

HONG KONG RETAIL MANAGEMENT ASSOCIATION LIMITED

33rd ANNUAL GENERAL MEETING 2016

Chairman's Report

Mr. Thomson Cheng

Ladies and Gentlemen, welcome to the 33rd Annual General Meeting of the Hong Kong Retail Management Association.

This is my first Chairman's Report delivered at this Annual General Meeting. It is indeed a great privilege to have served the Association in the capacity of Chairman since last October. May I thank all my fellow Ex-Co members for their unfailing support and advice given to me in the past reporting year.

As the new term of the Legislative Council has successfully formed following the election in September, I would like to take this opportunity to put on record our most sincere gratitude to Mr. Vincent Fang for his dedication and contribution to our trade when he stood steadfastly for the industry in LegCo for the past 12 years.

And we are also very pleased to see that Mr. Peter Shiu has been elected as the new LegCo representative of the Wholesale and Retail sector. We look forward to building a strong rapport with him and to work closely on matters pertaining to the development of our trade.

Changing Retail Landscape

Hong Kong's retail performance has remained sluggish in 2016. The total retail sales valued dropped by 10.2% in the first eight months of the year. This downward trend is expected to continue for the rest of 2016. Annual sales value as a whole will shrink even more than the previous two years, which declined by 0.2% in 2014, and 3.7% in 2015.

The retail sector has already entered an era of "new normal" compared to the robust growth fuelled by Mainland visitors' in the past decade or so. To survive

and stay competitive in this new paradigm shift, retailers now have to be very vigilant and receptive to change. They need to exercise extra caution in cost control, and be open and creative enough to develop untapped potential arising from a new pattern of tourist spending and conservative local consumption sentiment.

Amidst these difficulties, the Association spared no efforts to explore new business opportunities for our members. We have partnered with organizers of some major across-the-board campaigns including AsiaWorld Expo's AWESome Bazaar, the Formula E Hong Kong ePrix, and the "WE LIKE HK" initiative, which were well received and supported by members.

Uplifting Retail Technology

The global retail scene is greatly transformed by the rapid rise of e-Commerce and omni-channel retailing empowered by new technology and innovation. We maintain that Hong Kong retailers need to embrace and catch up with this technology revolution without further delay. During this reporting year, we have worked diligently on all fronts in order to solidify our strength and explore new options so that we can help our members flourish and meet the evolving needs of today's consumers.

In July, we submitted a proposal in a joint effort with the Hong Kong Productivity Council on "Enhancing Technology Adoption to Uplift Competitiveness of Hong Kong Retail Industry" to the Financial Secretary. This proposal represented an important milestone in our advocacy on technology advancement for the retail industry as a whole. We have been following this matter closely with the Commerce and Economic Development Bureau (CEDB), and we hope that the Government will adopt our recommendations very soon.

Over the past months, we have been proactively expanding our network by engaging a number of prominent local e-tailers and international players including Alibaba, Baidu and Goolge. We have received very positive responses and support from them regarding our initiative to build up an online ecosystem.

We reap immediate benefits for our members as part of this enegagement process. For example, we achieved exclusive advertising deals and promotion packages

for our members at Baidu and Alipay. In collaboration with Alibaba Group, a first-ever high-level executive e-Commerce training programme in Hangzhou organized by Taobao University will be held later this month. There are also a series of retail e-Commerce training seminars and workshops jointly organized with these partners in the pipeline.

At the same time we have stepped up our effort to promote e-tailing and technology adoption through business matching events, education and training activities covering various topics on consumer engagement, marketing strategy, and ways to boost sales using mobile devices. Even the CEDB invited our members to a crossover meeting with technology startups in May.

To facilitate the development of retail technology under the Qualifications Framework (QF), the Association has spearheaded the first set of Specification of Competency Standards (SCS) on e-Commerce, which will be released in October 2016. This set of SCS will serve as useful benchmarks and references on different e-Commerce functions, assisting retailers and education entities to formulate training programmes.

Internally, we have undertaken measures to speed up the development in this direction, including the setup of an E-Commerce Working Group, and a membership expansion plan on e-tailers and service providers, as well as a brand-new “Quality E-shop Recognition Scheme” to be launched next year. This Scheme is aimed at promoting the best practices and standards on online retailing, and give recognition to outstanding operators in Hong Kong. Members please stay tuned for these exciting developments.

Strengthening our Advocacy

Since I took up the chairmanship, I actively maintained the Association’s close relations with the media through gatherings, interviews and a monthly retail sales conference. In fact, we handled over 330 media interviews throughout the reporting period.

