4.2.1. How has Online Shopping developed as compared to Store Shopping, can the Former Replace the Latter?

Hong Kong, being one of the most affluent modern cities in the world has experienced a lot of growth in ICT. From 2000 where the ICT’s contribution to the economy was insignificant, the sector contributed 6.2% of the territories GDP in 2012 and is expected to contribute above 7% by the end of 2015. Research indicates that close to 75% of all business establishments utilized ICT in 2013.

![Internet Accessibility in Hong Kong](image)

Fig: 4.2.1.1. Graph Showing trends in Internet Accessibility in Hong Kong

The use of the Internet varied from the general communication, aiding management functions, networking and even marketing. In the same year, close to 13,000 business establishments adopted e-commerce or
m-commerce to boost their sales. The estimated total value for e-commerce for the year ending 2012 was close to $3 billion HK which is about 3.7% of the total sales made in that territory in that year. Both the Internet and designated private network have become very common in Hong Kong. Indeed, in this territory, the level of access to phones is close to 100%. For example, research conducted shows that 96% of the population had smartphone or had an access to a smart phone in 2014.

89% of the Hong Kong population has used their smartphone to search for a product online. Even though not all of them have subsequently bought such products, this shows how m-commerce has grown to become a crucial subset of e-commerce the internet is becoming an important aid to trade in the Hong Kong market and is playing a very crucial role in facilitating it.

Fig: 4.2.1.2, The graph shows how online sales have increased in Hong Kong Sources
From the early 2000s where there was virtually no product that was sold or bought through m-commerce, research shows that 43% of smartphone users in Hong Kong purchased at least one item in 2014. This is expected to rise as m-commerce in Hong Kong is expected to hit a record 18 billion Hong Kong dollars by the end of 2015. At the end of 2013, roughly 66.4 percent of the city’s population shopped online as compared to only 57.9% two years earlier. The intentions of people to buy online have also been growing. In 2011, only 75.5% of the population had the intention to shop online, while it is projected that this number will grow to 82.2% by the close of 2015. Over 70% of the online shoppers stated that they found online shopping more convenient. This is close to what this research found out through the questionnaire.

![Graph showing consumer spending on Alibaba’s Taobao and Tmall](image)

Fig: 4.2.1.3, Online sales in China as well as in Hong Kong has been growing
The research also found that women were more likely than their male counterparts to shop online. For example, the average number of items bought by female online shoppers in Hong Kong was 6.2 while the amount men bought was 4.6. Among males, consumers between 25-34 years formed the bulk of online shoppers; however, around 40% of female shoppers were aged between 50 and 64. The bulk of online consumptions included airline tickets, clothing, hotel reservations, car insurance, cinema tickets, groceries and electronics. In online consumption in apparel market, a Hong Kong shopper spent on average 4 times as much compared to American shoppers. All the above statistics and trends demonstrate how online shopping in Hong Kong has grown.

Unlike other developed metropolises in the world, Hong Kong exhibits a rather new trend in that the growth in online shopping has not been accompanied by a decline in traditional brick-and-mortar stores. Despite Hong Kong’s global leadership in online connectivity, traditional offline stores continue to thrive partly due to the local culture and partly due to the fact that some people are reluctant to make online transactions. The culture of people taking strolls from one mall to another and from one store to another is very much ingrained in Hong Kong. A large percentage of the population in this state believe that buying has to be done in the old fashion way. According to Cheung, a lecturer at the University of Hong Kong, the idea of shopping at traditional brick-and-mortar outlets is so ingrained in Hong Kong culture that a good number of them would rather purchase a computer program from a store than download one even when offered for free online. People still buy movies the traditional way versus downloading the same movie online. Another group of people is so skeptical about making online purchases that they feel more comfortable physically paying for the products they buy them online. For them, online stores are simply an ‘aid to trade’ meant to make the traditional brick-and-mortar more efficient. Hong Kong is lagging behind in online shopping to the rest of the region and even to the rest of China where online shopping expanded by over 80% in one year. The culture of taking leisurely
walks with friends and family is among the main reasons why brick-and-mortar stores will continue to thrive in Hong Kong. In other instances as noted earlier, people find for products online but prefer to physically buy them in traditional stores. For this reason, online stores cannot replace the traditional brick-and-mortar stores in the near future.

