

Build a Secure Cyberspace: Online Retail

Hong Kong Consumer Attitudes



November 7, 2016

The Study

- Background & objectives
- Scope and methodology
- Key findings





Objectives

1

To gauge the state of online retail behaviour and consumers' satisfaction

2

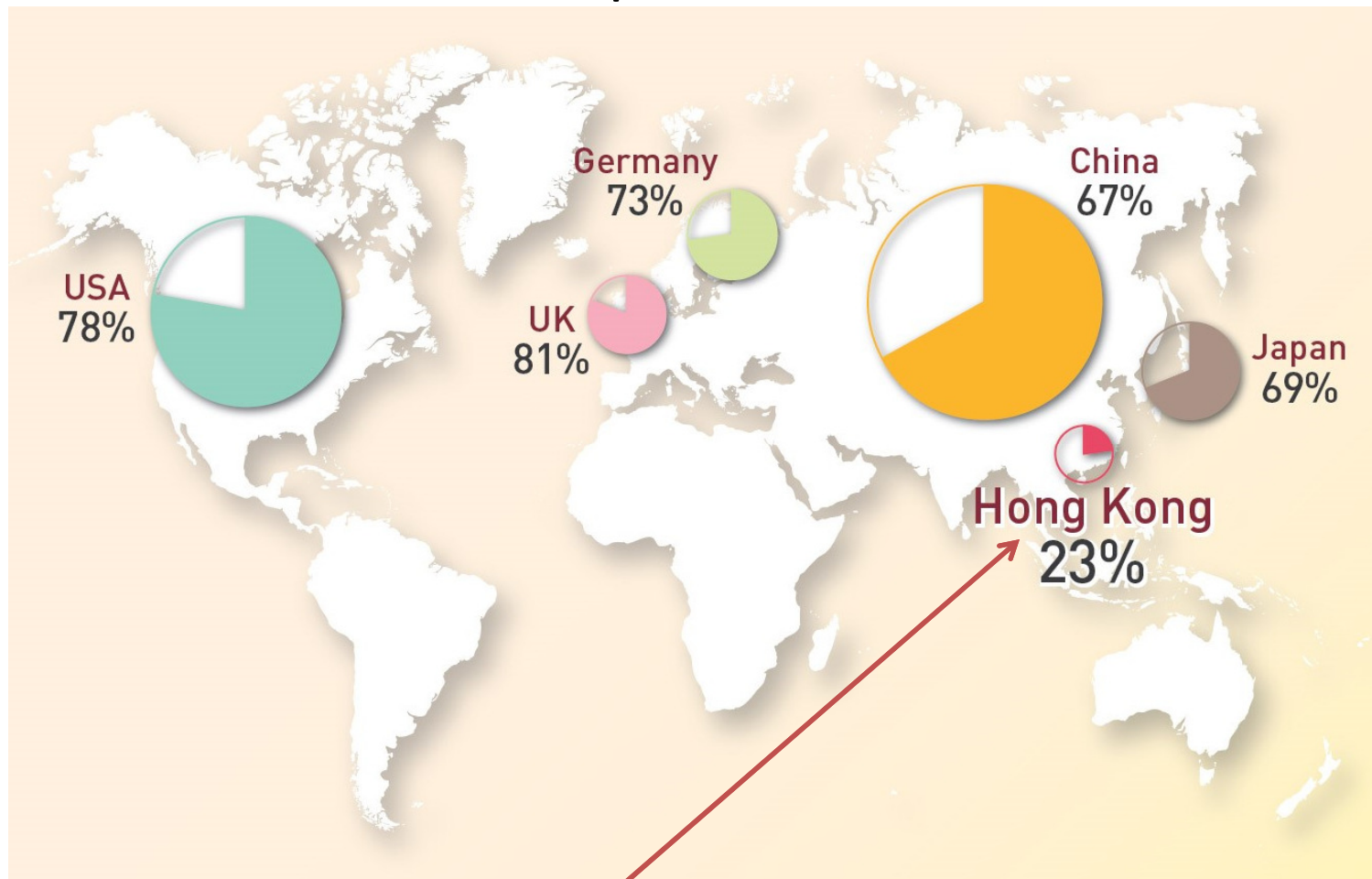
To understand the development of trade practice and to review the legal protection to online shoppers

3

To recommend measures to strengthen consumer protection



Online shopping – state of development across countries



- Grew from 7% to 23% between 2004 and 2014

* Thematic Household Survey Report No. 54 of the Hong Kong Census and Statistics Department





Scope and methodology

Consumer behaviour study

- On-street survey (Jan – Feb 2015) of 1,010 face to face interviews
- Responses from both online shoppers and non-online shoppers