We held regular get-together luncheons with key government officials including Mr. John Tsang, Financial Secretary; Mr. Gregory So, Secretary for Commerce and Economic Development; and Mr. Wong Kam-sing, Secretary for the Environment. Networking with key stakeholders and major trade associations

including the Hong Kong Tourism Board, Hong Kong General Chamber of Commerce, the Employers' Federation of Hong Kong, and more were maintained throughout the year.

It is of utmost importance to make the voice of the retail sector heard and answered by the Government, in particular on legislative issues which have far-reaching implications on the business environment and the sustainable growth of the retail industry.

In this regard, we have made submissions to the Government on important consultations, including the Policy Address and Budget, the Competition Ordinance, the review of the Statutory Minimum Wage rate, the MPF Offsetting Mechanism, and the Standard Working Hours.

Besides, we also assisted the Environment Protection Department (EPD) to solicit our members' views on their proposal on the Municipal Solid Waste Management Charging scheme, which will be implemented by mid-2017. To assist the EPD to evaluate the effectiveness of the Plastic Shopping Bag (PSB) Levy Scheme after its full launch, the Association also consolidated members' PSB usage figures under our "Voluntary Reporting System on PSB Levy".

Enhancing Membership Engagement

This year, we are going an extra mile to provide more comprehensive membership offers, including a wide range of networking activities, business matching opportunities, as well as exclusive promotion offers in different channels. Despite the business downturn, we are pleased to register a mild growth of 3% to 695 in 2016.

We also stay focused on our commitment to enhancing customer service. We celebrated the 20th Anniversary of the Association's Mystery Shopper Programme (MSP) this year. To mark this special occasion, we introduced special awards to recognize brands providing excellent service over the past two decades; while at the same time, we refined our tailored training and consultancy services for retailers to improve service flow and standard.

The 2016 Service & Courtesy Award also added new features. In a bid to encourage the team work at the outlet level, we introduced the "Best Service

Outlet” award in conjunction to the addition of new category of social enterprises, making a total of 24 retail categories competing for the S&C Award.

Our Annual Dinner continues to be the signature event on our calendar. Last year, we had our Annual Ball at the Grand Hall of The Hong Kong Convention and Exhibition Centre with over 100 tables and 1,300 guests.

Stepping Up Retail Professionalism

We saw good progress on retail QF. Since the introduction of the Recognition of Prior Learning (RPL) for the Retail Industry, the Association has been promoting its benefits to fellow retailers and the public. This year, there was over double the number of applications received by the RPL compared to 2015, registering a total of 1,560 applications, covering over 2,100 clusters with a majority in customer service and store management.

We are very proud to have jointly spearheaded the Earn & Learn Pilot Scheme for the Retail Industry with the CEDB and Vocational Training Council (VTC) since 2014. And, I am very pleased to have witnessed the first batch of graduates that completed their Foundation Diploma this summer and joined the retail workforce with outstanding performance.

To keep members abreast of the latest market trends, we organized around 50 seminars, workshops and networking activities throughout the year. Our annual Retail Conference entered its eighth successful year, with eight prominent speakers sharing their insights on omni-channel retailing and retail rejuvenation. And, we are very pleased to receive positive support from some 680 participants as well as the many corporate and media sponsors.

Empowering SME retailers

Since 2010, the Association has been providing a series of free services to SME retailers with funding from the SME Development Fund of the Trade and Industry Department.

Our 5th SME Development Programme that launched in September 2015 will be completed in December 2016. With the theme “Customer Journey Mapping”, we organized 10 workshops and 28 follow-up consultation sessions for around

150 SME retailers. Apart from classroom training, we also organized sharing seminars, company visits, a recognition scheme and a guide book sharing practical advice on customer service.

So much has been completed during this reporting year. Before I conclude my report, I would like to offer my heartiest thank you to members for your support. Without it, we could not have made all the achievements possible.

I would also like to express my deepest gratitude to the Board of Directors, our three Vice Chairmen, Mr. Henry Yip, Ms. Malina Ngai and Mr. Winston Chow, as well as fellow members of the Executive Committee for their wholehearted support and enormous contribution to the work of the Association.

I am also very grateful to the hard work of members of various committees, sub-committees, taskforces and working groups, which made the Association's initiatives and projects possible.

Last but not the least, I wish to extend my most sincere appreciation to our Executive Director, Ms. Ruth Yu, and her dedicated team at the Executive Office.

I am confident that the Association will continue its contribution to Hong Kong in the years to come.

Thank you.

Thomson Cheng
Chairman

(Presented at the 33rd AGM on 14 October 2016)