



iCLICK
INTERACTIVE



CHINESE TRAVEL SHOPPERS 2022

WHITEPAPER

April 2022



FOREWORD FROM ICLICK



“

It is a great pleasure for Ernst & Young Advisory Services Limited (“EY”) and iClick to jointly publish this whitepaper on China travel shopper trends to unveil the challenges and opportunities for the travel retail sector under the context of COVID-19.

The global travel retail market has been among the most impacted by the measures to contain the spread of the pandemic since 2020 and yet the Chinese market has shown great resilience and welcomed a fast recovery. In 2021, Chinese travel retail consumption shifted to domestic tourism and China’s duty free market achieved 66.8% y-o-y growth. China’s efforts to revitalize the sector, as evidenced by the massive growth of China Duty Free Group and Hainan Free Trade Port, are exceptional.

Hainan Free Trade Port has risen from 2011 to be a major travel retail destination based on its law-based business environment and the implementation of integrated system innovations centered on that unique business environment. By 2025, China’s travel retail market is now foreseen to grow to US \$24 billion.

As the world enters the new normal, and with the Chinese travel retail market reaching new heights, marketers and brand owners in this sector need to adapt to the new reality and prepare for the golden business opportunity that lies ahead once international travel restrictions are lifted. As a trusted partner, iClick has empowered leading travel retail brands to deliver their brand messages to Chinese travel shoppers across the globe.

This whitepaper leverages the iClick’s proprietary “iAudience” market intelligence platform which aggregates diverse sources of anonymous Chinese internet user data into a single platform to reveal trends about this highly sought-after consumer segment. This desirable and insightful data challenges traditional market segmentation and identifies four diverse and distinct groups of “new” Chinese travelers, dives into the Chinese shoppers’ outlook and behaviors, and reveals implications for marketers and brand owners in related industries.

We are pleased to share our expertise, data and insights with EY, offering related stakeholders in the travel retail sector unparalleled audience insights to cultivate their own strategy to understand, influence, engage and convert different types of Chinese travel shoppers, confidently navigating the pandemic and preparing for the recovery. ”



Frankie Ho

*President, International Business
iClick Interactive Asia Group Limited*

FOREWORD FROM EY

“

In May 2021, the first China International Consumer Expo took place in Haikou, China, providing a new platform for global companies to explore the Chinese market and get a sense of vitality that will be part of the global economic recovery. Before the official start of the second China International Consumer Products Expo, it is a great pleasure for EY and iClick to jointly publish this whitepaper to explore the challenges and opportunities for the travel retail sector of China in the post-pandemic era.

Since the beginning of 2020, in an attempt to quash the rapid spread of COVID-19, most countries took measures that restricted the exchange of people and goods with other countries, dramatically affecting both consumers and companies that provide products and services to them.

Fast forward to today, we see large parts of China returning to normal, and in 2021, China's GDP achieved 8.1% y-o-y growth. China's population of 1.4 billion, of which more than 400 million are middle class, forms one of the largest domestic markets. In 2021, the total retail sales of consumer goods in China amounted to RMB 44 trillion, which achieved 12.5% y-o-y growth. China has now become the world's second largest consumer market.

The Hainan Free Trade Port is a major national strategy to create Hainan as an international tourism and consumption destination. According to the Department of Commerce of Hainan Province, 2021 sales from the 10 duty-free stores in Hainan were RMB 60 billion, an increase of 84% y-o-y, and the number of duty-free shoppers was 9.68 million, up 73% y-o-y. The Hainan market, with the continuous optimization of the duty free policy, will further attract operators in the travel retail sector.

EY has contributed to this whitepaper in sections 2.3 “Business opportunities in Hainan” and 2.4 “Tax incentives in Hainan” by giving a general introduction to the business environment of the Hainan Free Trade Port, providing insights on how duty-free marketers and brand owners can grasp the business opportunities the Port provides, and interpreting the main preferential tax policies in the transitional period. EY continues to provide extensive local service experience and connected global service network, to provide innovative customized solutions to help the development of Hainan Free Trade Port, and jointly build a better working world. ”



Denis MK Cheng
Greater China Consumer Industries Leader
Ernst & Young Hua Ming LLP

COMMENTARY FROM THE MOODIE DAVITT REPORT



“

It is my pleasure to once again contribute an introductory commentary to the second edition of iClick Interactive’s second Chinese Travel Shoppers Whitepaper. Some 18 months has passed since I wrote the foreword to the first edition. In the intervening months many things have changed in the travel retail sector while some – notably the restraints on Chinese outbound travel – have stayed the same.

The Moodie Davitt Report has assiduously tracked the global travel retail channel on a daily basis throughout this tumultuous period. We have chronicled the catastrophic impact of the pandemic on passenger numbers and the resultant equally disastrous effect on retail sales. Various ‘recoveries’ over the past two years have been stalled by a combination of ever-changing government travel restrictions and testing and quarantine regulations, and by emerging COVID-19 variants such as the fast-spreading Omicron in late 2021.

However, as I write this commentary in early March, the sector outlook looks better than at any time during the pandemic. In late February, Dag Rasmussen, Chairman & CEO of one of the world’s biggest travel retailers, France’s Lagardère Travel Retail, predicted a return to pre-pandemic 2019 revenues in 2023. Many of his peers are seeing healthy year-on-year percentage gains in early 2022 as much of the world decides to ‘live with COVID’.

Against such a backdrop, the US \$64 million question for the global travel retail community outside China is ‘When will the Chinese return?’ The definitive answer is uncertain, especially with Omicron’s highly infectious nature and the Chinese authorities’ adherence to their remarkably successful ‘dynamic zero COVID policy’. But two things are certain – firstly that they will return and secondly that in the intervening period they will remain a profoundly important shopping force thanks to the vibrancy of China’s ‘home’ travel retail market.

While the global travel retail channel fell into a calamitous slump in 2020 and remained largely moribund for much of 2021, the Hainan offshore duty free market in China boomed. With options for foreign travel so constrained, the island paradise offered an attractive alternative, particularly thanks to the enhanced offshore duty free shopping policy introduced in July 2020.

The policy was enlightened, the impact electrifying. Hainan's offshore duty free market rocketed from circa US \$1.9 billion in 2019 to over US \$5 billion (including some duty- and tax-paid sales) in 2020. In 2021, despite occasional COVID-19 outbreaks on the Mainland, the market's value shot up by +84% to US \$9.47 billion – US \$7.94 billion from duty free alone. Simultaneously, retailing at many Chinese domestic airports has grown exponentially, their combination of high footfall and the ability to showcase brands to an influential audience attracting numerous luxury brands such as Louis Vuitton.