Trade practices study

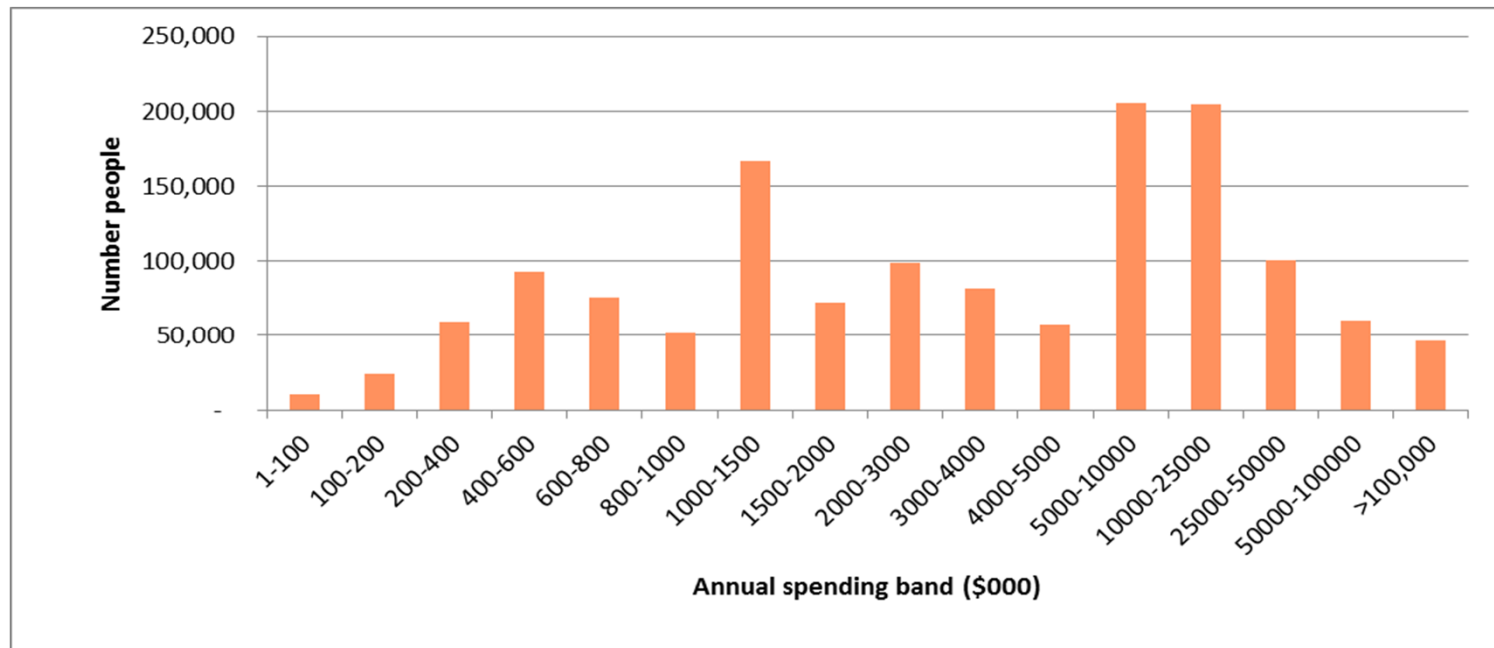
- Focus on 4 sectors: Airlines & Travel; Food & Beverages; Clothing & Beauty; Computer & Electronics
- Engage 47 online retailers (Jul 2015 – Apr 2016) and interview (24)
- Desktop research (23) and mystery shopping (15)
- Meeting with regulator and trade associations

Consumer Online Purchasing Behaviour



How much do online shoppers spend?

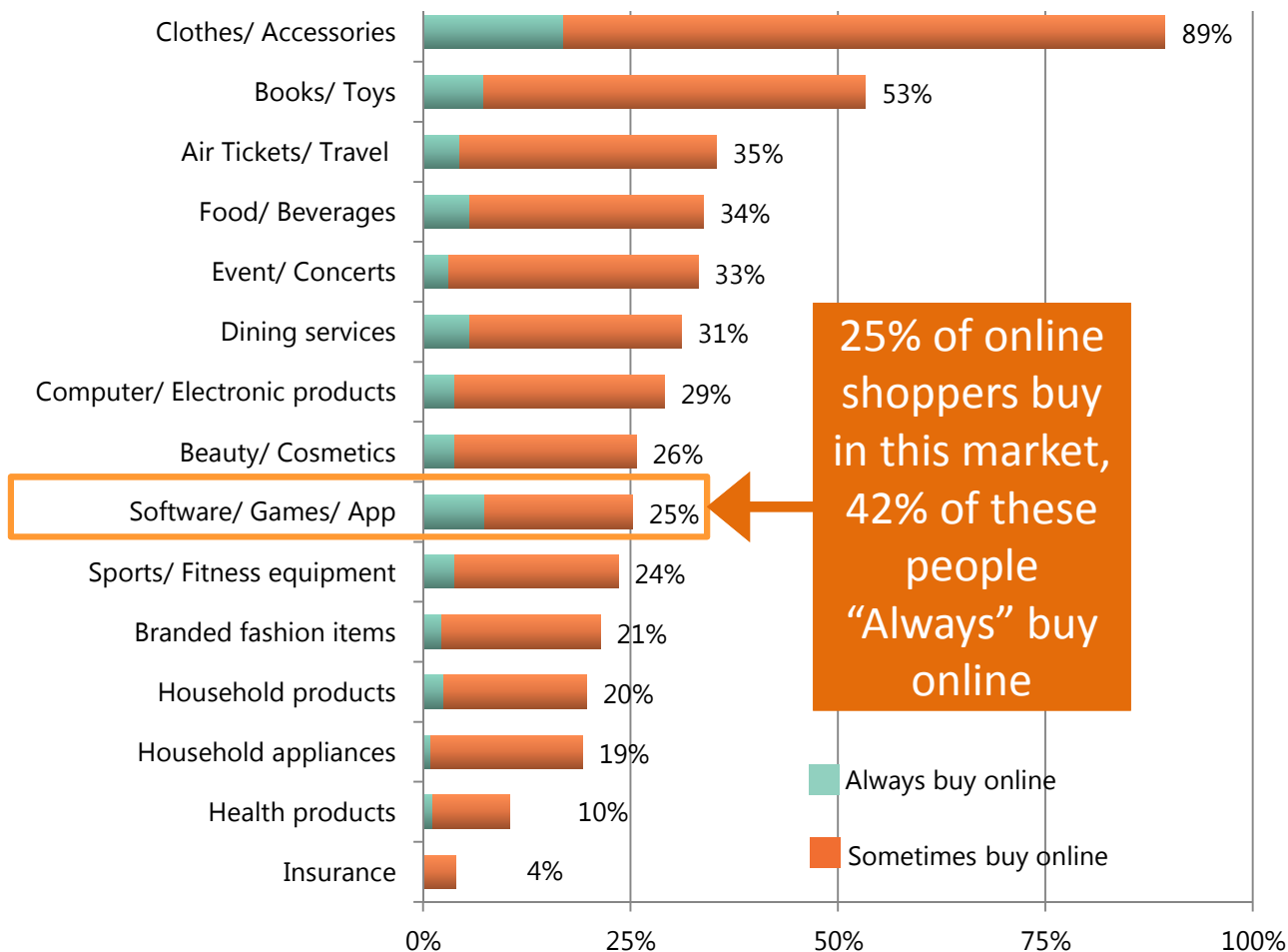
- Uneven distribution of spending from online purchasing population



