

Hong Kong's eCommerce Businesses Set to Capitalize on the Window of Opportunity as End-of-Year Recovery Anticipated, says PayPal Study

eCommerce businesses prioritize improving shopping and payment experience to stay ahead in the intensifying market competition

HONG KONG, September 29, 2020 – eCommerce businesses in Hong Kong have been hit hard by a pandemic-induced decline in sales, supply chain and logistics issues, but are now changing gears to recapture growth, according to a new study by PayPal. With 61% of survey respondents expecting a recovery by the end of the year, 86% are already seeking to capitalize on the opportunity by improving their online shopping experience to boost their competitiveness.

"The pandemic has condensed the digitization of commerce and payments from years into a matter of months, and businesses are realizing the importance of digital transformation as a necessity of survival," said Tim Fu, Country Leader at PayPal Hong Kong, Korea and Taiwan.

The **PayPal Hong Kong Merchant Survey: From New Normal to New Growth**, was conducted in August 2020 to understand the impact of COVID-19 on local mid to large-scale eCommerce businesses and their views on recovery.

Business sustainability issues arise as financial pressure piles up

Although COVID-19 has given online shopping a boost, eCommerce businesses still reported tough challenges, with one in four (27%) claiming they are highly concerned about the sustainability of their business.

Since the beginning of the pandemic in Hong Kong in January 2020, 86% of businesses surveyed claimed logistics and supply chain issues, and over half (52%) reported decreased sales as their top challenges. This is creating dual pressure on businesses as a fall in sales is further compounded by increasing operational costs as a result of logistics and supply chain issues.

Nearly one-third (29%) of those having been impacted by supply chain interruptions had to pay more for the same products, while one in four (23%) saw their labour costs increase due to the disruption in logistics. With financial pressure piling up, 43% admitted experiencing cashflow difficulties during the pandemic.

Logistics and supply chain issues were also causing deteriorating customer relationships, with nearly two-thirds (64%) of the businesses surveyed experiencing issues with their company reputation and customer relationships. This includes rising complaints from customers, damaged company reputation, and loss of regular customers.

The race to recapture growth amid recovery

Despite the mounting pressure and challenges Hong Kong's eCommerce businesses are facing, almost two-third of the businesses surveyed (61%) anticipate a recovery by the end of 2020 and have taken measures to address the immediate financial pressure and customer relationship challenges. To recapture growth, 48% of businesses are looking for alternative ways to sell their products and 45% are looking to reach customers in new markets.

"As we emerge from the clutches of the pandemic, businesses must begin to shift gears from survival to recapturing growth," said Tim. "Successful businesses will be those that focus on optimizing and delivering a strong, end-to-end customer experience."

The study found 86% of eCommerce businesses believe that improving their online shopping experience for consumers is key to increasing competitiveness - of which, one in two (47%) businesses highlighted the importance of improving their payment experience, and 58% plan to invest improving their checkout experience within the next six months.

“Consumers want a shopping experience which is smooth, convenient and one which gives them peace of mind. Having a trusted, secure and simple payments service can go a long way to supporting this and boosting sales conversion. PayPal enables integrated payments across different platforms and allows consumers to pay in their local currencies. This gives them more confidence to shop online and make cross-border purchases. Through our global network and world-class security, PayPal is committed to helping our merchants thrive in the new normal of doing business,” said Tim.

Please find the PayPal Hong Kong Merchant Survey report at www.paypal.com/hk/MerchantSurvey2020.

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About the Hong Kong Merchant Survey

The independent study, entitled “From New Normal to New Growth”, was conducted by Edelman Intelligence on behalf of PayPal Hong Kong to offer insights into how eCommerce businesses in Hong Kong had been impacted by the pandemic and where businesses plan to invest to recapture growth. The results are based on interviews with 44 senior executives of mid to large-cap eCommerce merchants in the physical goods space held online in August 2020.

About PayPal

PayPal has remained at the forefront of the digital payment revolution for more than 20 years. By leveraging technology to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering more than 300 million consumers and merchants in more than 200 markets to join and thrive in the global economy. For more information, visit [paypal.com](https://www.paypal.com).

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