We firmly believe that all aspects of China's travel retail market will grow strongly in the future. That includes Hainan; domestic airport and railway station retailing; online shopping; further downtown duty free/travel retail opportunities (well-documented in this report); and, in due course, traditional duty free shopping for outbound travellers (and arrivals shopping for returning Chinese).

For brands and retailers to maximise the opportunities that such a diverse range of channels represents, they need an intimate knowledge of Chinese consumers. Note my use of the plural. So many western research companies, and even brands, talk about 'targeting the Chinese consumer'. The reality, as this report reveals, is far more complex than that. Both for the rigour of its methodology and the quality of its insights, I find this whitepaper a report of rare intelligence and insight into the evolving habits, needs and desires of travel retail's most important consumer audience of the 21st century. ”

FOREWORD FROM DAXUE CONSULTING

The past couple years have been unquestionably difficult for the global travel retail industry; however, China's domestic travel retail market has proven more resilient than the global one. While the largest global travel retailers each saw at least a 38% drop from 2019 to 2020, China's travel retail market only saw a 4.8% drop during the same years, followed by a 66.8% growth the following year.¹

This tremendous growth in duty free sales was made possible by the shift from international to domestic travel, which is the most outstanding characteristic of the post-COVID-19 travel market. In the first half of 2021, the number of domestic tourists in China reached 1.87 billion, which is double from the first half of 2020. Over the same period, the gross revenue of domestic tourism in China hit RMB 1.63 trillion (US \$255.66 billion), up 157.9% y-o-y.²

This phenomenon has led to Hainan replacing international destinations like South Korea for travel shopping and allowed the China Duty Free Group to become the largest duty free retailer in the world. Additionally, uniquely Chinese formats of consumption are arising such as high-speed rail duty free shopping.

Over these last few years, travel habits have been shifting in many ways. Among Chinese

tourists are newfound preferences for shorter trips which are closer to home and outdoor tourism. To catch the demand of these tourists, China is opening up more domestic duty free shopping centers in large cities like Beijing and Shanghai, which are more accessible over shorter weekend trips.

In terms of outdoor tourism, in the winter of 2021-2022, we witnessed an incredible rise of winter sports in China leading up to the Beijing Winter Olympics. China managed to mobilize 300 million of its citizens to participate in winter sports, much of it being skiing and snowboarding at the over 800 ski resorts in the country. The hotbeds of winter sports tourism are Beijing, Dongbei and Xinjiang, and if the popularity of winter sports can remain strong in the next several years, the travel retail opportunities surrounding these three destinations will be very fruitful.

What these insights show is that brands in both travel retail and tourism should prioritize flexibility and agility to reach the evolving travelers. In more concrete terms, this means being integrated on digital platforms and continually seeking to understand the evolving Chinese travelers, without attachment to previous ideas about whom they were in the past. By reading this whitepaper, you are already a step ahead in the game.



Source:

- 1 GlobalData predicts Asia's duty-free market will recover by 2023
<https://insideretail.asia/2021/12/20/globaldata-predicts-asias-duty-free-market-will-recover-by-2023/>
- 2 China's tourism industry sees strong post-pandemic recovery
http://www.news.cn/english/2021-09/23/c_1310203265.htm

ABOUT ICCLICK'S PROPRIETARY MARKET INTELLIGENCE PLATFORM: IAUDIENCE

iAudience is iClick's proprietary market intelligence platform, empowering marketers with a deeper understanding of the Chinese market landscapes and enabling marketers to grasp potential opportunities. Since its release in 2017, iAudience has helped clients understand their competitive position and provided AI-driven intelligence to explore new business opportunities through data-based audience insights that dramatically improve digital marketing strategy.



Extensive mobile data sources

iAudience aggregates diverse sources of anonymous data into a single platform, allowing analysis of Chinese user behavior across multiple channels and devices. In addition to iClick's proprietary "Data Map", iAudience incorporates data from China's most popular media platforms through partnerships with industry leaders with users' consent.

Market analysis module

iAudience provides "Market Module" that helps brands gain instant understanding of a chosen market segment and offers ready-to-use "Audience Plan" lists. Clients can choose from a selection of 53 pre-defined market segments and benefit from enriched anonymous audience profiling, with key analysis metrics including demographic profile, psychographic profile, mobile app usage behavior and outbound travel destinations.





Brand analysis module

iAudience also includes a reorganized brand audience profile display that provides even deeper insights into a brand's positioning and competitive landscape. It provides analysis from three dimensions, including "Landscape" – a high-level overview of the entire competitive landscape; "My Brand" – an in-depth user portrait analysis of the brand and its products, and "Competitors" – a closer look into a brand's individual competitors. This new streamlined approach provides clients with intelligence regarding the attributes and topics of most interest to fans of both their own brand and competitor brands, suggesting the most appropriate content and marketing strategies to grow their customer base.

As brands transition into the era of Smart Retail, iAudience's tailored insights will be invaluable in supporting data-driven and performance-focused marketing campaigns across multi-media channels.

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METHODOLOGY



1.

Market research

iClick worked with daxue consulting to review third-party research reports, conduct a thorough media review regarding travel in China, analyze data and statistics from partners and public organizations to assemble a coherent overview of the Chinese travel market and traveler consumption habits. Conclusions on implications for marketers were holistically drawn from the research compiled through various methods.

2.

Leverage iClick's iAudience platform

Leverage iClick's proprietary market intelligence platform iAudience to gain insights from over 1,198 million anonymous active online users in China on a monthly basis.

3.

Derive behavioral insights

Daxue consulting analyzed the behavioral results of Chinese travelers through iAudience. This includes their demographics, interests, and internet behavior to derive behavioral insights and provide strategic recommendations to marketers on how to attract, engage, and convert Chinese travelers.

1.