- Half online shoppers spend \$3,600 per year or less
- Average annual spend per online shopper = \$15,250
- Average purchase = \$790
- Average frequency = every 10 days
- Customers who buy frequently tend to buy from a wide variety of markets

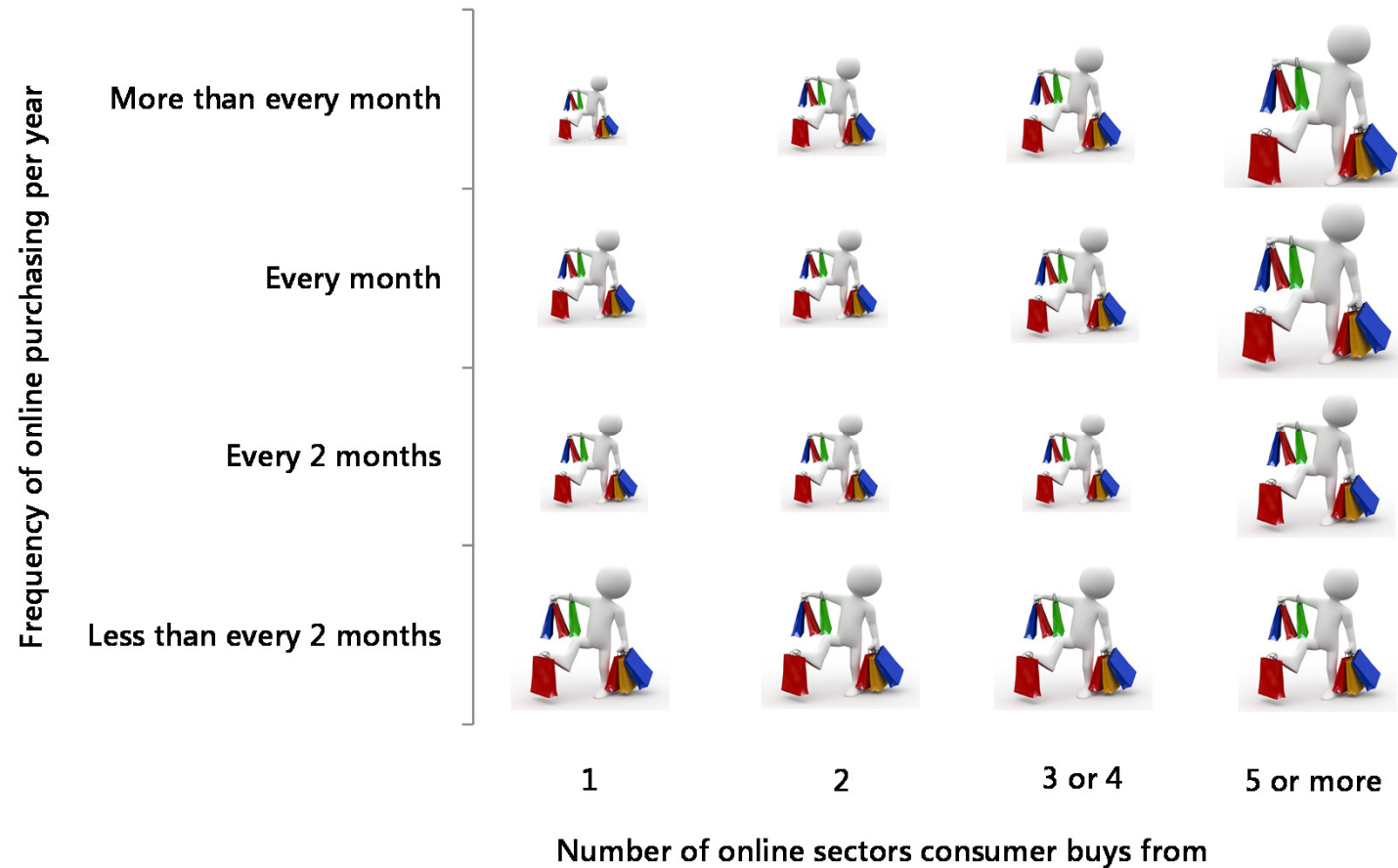
What sectors are most popular?

- Non-branded “Clothing / Accessories” are the most frequently bought online
- Average “Always” buy online across sectors: 16%, share of “Always” buy online is highest in “Software / Games / App”