4.2.2. Advantages of buying products online in Hong Kong

As was discussed earlier from the responses of the participants of this research, many people in Hong Kong find online shopping advantageous. The main reason for this conclusion is that it is sometimes cheaper, more convenient, allows the buyers to have an online review of the product and enables them to have access to products in the overseas markets that are thousands of miles away, which would otherwise be very uneconomical to access physically. Since majority of people in Hong Kong prefer taking walks and physically buying physical products as a social activity. However, there is a certain class of product in which buyers in this region approach entirely differently: entertainment-related products, especially the ones that are non-consumer in nature.

Carrying home a parcel or a package of a purchased product comes with a feeling of enjoyment and accomplishment. However, this is not the case with carrying home service like products such as air tickets and hotel reservations. For this reason, close to 80% of people in Hong Kong choose to procure these services online in addition to researching them. This is also true with movie tickets, bus tickets and event tickets. Another noticeable trend is that the consumers in Hong Kong are also shifting to purchasing first moving items online which may include groceries. Foods and beverages are projected to follow this trend in the future. The main advantages of online shopping in Hong
Kong is convenience, saving time, allowing shoppers access to products in overseas market, enabling consumers to make price comparisons and allowing consumers to make online previews before making purchases.

4.2.3. Risks of buying products online in Hong Kong

Thirty-five percent of the respondents in this research indicated that online shopping in Hong Kong was risky. Like other cities, the risks associated with online shopping in this city results from the fact that the purchase is made without physically confirming the state of the product. The other risk is that the Internet is virtually impossible to regulate since it has millions of users all with varying intentions and capabilities. Another major concern in Hong Kong is that the safety of food items sold online may not be regulated or guaranteed. However, the single most important risk to online shopping is hackers. Like in other cities in the world, hackers may take advantage of unsecured online transactions to steal shopper information, which they may sell to criminals. When online shoppers use untrusted networks or unsecured Wi-Fi connection, hackers take this opportunity to steal credit card information. This enables them to buy products using victims’ credit card numbers. In some instances, they may redirect the amount being paid for an item into their personal accounts. Only some consumers understand that this risk occurs only when the network connection comes from a trusted source or when Wi-Fi connection is bot secured. For this reason, the majority chose to stay away from online shopping altogether. Another important online shopping risk is that some con artists establish websites purporting to sell products online. Their main aim is to trick potential buyers into purchasing products that the scammer has no intention of delivering. Although this form of fraud has become less common especially with proper regulation, there are still instances when it happens. Buyers and authorities have become increasingly vigilant to crack down on
bogus online stores.

Another risk that is associated with online shopping in Hong Kong is the loss of the packages or parcels during delivery. This is also an important risk associated with the traditional mail-order stores. Online sellers seek to minimize this and to ensure that it does not happen but it still occurs. In other instances, the package may be delayed, making online shopping inconvenient. Many online firms try to be reliable and responsible to their buyers and try as much as possible to avoid such instance but there is less they can do as the delivery is done by the post carrier. In case of loss or prolonged delay of a product, some of online stores in Hong Kong may replace the product in order to remain reputable. However, this still possess a significant risk to online shopping and a significant percentage of buyers have had to wait for extended periods of time to have their products delivered.

In other instances, online buyers have found out that the product delivered to them did not match the description provided on the website. In other instance, substandard products have been delivered to buyers which leave them with very few options as the product is usually already paid for. Although such instances are very rare in Hong Kong, they serve to make online selling in this city less credible. Online sellers are always very keen to clear such misunderstanding such that buyers can enjoy the product they ordered.

4.2.4, How firms and online buyers can maximize on the benefits and avoid the risks associated with Hong Kong online market

The convenience offered by online shopping in Hong Kong is unparalleled. Despite various risks that might be encountered while trading online, it is the
only form of shopping in which the buyer can make an order and have it delivered to his/her home at relatively cheaper prices compared to the traditional brick-and-mortar stores. The government of China and Internet providers have partnered up to make the Internet in this territory faster and more secure for online trading and even if certain risk still exists, it is much lower than it was several years ago. There are several steps that traders and shoppers can take to lower the risks associated with online trading.