Travel Retail Market Overview

1.1. COVID-19: How the pandemic has created a significant impact on China's travel retail sector

1.1.1. An overview of the global travel retail market: Before vs after COVID-19

1.1.2. The birth of China's new travel retail market

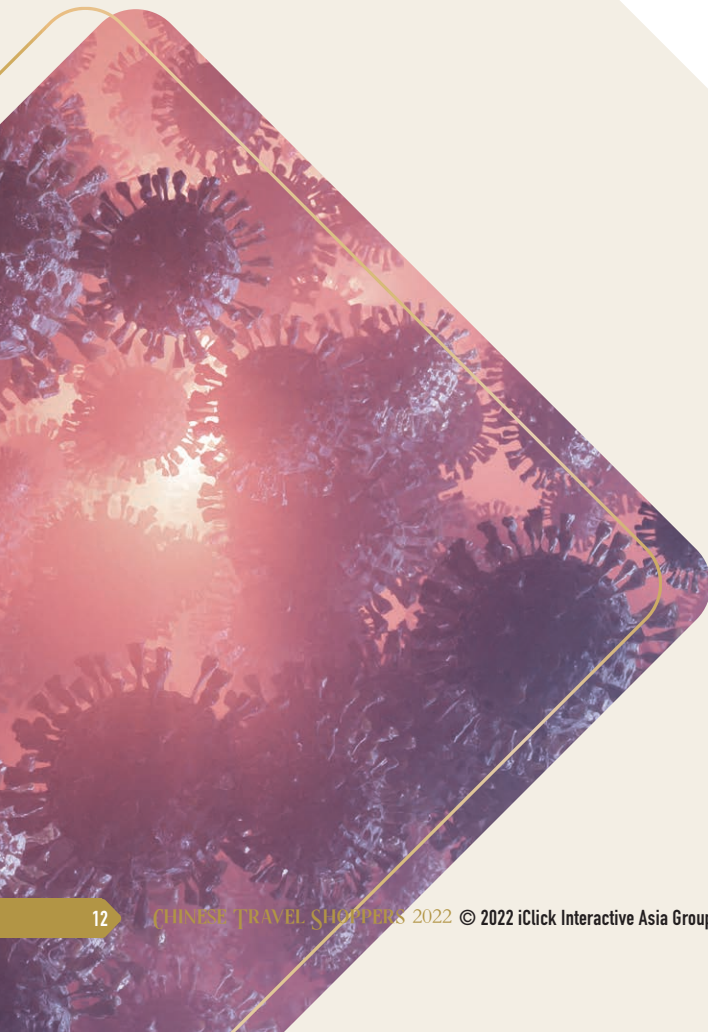
1.1.3. Hainan's rise as a travel retail destination

1.2. 2021 Travel retail trends

1.2.1. What is revenge spending

1.2.2. Pop-up stores playing a major role in China's hunger marketing

1.2.3. New domestic travel retail channels



1.1

COVID-19: How the pandemic has created a significant impact on China's travel retail sector

The most visible impact of COVID-19 on Chinese travel retail consumption is the shift from outbound travel to domestic tourism. Even as foreign countries are opening up to tourism, Chinese tourists are not necessarily returning, and the domestic tourism market continues to thrive. Government policy has also adapted to drive domestic duty-free consumption, most notably in Hainan.

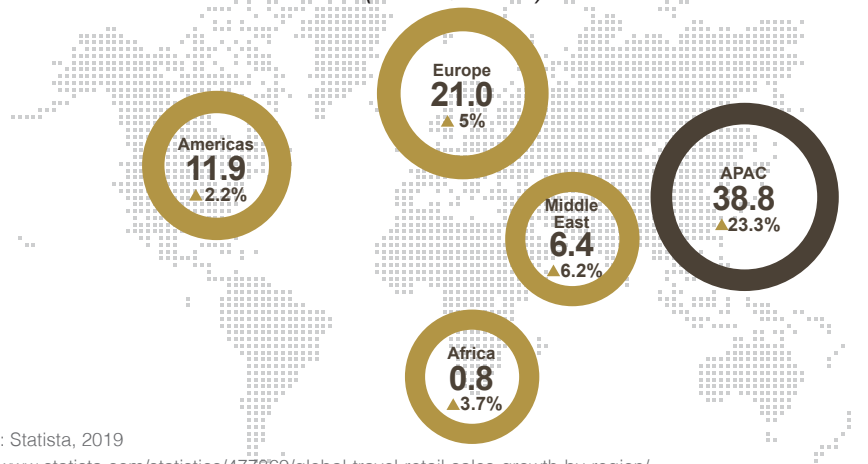
1.1.1 An overview of the global travel retail market: Before vs after COVID-19

The global travel retail market has always been an attractive industry due to its benefits from globalization trends and steady traffic growth. Before "coronavirus" became a household name, the outlook for the world's duty free market was nothing but optimistic. In 2019, valued at RMB 489 billion (US \$76.7 billion), the global travel retail market was expected to witness a CAGR of 8.7% between 2018 and 2025.³

The Asia-Pacific Region was leading global duty free consumption; in 2018 the APAC region's duty free revenue was RMB 247.4 billion (US \$38.8 billion) with an astonishing 23.3% growth rate and accounting for 49.18% of the worldwide travel retail industry. Europe and the Americas' duty free revenues were RMB 133.9 billion (US \$21.0 billion) and RMB 75.9 billion (US \$11.9 billion) respectively in 2018, both with growth in the single digits.⁴

Duty free sales revenue and growth by regions (2018)

(in US \$ billion)

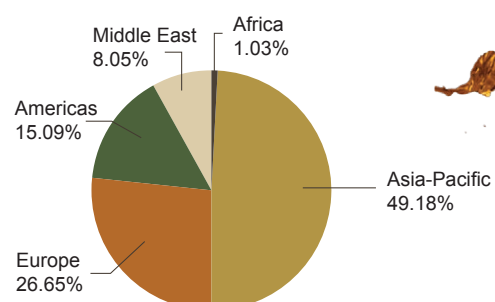


Source: Statista, 2019

<https://www.statista.com/statistics/477869/global-travel-retail-sales-growth-by-region/>

<https://www.statista.com/statistics/477860/global-travel-retail-sales-share-by-region/>

Distribution of the travel retail industry worldwide (as of 2018)



Source: Statista, 2019

<https://www.statista.com/statistics/877956/market-share-of-the-global-travel-retail-industry-by-region/>

Source:

³ Travel Retail Report 2018 - 2025

<https://www.grandviewresearch.com/industry-analysis/travel-retail-market>

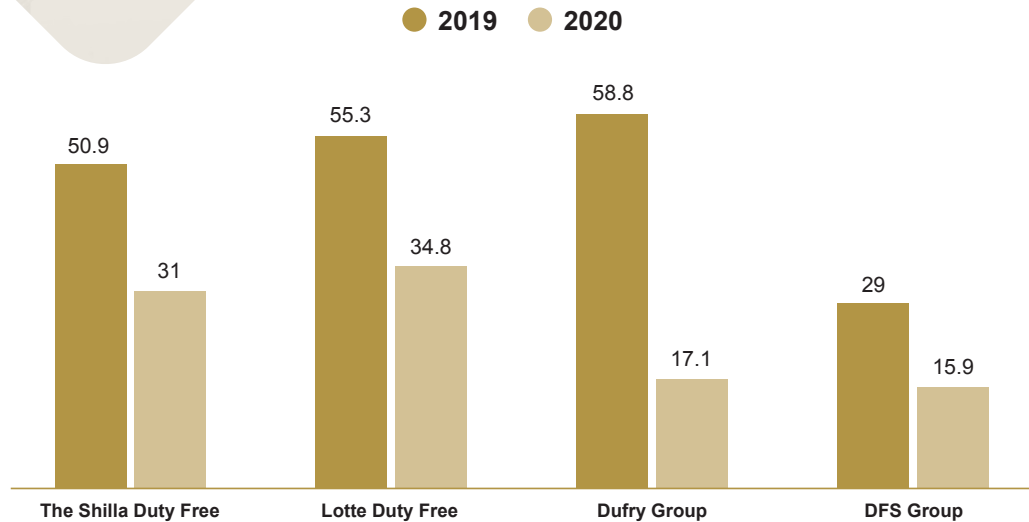
⁴ Duty free and travel retail sales worldwide in 2018, by region

<https://www.statista.com/statistics/477860/global-travel-retail-sales-share-by-region/>

In 2020, global travel was suppressed under the pandemic, halting a majority of duty free consumption worldwide. According to The Moodie Davitt Report, it is estimated that duty free and travel retail sales fell by approximately 70% y-o-y during the second half of 2020⁵. Furthermore, the four biggest duty free groups worldwide⁶ (The Shilla Duty Free, Lotte Duty Free, Dufry Group, and DFS Group) each have recorded a decline in sales of at least 38% y-o-y.⁷

Sales of the four biggest international duty free groups (2019-2020)

(in RMB billion)



Source:

The Moodie Davitt Report, 2020

<https://edition.pagesuite-professional.co.uk/html5/reader/production/default.aspx?pubname=&edid=9bd1e383-f3d3-4b7a-9c50-0ab492155739>

The Moodie Davitt Report, 2021

<https://ezine.moodiedavittreport.com/the-moodie-davitt-ezine-299/top-travel-retailers-2020/>

Despite the dramatic collapse, the global travel retail market seems to prospect an even brighter future post pandemic. The global market is now predicted to reach RMB 924 billion (US \$145 billion) by 2028, registering a CAGR of 14.9% between the forecast period of 2021 and 2028.⁸

While the global market suffered from the pandemic, the Chinese market remained resilient, thanks to domestic tourism and duty free initiatives in Hainan Province.

Source:

5 Travel Retail Market in Hainan FTP

<https://assets.kpmg/content/dam/kpmg/cn/pdf/en/2021/05/travel-retail-market-in-hainan-ftp.pdf>

6 Top Travel Retailers 2020

<https://ezine.moodiedavittreport.com/the-moodie-davitt-ezine-299/top-travel-retailers-2020/>

7 Top travel retailers of 2019

<https://edition.pagesuite-professional.co.uk/html5/reader/production/default.aspx?pubname=&edid=9bd1e383-f3d3-4b7a-9c50-0ab492155739>

8 Travel Retail Market by Product Type

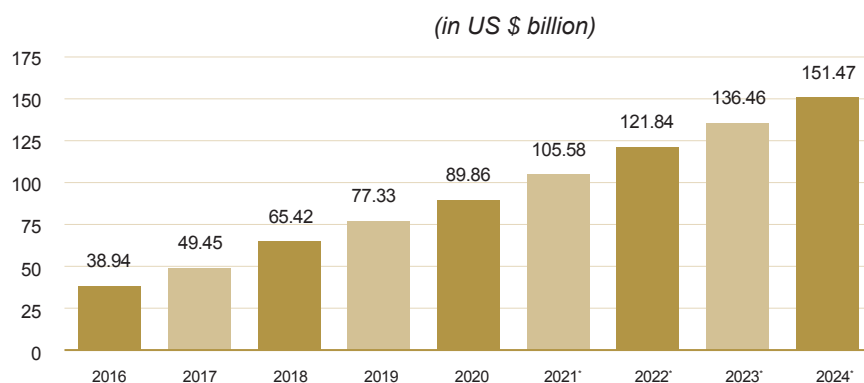
<https://www.alliedmarketresearch.com/travel-retail-market>

1.1.2 The birth of China's new travel retail market

China's own duty free retail market has, in fact, profited from the pandemic. Due to lockdown measures and travel restrictions, Chinese consumers have exceedingly shifted towards domestic channels. In addition, the COVID-19 pandemic has accelerated the transformation of travel retailers through digitization, and other incentives such as loyalty programs.

Digital advertising is one of China's key marketing strategies, such that digital marketing spending in China has grown 130.8% between 2016 and 2020, it is projected to reach around RMB 963 billion (US \$151 billion) in 2024.⁹

Digital advertising spending in China 2016-2020 with forecasts until 2024



Note: * = Forecasted year

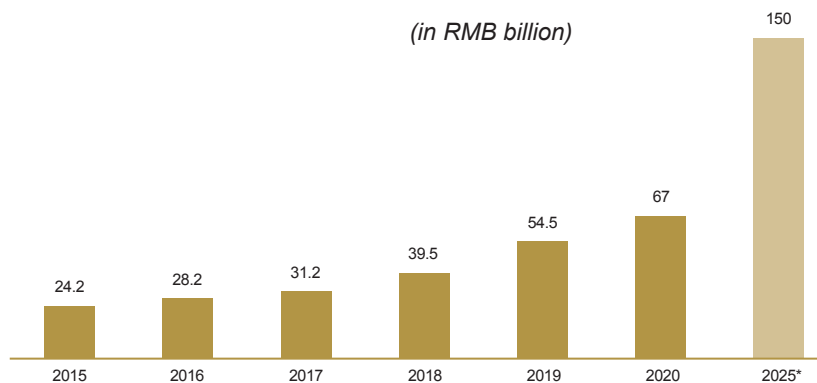
Source: Statista, 2021

<https://www.statista.com/statistics/237952/online-advertising-spending-in-china/>