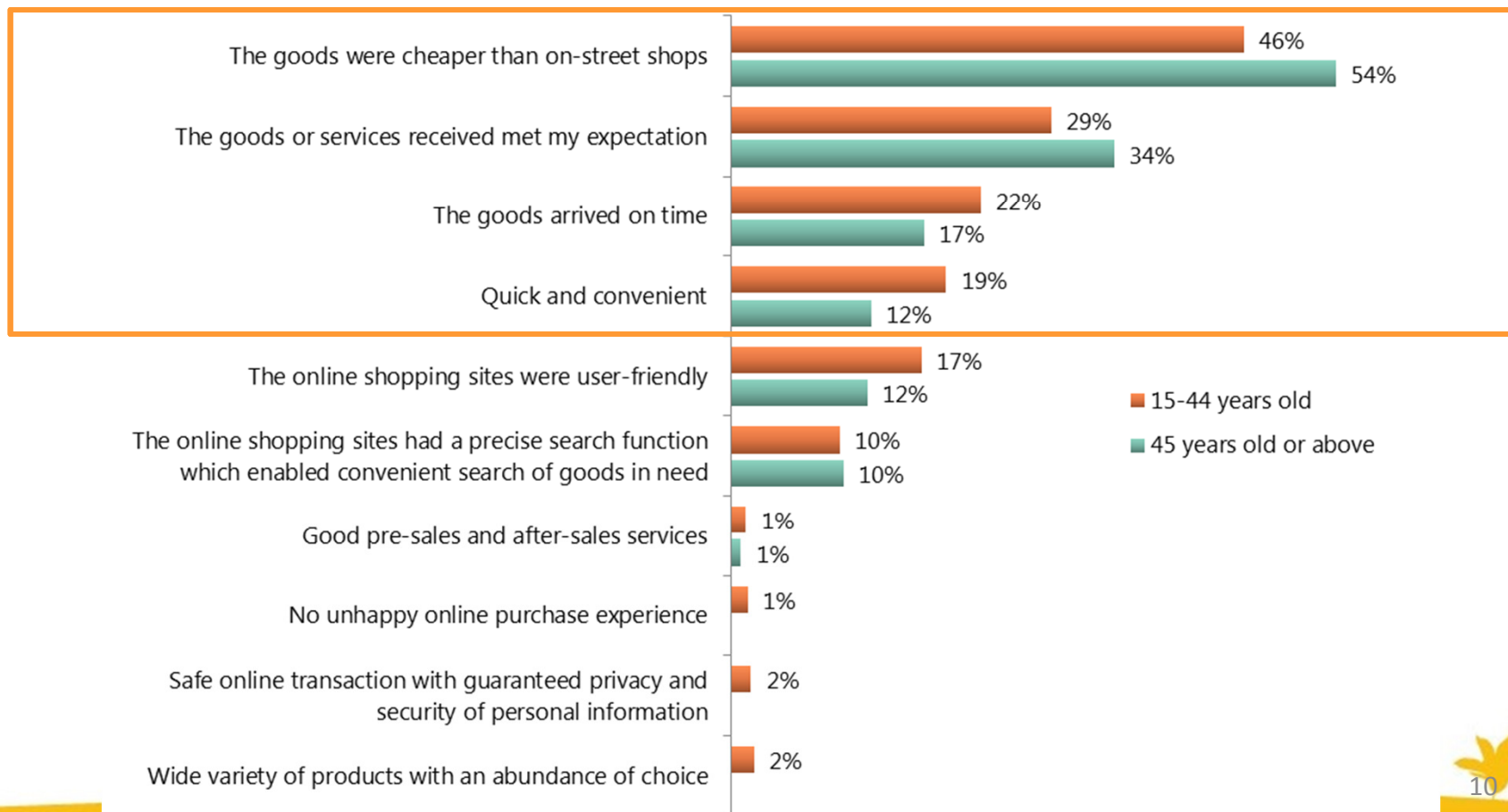
How frequently and diversely do people shop online?

- Customers who buy frequently tend to buy from a wide variety of markets



Why are online shoppers satisfied?

- Goods are cheaper than on-street and quality meet expectations
- Younger consumers appreciate goods arriving on time and online's convenience more than older shoppers