Despite the fact that Hong Kong has among the highest number of Internet users and is among the most secure, the level of ecommerce in this territory remains very low and many opportunities remain untapped. The culture of the locals has led them to prefer shopping in brick-and-mortar stores. The convenience that would accrue from full utilization of their online infrastructure is unrealized. Sellers can take advantage of this safe Internet infrastructure to sell to the locals. There need to be adequate campaigns sensitizing the citizens that online shopping is not necessarily risky if done in the right way. Other regions of Asia less connected to the Internet than Hong Kong are nonetheless gaining more from online trade as their merchants are relieved of the many man hours that would otherwise be used in economic production. Online sellers can spend more on advertisements, especially for consumer products which many locals believe are best bought in the traditional brick-and-mortar stores.

Since many locals enjoy traditional shopping since they are able to incorporate their preference for long walks with shopping at brick-and-mortar stores, more must be done to promote the idea that these strolls can be done in unison with online shopping via smartphone devices. In other words, the social activity of going for walks with friends and family and shopping in traditional stores need not be mutually exclusive.

The most important precaution should be ensuring that all Wi-Fi provided in
public spaces is secured. This can play an important part in reducing the theft of personal credit card information. As traditional stores and coffee houses avail Wi-Fi networks for their consumers, they should ensure that such networks are secured. Additionally, they can also warn buyers that such networks are not safe enough for making online purchases. In addition, the government and the regulators should ensure that all websites claiming to sell products online are actually doing so. Buyers on the other hand can be advised to avoid buying products from untrusted online sellers as this could lead to fraud.

On the other hand, a lot of misunderstanding occurs because not all buyers read the online descriptions well. Furthermore, buyers are not always vigilant in ensuring that they only use secured network from trusted providers. They should also form a habit of buying from sellers who offer the best quality based on the reviews of other customers as this would make other sellers follow suit or face being pushed out of market.

Entrepreneurs and innovators can also play a crucial role in making online business more convenient, safer and less time consuming. Some startups are trying a wide range of ideas. For instance, most enable online sellers to track their parcels in real time until they are received by the buyers. If this is done, this is likely to prevent disputes over whether the item has been shipped or has arrived. Self-regulation and quality control measures by sellers can be helpful. For instance, the food sellers can hire food inspectors to confirm the quality and the safety of their foods before they are delivered to the consumers. Consumer organizations can also be formed to ensure that they exercise the safe consumption and purchasing practices in order to make online buying less risky. Such an organization can among other things register and approve online sellers to eliminate the space for bogus sellers in the online market. Additionally, they can also establish a procedure for checking and confirming secure website and network connection for consumers all of which can make
online buying less risky.

Online buyers and seller have also lost a lot in the past due to human error on both sides, which constitute a substantial risk to online shopping. For instance, there are instances in which online buyers have sent their payments to the wrong recipients. Similar, there are instances in which online sellers have attached the wrong descriptions to a product making online trade inefficient and risky. For this reason, both the buyers and the sellers should be vigilant to minimize the space for human error. For instance, each seller making payment for an online purchase should double-check the recipient’s details to ensure that the money is sent to the intended person or entity. At the same time, the online seller should ensure that the details given for online payment are accurate and not erroneous. This will play a very crucial role in ensuring that online transactions are safe.

Hong Kong as an online shopping destination cannot be said to be the most risky. Despite is being as busy as the New York e-commerce in terms of the participation by the masses, especially for leisure online shoppers, instances of theft of credit card information is 20% lower compared to the reported instances in the US. Additionally, the security of the infrastructure available for online shopping in Hong Kong is highly advanced. As a result, it can be said that online shopping in this city is underutilized despite its having significantly less risky instances as compared to other online markets of its capacity. For this reason, the Chinese authorities, online traders in Hong Kong and the online shoppers have to take concerted efforts to utilize the highly advanced internet infrastructure at their disposal to boost their online trade.

The issue of risks in Hong Kong online market is a matter of perception as this market is significantly safe compared to other markets of its capacity. The general population in Hong Kong has taken advantage of their online market but they can do more to boost it. Instead of just checking for products online,
leading their online previews, comparing prices online and only proceeding to close the deal offline, they can choose to complete the deal online. Online trade in Hong Kong can greatly increase if the general perception that it is meant for non-consumable products is changed.