By all means, digitization is a powerful and crucial tool for targeting Gen Z consumers, especially for China Duty Free Group (CDFG). According to CDFG President, Charles Chen, building a digital online system can “optimize functions of the major member platform” and “strengthen the pre-travel penetration in the dimensions of browsing, search, comparison, and pre-purchase.”¹⁰

As domestic travel remained open during the pandemic in China, except for occasional city-wide lockdowns, there had been extraordinary expansions and development in its domestic duty free market. As a result, China's travel retail market is currently foreseen to grow to RMB 150 billion (US \$24 billion) by 2025.¹¹

China's travel retail industry market size 2015-2020 including 2025 projection



Note: * = Forecasted year

Source: ASKCI, 2020

<https://www.askci.com/news/chanye/20201215/1758441312231.shtml>

Source

⁹ Digital advertising spending in China

<https://www.statista.com/statistics/237952/online-advertising-spending-in-china/>

¹⁰ CDFG President Charles Chen lays down bold vision for Chinese market growth at Virtual Travel Retail Expo

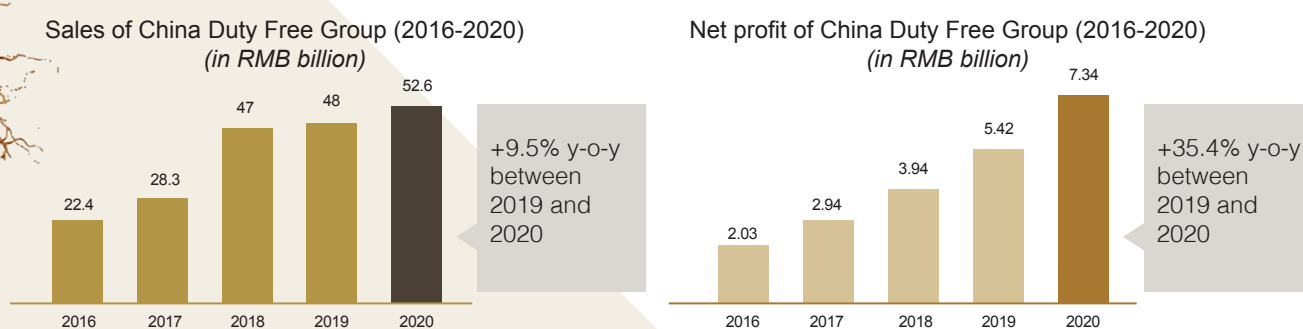
<https://www.cdfg.com.cn/companynews/11132.html>

¹¹ The sales of duty-free shops on the outlying islands of Hainan exceeded 30 billion yuan

<https://www.askci.com/news/chanye/20201215/1758441312231.shtml>

China Duty Free Group (CDFG) is one company that reaped the benefits of the shift from global to domestic travel retail and is now dominating China's travel retail market. With 240 duty free shops across China in popular tourism destinations like Shanghai, Guangdong, and Hainan, and working with more than 1,000 brands, CDFG has also announced an acquisition of Hainan Duty Free Group in May 2020, as well as has launched a new e-commerce membership service. In 2020, it was recorded that CDFG has experienced a 9.5% sales volume growth and 35% net profit growth. CDFG has since become the world's largest travel retailer measured by turnover in 2020, according to The Moodie Davitt Report¹². Just ten years ago, CDFG sales were at RMB 2.33 billion (US \$365.45 million), with the group globally ranked as low as 19th. CDFG's growth continued to soar in 2021, its parent company, China Tourism Group Duty Free (CTGDF), achieved a headline net profit of RMB 9.59 billion (US \$1.50 billion) an increase of +56.23% in 2021.¹³

Revenue of China Duty Free Group (2016-2020)



Source: China International Travel Service, 2021
<http://static.cninfo.com.cn/finalpage/2021-04-22/1209757599.PDF>

1.1.3 Hainan's rise as a travel retail destination

As the government further supports the development of Hainan being an FTP (Free Trade Port) and has recently enacted the Hainan Free Trade Port Law on 10 June 2021, Hainan Island will become a major tourism destination. CDFG has been reconstructing different approaches and operations to match new demands. For example, the upcoming Haikou International Duty Free Mall opening in 2022 will be the world's largest duty free store, along with a new operation at Sanya Phoenix Airport.

CDFG launched a new e-commerce membership service in June 2020. Although customers cannot enjoy the same duty free discount as travelers, CDFG's strong purchasing and bargaining power allow the platform to offer a lower price than non-duty free shops like official flagship stores on Taobao. More contactless and online services will continue to be implemented even after the pandemic, and new models such as pre-order, home delivery and other non-contact models will be further enforced. In addition, increased logistics and distribution capabilities are being developed to meet the increasing demands from customers. This prominent focus on online sales across CDFG has achieved an exhilarating 10 million high-end members as of January 2022.¹⁴

Source:

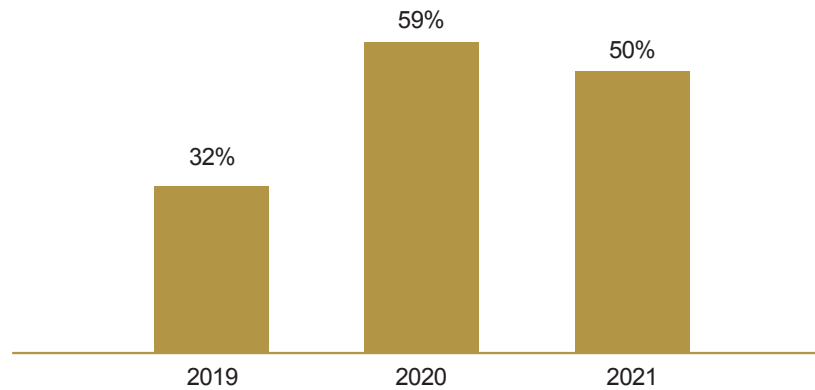
¹² Top Travel Retailers 2020 - China Duty Free Group cements world number one ranking
<https://ezine.moodiedavittreport.com/the-moodie-davitt-ezine-299/top-travel-retailers-2020/>

¹³ Hainan drives strong China tourism
<https://www.moodiedavittreport.com/hainan-drives-strong-china-tourism-group-duty-free-2021-performance/>

¹⁴ Duty-free shops coast on policy fillip
http://english.www.gov.cn/news/topnews/202201/01/content_WS61cf90e8c6d09c94e48a3032.html

The COVID-19 pandemic has changed Chinese luxury consumers' buying patterns. Domestic retail sales in China have increased 27% y-o-y in 2020.