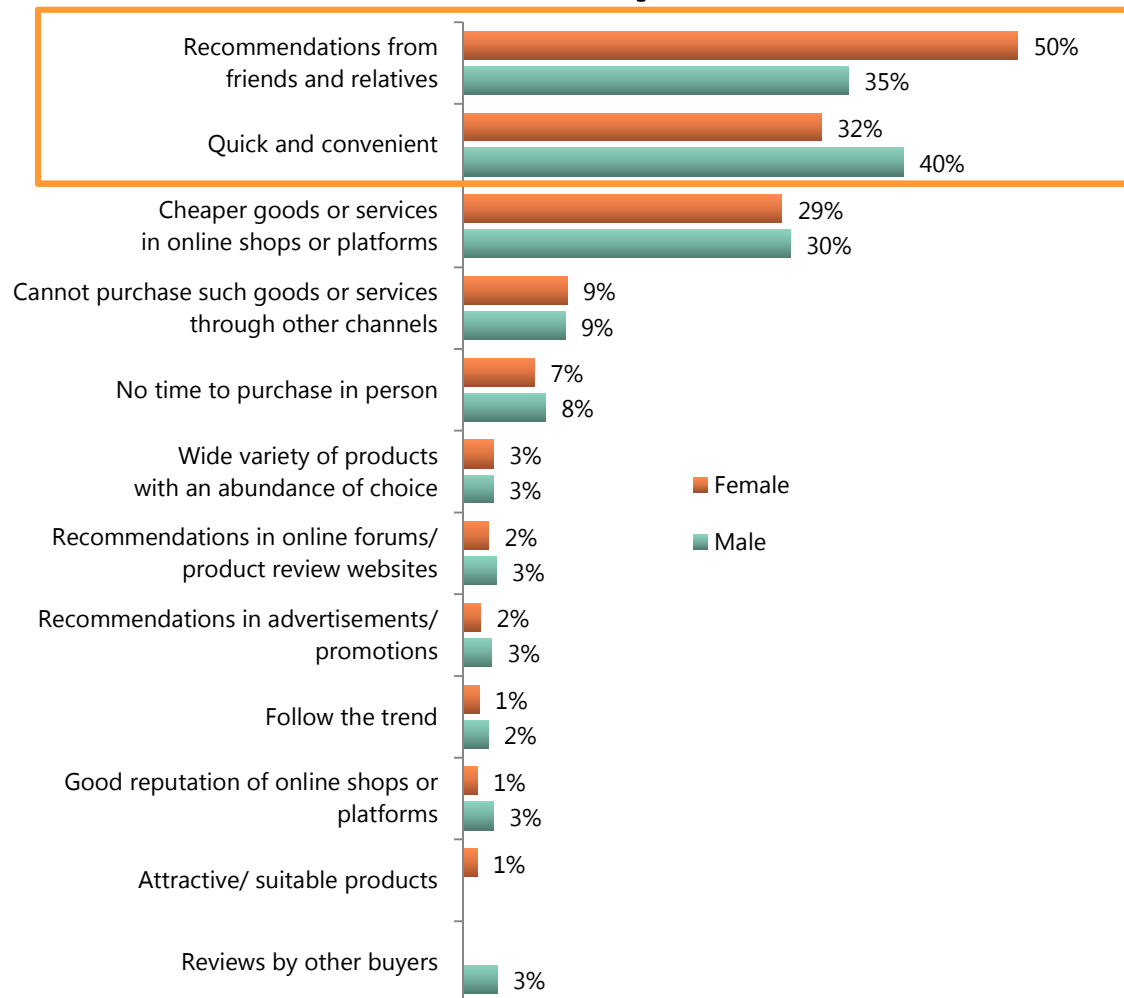


What drives first time online purchase?

Recommendations
from friends &
relations



Quick and
convenient
36%



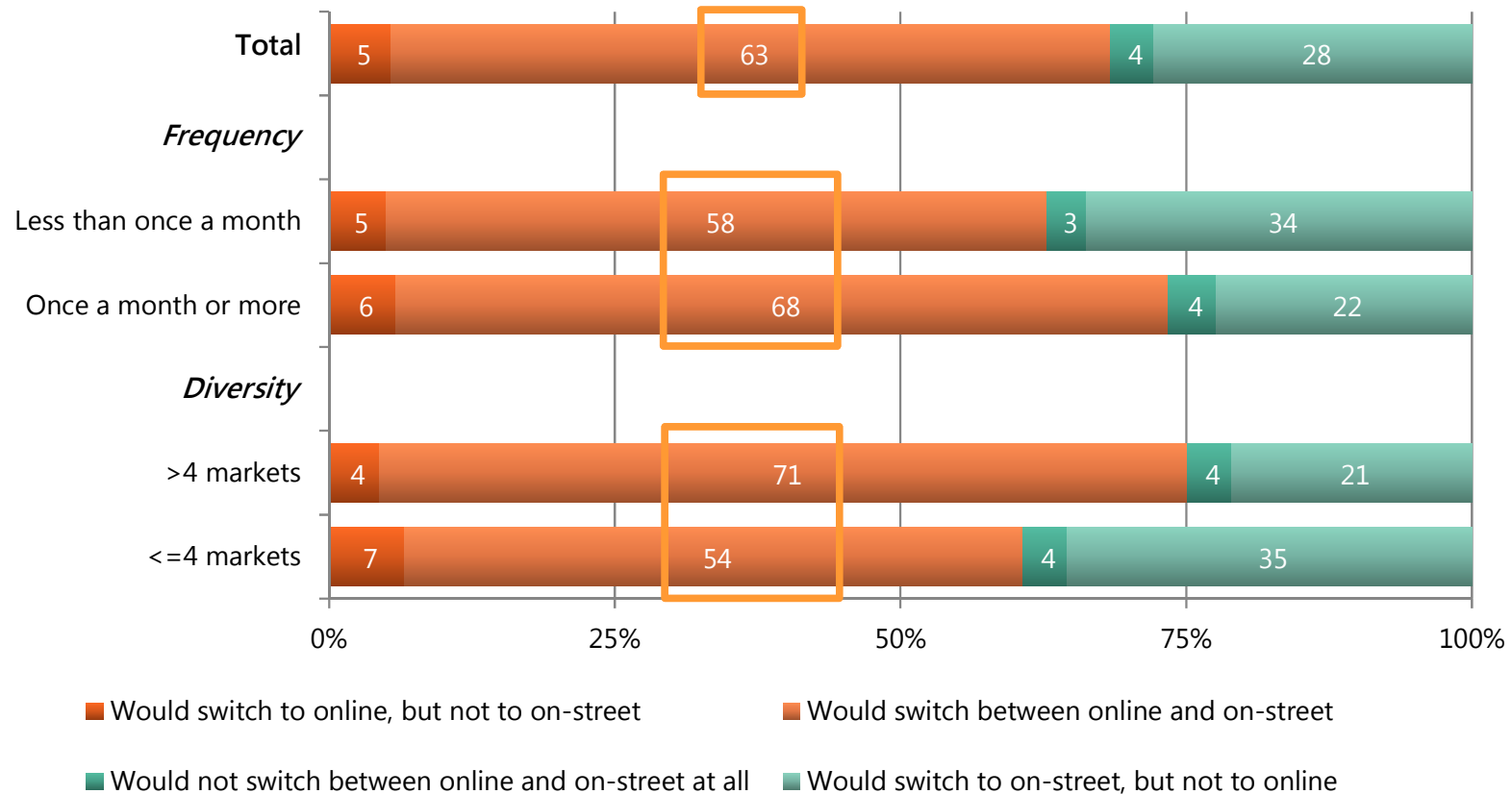
Criteria to select online shopping websites

- Consumers prefer sites with Good reputation (76%) and Track record (62%)
- User friendliness (37%) and Security measures (33%) are also important



