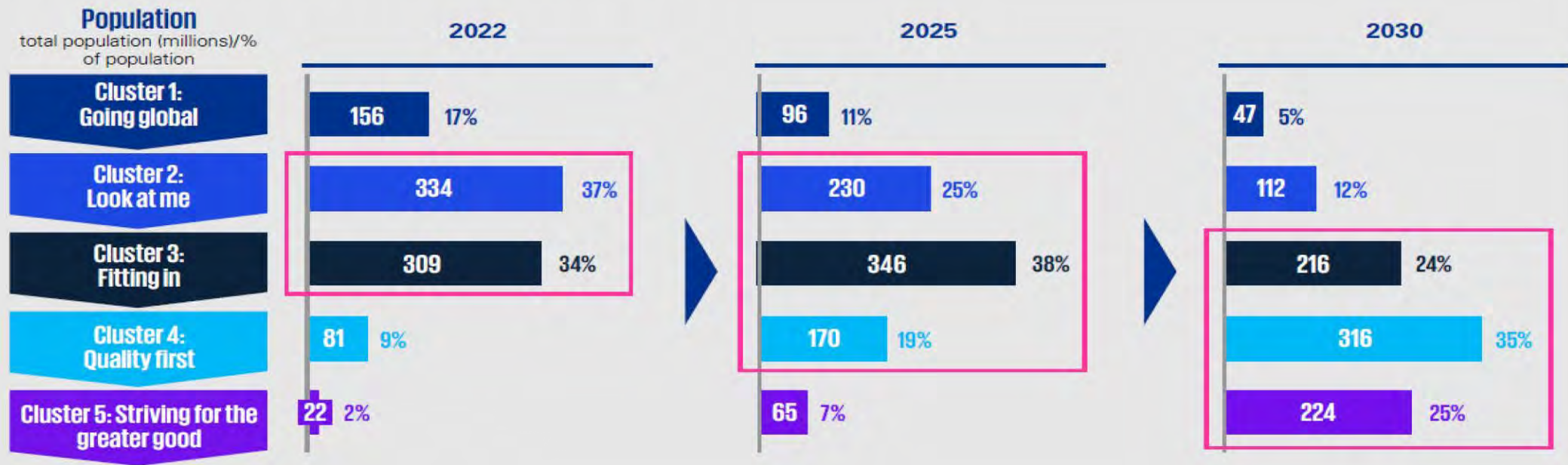
Figure 6: Persona distribution by consumer mindset cluster



Source: KPMG analysis

We estimate that Chinese consumers will gradually evolve and dominate in relatively mature consumer clusters by 2030

Figure 15: Forecast of population by consumer cluster



Note: The population analysis excludes the rural population

Source: KPMG analysis

10 key trends will likely reshape the behaviours of future Chinese luxury consumers

01

Changing social media landscape and consumer journey

03

CRM and consumer segmentation

05

New ways of engaging with consumers (Metaverse / NFTs)

07

Gen Z is becoming largest customer base for luxury brands

09

New definition of 'luxury' beyond products and quality

02

The booming fan economy

04

Evolving role of technology

06

Rising importance of omnichannel experience

08

Growing focus on sustainability

10

COVID-19 as the catalyst for the domestic travel market

The definition of luxury is changing: it is becoming more about the culture and values of a brand rather than just the product

The interest in sustainability from Chinese consumers is still in a very early stage but awareness is penetrating rapidly

Luxury is no longer about status or exclusivity, but being inclusive and being able to give back to society and your communities



Essential values identified by brands for “new luxury”:

Authenticity, integrity and trust



Self-expression and uniqueness

Functional and comfortable



Technology and innovation



Sustainable and purpose-driven



End of COVID-19 will be the catalyst for travel...but where?

After COVID-19, majority of consumers in China: Willingness to travel overseas by personas



Prefer to have at least one to three domestic trips annually including Hong Kong, Macau and Hainan



Plan to head overseas now China's quarantine policy has been lifted



Prefer to travel within Asia, to countries such as Japan, Korea and Singapore



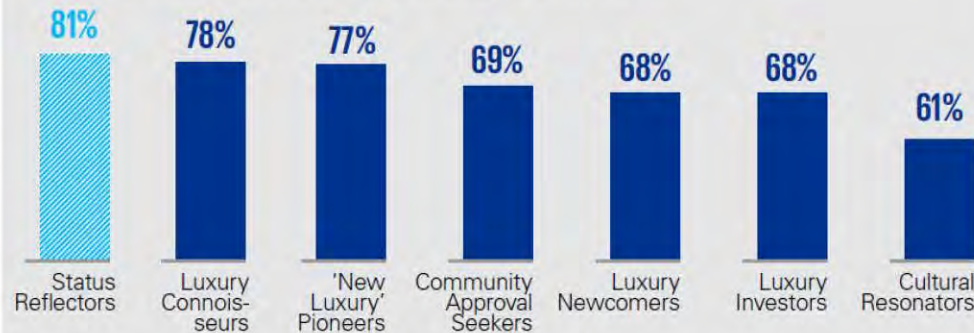
Prefer to travel for short periods of only one week or even less



Consider the ease of administrative tasks such as visas, planning and booking when considering where to travel



Figure 8: Willingness to travel overseas post-COVID-19



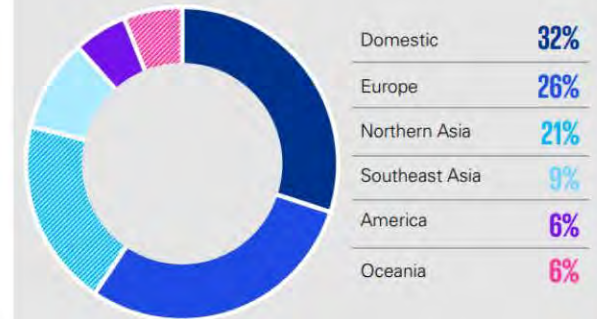
Note: Willingness includes "very willing" and "somewhat willing" to travel

Source: KPMG analysis

Destination travelers plan to visit



Figure 22: Destinations travelers plan to visit post-COVID-19



Note: respondents were asked to pick their top destination they wanted to travel to post-COVID-19

Source: KPMG analysis

Brands have now woken
up to **sustainability**



Consumers are demanding more socially responsible retail

Leading socially responsibility actions consumers want to see from retailers

Percentage of respondents who believe retailers should take the following actions



Source: KPMG/GSI Hong Kong/HSBC survey analysis

Six key trends for retail businesses here in HK for 2023

**Speed of
change with
digital +data**

**Tech &
Innovation:
IoT connected
devices**

**Demographic
drivers – the
rise of Gen Z**

**Do you really
know your
customers?**

**Deeper more
immersive
experiences to
compete**

**ESG on the rise:
Hong Kong as a
green hub**

Thank you!



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