The proportion of luxury goods sold through domestic retail channels

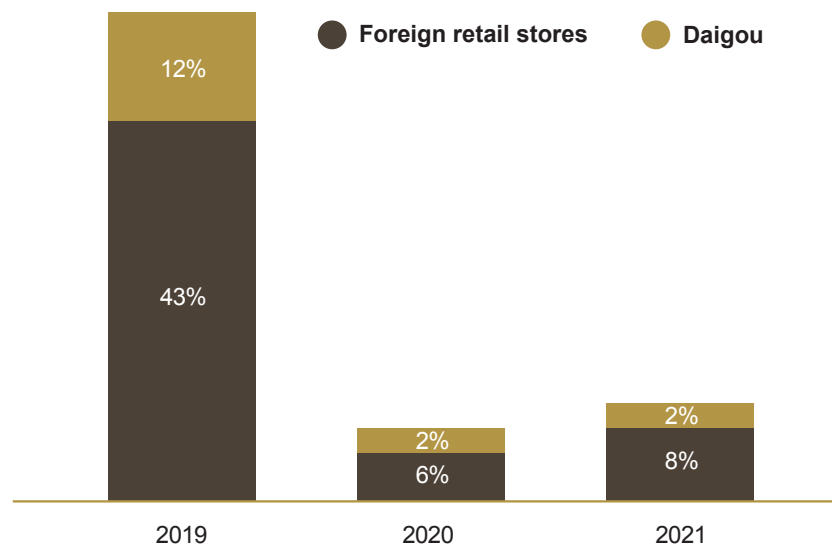


Source: Tencent Marketing Insights & Boston Consulting Group, 2021
<http://www.199it.com/archives/1331761.html>

On the other hand, sales through foreign retailers decreased by 37% as Chinese consumers were unable to travel and shop from other countries such as Korea and Japan¹⁵; whereas sales through *Daigous¹⁶ (代购) decreased by 10% with travel restrictions and interruption on the global supply chain which have limited Daigous from transporting luxury goods both in person or through mails.

*Daigou (代购) is a form of surrogate shopping in China as a means to receive cheaper luxury goods from duty free shops and foreign countries.

The proportion of luxury goods in China sold through Daigou and foreign channels



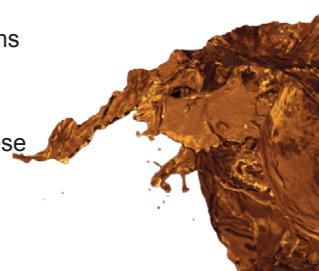
Source: Tencent Marketing Insights & Boston Consulting Group, 2021
<http://www.199it.com/archives/1331761.html>

As a result, sales for luxury products sold through domestic e-commerce platforms such as JD and Tmall have doubled y-o-y (8% to 16%) and brands' websites have even quadrupled (4% to 16%).¹⁵ For foreign brands, it's imperative to sell through Chinese duty free channels to make up for losses in Korean and Japanese duty free stores.

Source:

15 2021 China Luxury Market Digital Trend Insight Report
<http://www.199it.com/archives/1331761.html>

16 The Chinese Daigou industry explained | The future of surrogate shopping in China
<https://daxueconsulting.com/daigou-in-china/>



1.2

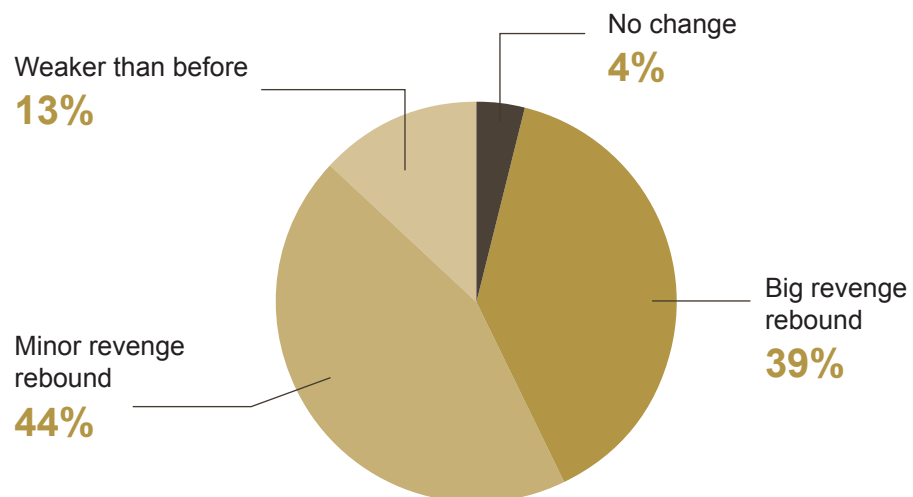
2021 Travel retail trends

1.2.1 What is revenge spending?

“Revenge spending” is a consumption pattern that arose in China after the loosening of the pandemic lockdowns, where consumers spent extra to make up for ‘lost time’.¹⁷ Over the last two years, this trend has repeated itself as Chinese cities get into and out of quarantine.

Revenge spending is likely to become a major market trend in the next few years. According to a recent survey conducted by Travel Daily regarding Chinese tourists’ demand for travel consumption after COVID, 39% of respondents predicted there would be a large revenge rebound of travel consumption, and 44% predicted a minor revenge rebound.¹⁸ Only less than a quarter thought their travel consumption demand would either decline or maintain the same as the pre-COVID era.

Travel consumption demand prediction in China post COVID



Source: Travel Daily, 2020
<https://www.traveldailymedia.com/revenge-travelling-will-happen-the-question-is-when/>

1.2.2 Pop-up stores playing a major role in China’s hunger marketing

A pop-up store is a short-term, temporary retail space that brands occupy, usually designed or decorated creatively to provide a unique, engaging, and memorable experience that can generate buzz in a short period of time.¹⁹ Pop-up stores have become one of the main forms of new retail in China as it illustrates a textbook example of hunger marketing. Many brands made pop-up shops in partnership with CDFG in Hainan, as Chinese consumers were unable to travel overseas over the past years due to the COVID-19 pandemic.