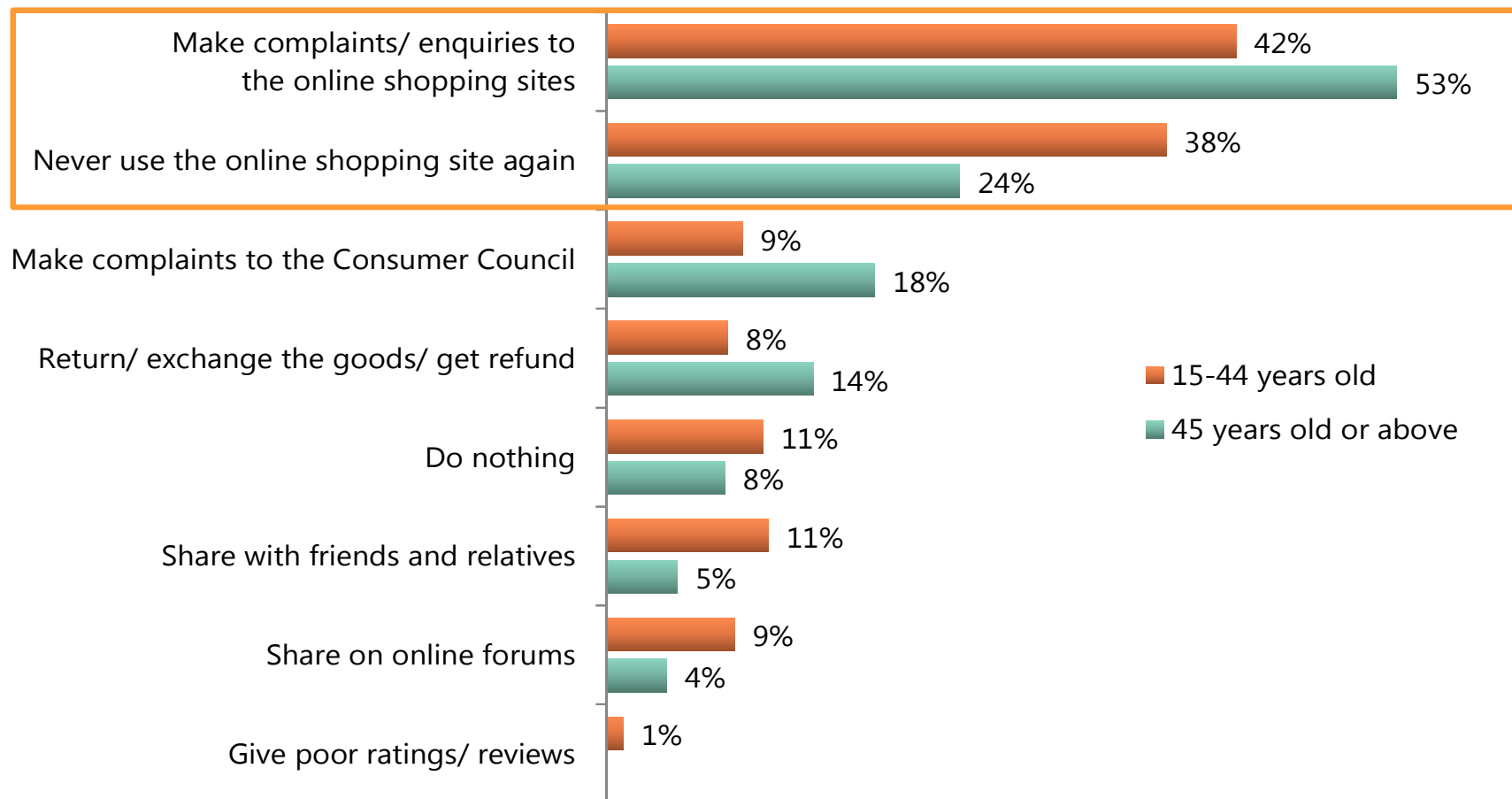
Will shoppers switch for 5% price saving?

- 63% switch between online and on-street
- Shoppers who shop online *more frequently* and from greater *diversity of markets* are more liable to switch

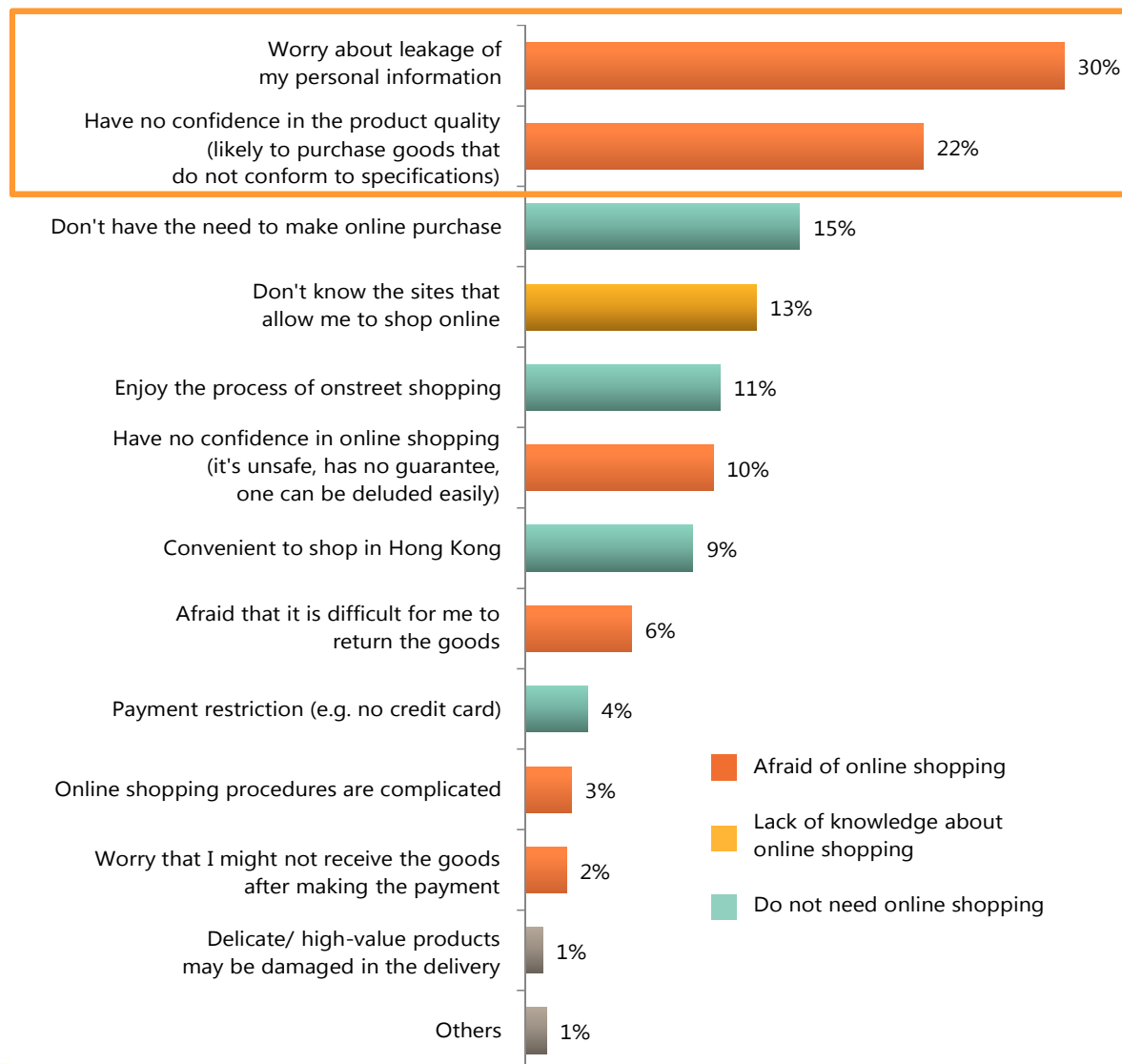


How do consumers seek redress?

- Mostly contact sites directly for redress, but younger customers are less tolerant of bad experiences
- Mature customers tend to seek help from the Council more



Why some people don't shop online?



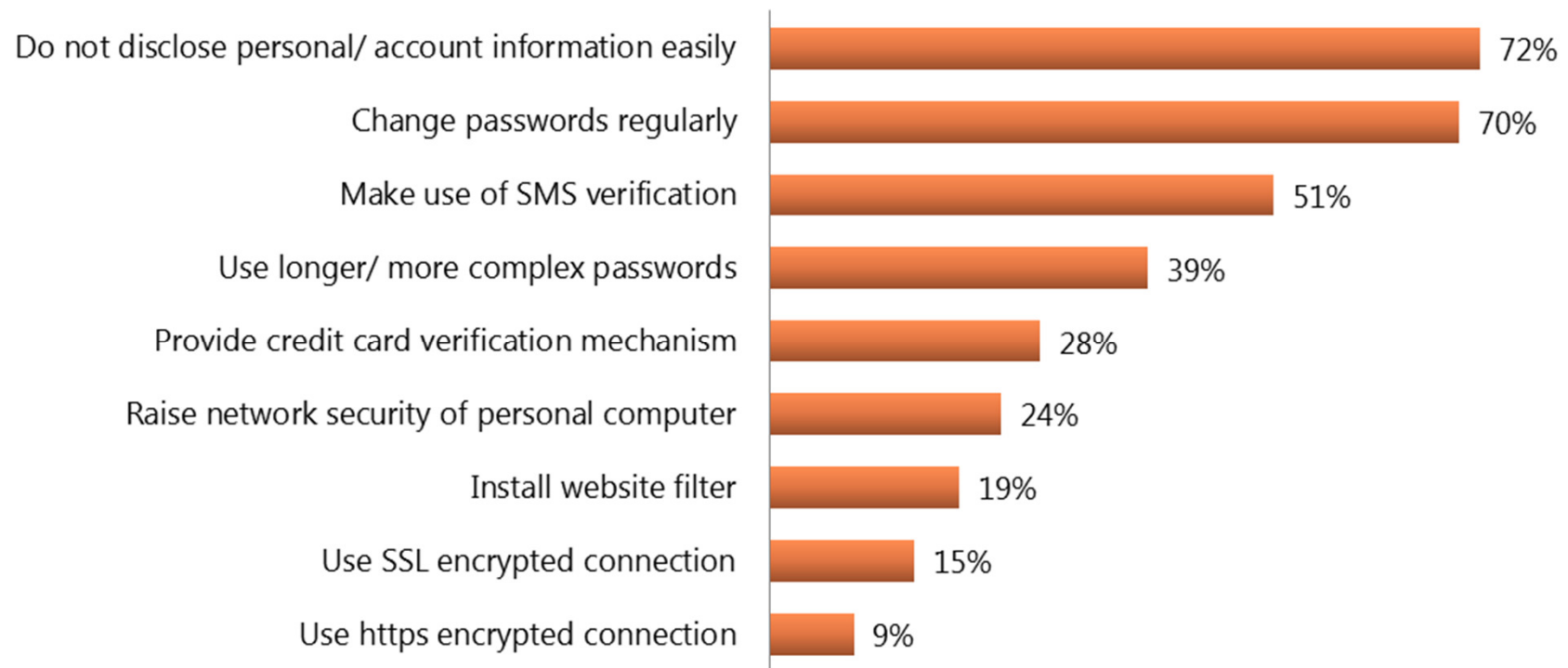
What drives for an attempt?

- Better refunds / returns policy is the most popular encouragement
- Lack of clarity in the terms and conditions second most cited impediment



What online safety measures used?

- Widely suggested safety measure are *not disclosing information* (72%) and *changing password regularly* (70%)
- Using encrypted connections (9-15%) or providing credit card verification (28%) were seldom mentioned