Source:
17 In A Post-Covid World Customers Will Be Revenge Shopping
<https://www.forbes.com/sites/blakemorgan/2021/03/22/customers-are-ready-to-back-with-covid-revenge-shopping/?sh=1060fb3c30ab>
18 Revenge travelling will happen, the question is when?
<https://www.traveldailymedia.com/revenge-travelling-will-happen-the-question-is-when/>
19 Guide to a successful pop-up store in China
<https://daxueconsulting.com/guide-successful-pop-up-store-china/>





CASE STUDY 1

Clé de Peau Beauté X CDFG's "Be the Secret of Radiance" exclusive digital experience

Shiseido's luxury skincare and makeup brand, Clé de Peau Beauté, and CDFG launched their "Be the Secret of Radiance" pop-up store at the Sanya International Duty Free Shopping Complex throughout February 2021.²⁰ The prestigious skincare brand aimed to guide travel retail consumers in every step of their journey through its pop-up shop, livestreaming sessions, and exclusive product collections.

Key highlights of the Clé de Peau Beauté x CDFG pop-up store:

- Livestream events
- Exclusive products only available in Sanya
- QR codes and Augmented Reality mirrors
- Simulator room

Source

20 How Clé de Peau Beaute and CDFG unlocked the 'Secret of Radiance' in Hainan
<https://www.moodiedavittreport.com/how-cle-de-peau-beaute-and-cdfg-unlocked-the-secret-of-radiance-in-hainan/>



These digital amplifications accentuated Clé de Peau's pop-up store, with its streaming event attracting over 700,000 viewers and 6.4 million impressions on Yizhibo. During the live session, viewers were able to enjoy a virtual tour of the store, learn about the exclusive products and related promotions. At the store, shoppers were invited to scan QR codes and use augmented reality makeup try-on mirrors. The Clé de Peau's Aurora simulator room allowed visitors to take photos under a

virtual aurora borealis and share them on social media. Moreover, CDFG dedicated a section of its e-commerce to "Be the Secret of Radiance" and posted relevant content on its social media accounts, enabling better interaction and communication with customers. The pop-up store also made full use of digital marketing, by heavily advertising on Chinese social media platforms such as WeChat, Mafengwo, as well as Douyin.

CASE STUDY 2

SK-II's "Social Retail" pop-up store takes in-store activation to another level

On 1 May 2021, Japanese high-end skincare brand, SK-II, inaugurated its cutting-edge "Social Retail" pop-up store in Sanya International Duty Free Shopping Complex. SK-II's temporary store embodied a fusion of physical retail and new technology, granting visitors an immersive experience. "Change Destiny" was the motto of the event, since the brand is committed to empowering women to believe their destiny is in their own hands.

Key highlights of the SK-II pop-up store:

- AI skin analyzer (facial recognition technology)
- Animated short films
- WeChat mini-program
- Augmented reality video game



SK-II's pop-up store promoted "Social Retail" by combining physical retail with new technology. By all means, augmented reality and gamified skincare experiences have been the main pillars of this event.²¹

The "Mini Magic Scan", was the first skin analyzer using artificial intelligence technology which focused on facial recognition technology, provided skin analysis, and personalized product recommendations to customers by scanning the eyes, cheeks, and lips, all completed within three minutes.²²

In addition, an animated "VS" series was released, featuring female Olympic athletes who overcome different social pressures and stereotypes through embodying a "kaiju" (beast in Japanese). Visitors were also invited to join these athletes to fight against the "Kaijus" via WeChat mini-program and immerse in an augmented reality video game.

In its "Social Store", SK-II integrated mainstream retail and digital tools to provide customers with a seamless experience. Technology allowed the brand to utilize storytelling to convey its values and encourage positive change.

Source

21 SK-II brings 'Social Retail' to life with China Duty Free Group in Hainan

<https://www.moodiedavittreport.com/moodie-davitt-spotlight-series-ezine-sk-ii-brings-social-retail-to-life-with-china-duty-free-group-in-hainan/>

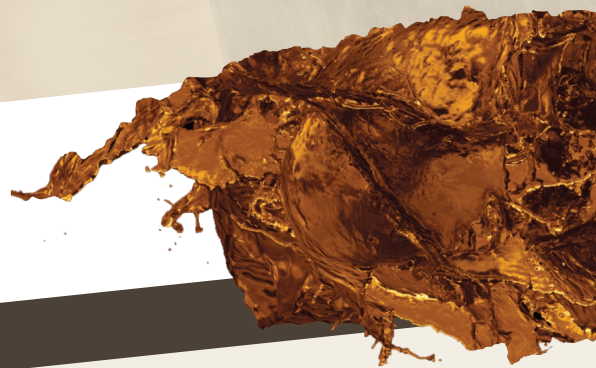
22 How does the SK-II pop-up store in Hainan create a new "immersive" retail experience?

<https://finance.sina.com.cn/roll/2021-05-03/doc-ikmxzfmm0389856.shtml?cref=cj>



Key takeaways from China's duty free pop-up stores

Although the concept of pop-up stores is not new, they have continuously been generating buzz and catching the attention of customers. The common themes of successful pop-up stores usually consist of aesthetics, high-tech, personalization, exclusiveness, and high engagement with customers via social media platforms.





1.2.3 New domestic travel retail channels

Expanding opportunities as China opens more duty free shopping centers

As part of the 14th five-year-plan, China will spend five to ten years developing several international consumer cities as a way to boost an 'internal economic circle' (经济内循环), including the introduction of policy incentives for Chinese outbound tourists to shop in the home market. Apart from the aforementioned policy support in Hainan, both Beijing and Shanghai had laid out plans to attract more international brands in September 2021, increasing the number of duty free shops available to Chinese consumers, allowing more categories of duty free goods, and increasing the duty free shopping quota per consumer.²³

Shanghai as a new duty free retail hub

Echoing the "Overall Plan for Cultivating International Consumption Center Cities" released by the Ministry of Commerce, on 19 September 2021, the General Office of Shanghai Municipal People's Government issued its plan aimed at converting Shanghai into a global consumer destination in the following five years, focusing on four different axes: Shanghai Service, Made in Shanghai, Shanghai Shopping, and Shanghai Culture.²⁴

Developing the local duty free economy is one of the main objectives of the plan: the municipal government committed to supporting Shanghai enterprises that are willing to apply for a duty free license. Indeed, the tremendous growth of China's travel retail market in the latest years has induced many businesses to express their intention to open a duty free store. Nevertheless, obtaining a license involves several different institutions and the competition is fierce.