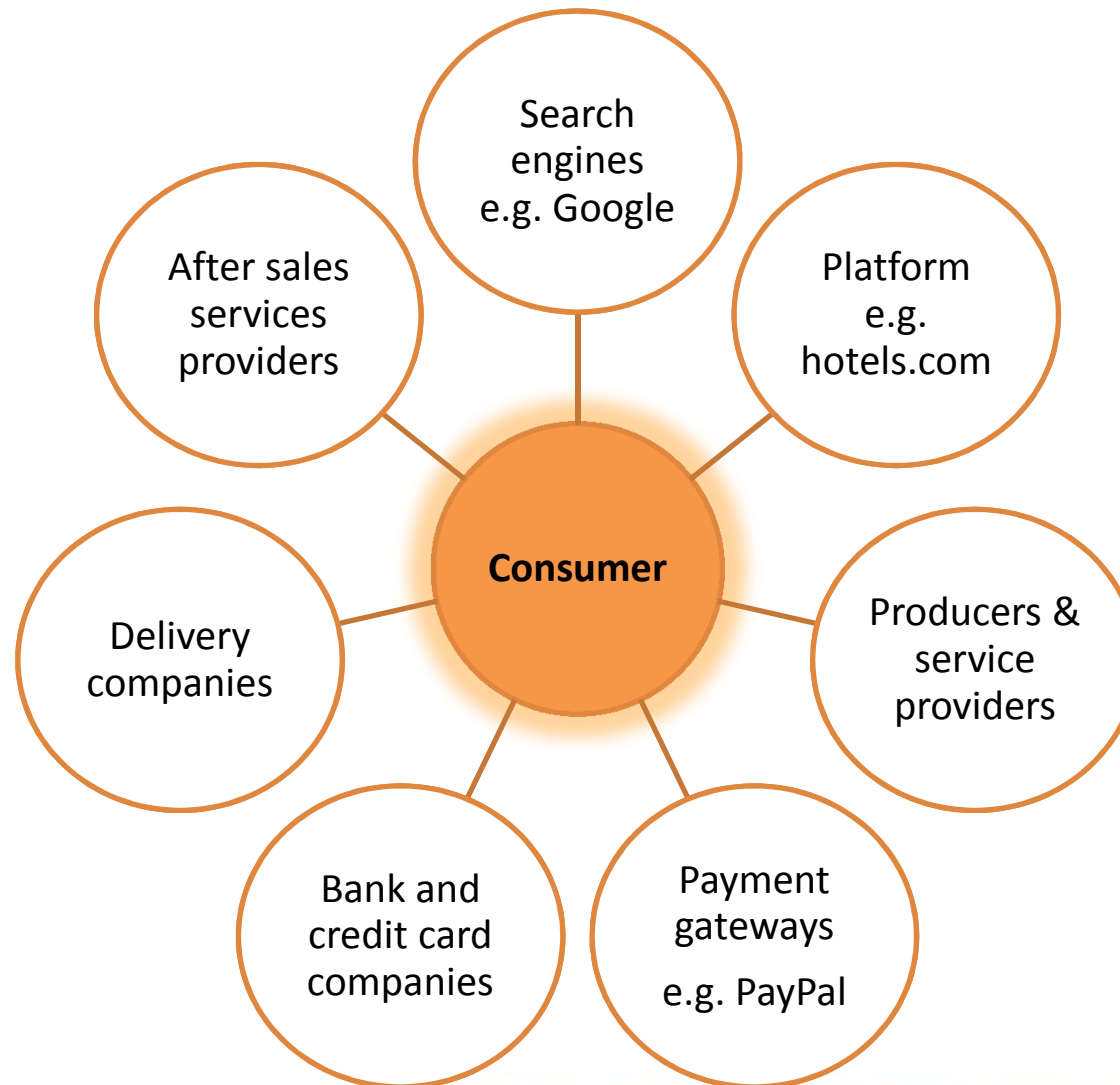
Conclusions – consumer survey

- Online shoppers have high satisfaction.
- They buy from a diverse range of markets and appreciate cheaper prices, and goods meeting expectations.
- Non-shoppers nervous about data leakage and product quality. Better and clear return policies and terms and conditions are necessary to boost confidence.
- Consumers lack knowledge of certain key security measures and could be exposed to risks.

Online Retail Trade Practices



A diverse range of actors in an online transaction





Issues arising from trade practice study

1. Lack of transparency about traders' geographic location
2. Complexity arising from third-party platforms
3. Price display, delivery arrangement and refund
4. Privacy and right to be forgotten
5. Payment options



Key findings across all markets (1)

1. Lack of transparency about traders' geographic location

- “.hk” does not imply business is Hong Kong based
- Expensive and inconvenient to resolve disputes with overseas traders

2. Complexity arising from third-party platforms

- In some sectors traders are highly reliant on platforms
- Improper data sharing or untimely transfer between platform and merchants can create risk to consumers

3. Price Display, Delivery Arrangement and Refund

- Drip pricing and disclosure of additional charges shown at a late stage during order
- 8 of the 15 purchases made by Council did not offer refunds unless goods deemed sub-standard by retailer

Key findings across all markets (2)

4. Privacy

- Two thirds of websites researched required customers to register as a member to make a purchase
- Around 20% of websites did not ask whether users could opt-out of data being used for marketing

5. Payment Options

- Only 20% of websites Council researched allowed customers to pay cash-on-delivery, cheques or bank transfers





Inadequacy of Information

- No specific provisions in Hong Kong legislation to govern information disclosure regarding online purchases, but exists in Mainland China, Taiwan and EU

UK Consumer Contracts Regulations 2013

1. Identity of the trader
2. Address and contact details of the trader
3. The conditions, time limit and procedures for exercising “right to cancel”
4. Arrangements for payment, delivery, performance, and the time by which the trader undertakes to deliver the goods or to perform the services
5. Any additional delivery charges and any other costs
6. Duration of the contract, or the conditions for terminating the contract

Privacy risk

- Traders have to comply with Personal Data (Privacy) Ordinance and its 6 data principles
- Risk of misuse of personal data
e.g. passing of personal data to delivery agent without sufficient data protection measures, such as confidentiality undertaking
- Consumer education is needed – from consumer survey, 1/3 quoted privacy and security measures as critical to establish trust



Consumer alerts

- Pay using a secure payment method & ensuring security of personal data
- Consult trusted people and websites before making purchase on an unfamiliar website
- Be aware of terms and conditions
- Reducing nuisance from unwanted marketing
- Consumers should make sure they know their rights of refund
- Don't believe claims that appear too good to be true