Moreover, Shanghai will encourage duty free stores to set up special sections dedicated to domestic goods and expand the number of these types of stores in key business districts, airports, ports, shopping malls in touristic areas and international hotels. According to the Shanghai Municipal Commission of Commerce, the city plans to usher in 50 new designated tax-refund stores, support 20 local brands, attract 30 international mid-to-high-end brands, add 800 more new stores, and build a venue for new global launches.²⁵

Source

23 China steps up plans for international consumption centres in multiple cities

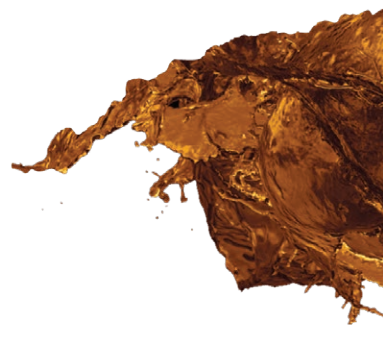
<https://www.moodiedavittreport.com/china-steps-up-plans-for-international-consumption-centres-in-multiple-cities/>

24 Shanghai Municipal People's Government - Service

<http://service.shanghai.gov.cn/sheninfo/newsdetail.aspx?id=6ffd3e6e-576b-488b-9efb-110dc68fc399>

25 What is the prospect of Shanghai's introduction of policies to encourage and support duty free sales of domestic products?

<https://baijiahao.baidu.com/s?id=1711333999612712501&wfr=spider&for=pc>



High-speed rail duty free shopping

At the end of 2021, China's high-speed railway network has reached a new milestone of achieving the length of the equator, at around 40,000 kilometers of total track. The country is also expected to open addition of seven high-speed rail links in 2022, and further introduce a high-speed maglev system with a maximum speed of 600 kilometers per hour and high-speed trains in a vacuum tube, to be completed by 2025. According to the Chinese government, high-speed rail has opened new fields for economic growth, injecting new vitality into economic and social development, and paving the way to a better life for the Chinese people. Furthermore, to support the Hainan Free Trade Port, China has built a multi-junction, province-wide transport matrix of railways, intercity rail, and main highways in Hainan.

When it was first constructed, purchasing a milk tea or Starbucks coffee on the high-speed train was considered a luxury. However, passengers traveling on high-speed trains today can now find duty free luxury goods. In 2021, to celebrate the 10th anniversary

of Eurasian railway transportation, some of China's high-speed trains offered exclusive duty free products called the "special products of China-Europe Express" (中欧班列特色商品) that included cosmetics, toiletries, daily necessities, as well as snacks. These products originated from countries like Australia, Japan, Germany, South Korea, and France. Duty free sales on high-speed trains create opportunities for international brands to better engage with Chinese consumers. Brands looking to further expand their business can use this existing network as a way to market, further boosting their sales in untapped consumer groups.

However, Chinese consumers have expressed mixed opinions towards this new trend. While some are excited to find out which trains offer this service, others have raised concerns about the lack of after-sale service, pointing to opportunities for brands to improve their customer experience.



2. Hainan in Spotlight

2.1. Overview of Hainan offshore duty free market

2.1.1. Overview of Hainan offshore duty free market sales trend

2.1.2. The triumph of policy – how the pro-business, pro-consumer measures turn Hainan into a shopper's paradise

2.2. Overview and vision of the Master Plan for the Construction of Hainan Free Trade Port

2.2.1. Introduction of the key business sectors according to the Master Plan for the Construction of Hainan Free Trade Port

2.2.2. Accomplishments and progress of the Master Plan for the Construction of Hainan Free Trade Port

2.2.3. Zooming into the tourism industry in Hainan: Implications for marketers and brand owners

2.3. Business opportunities in Hainan

2.3.1. Hainan Government's efforts for a better business environment

2.3.2. Preferential policies implemented by Hainan to promote the duty free retail industry and the holding of China International Consumer Products Expo

2.3.3. Vision on economic development in Hainan Province

2.3.4. How marketers and brand owners should grasp business opportunities under the new policies

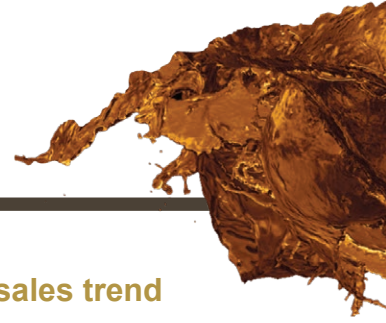
2.4. Tax incentives in Hainan

2.4.1. Compliance requirements to access the “zero-tariff” policies on goods with 30% added value from processing by enterprises in Hainan

2.4.2. Compliance considerations on tax benefits for profit repatriation from foreign investment by enterprises in Hainan

2.1

Overview of Hainan offshore duty free market

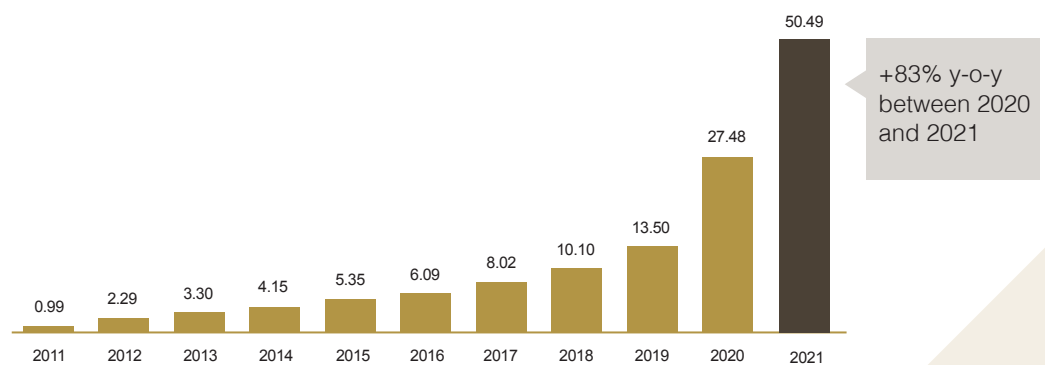


2.1.1 Overview of Hainan offshore duty free market sales trend

Hainan Free Trade Port is on track to become the world's largest duty free market. The update on Hainan's duty free policy in 2020 increased the annual duty free shopping allowance from RMB 30,000 (US \$4,705) to RMB 100,000 (US \$15,685) per person and allowed the islanders to also enjoy duty free benefits. Between 2020 and 2021, Hainan alone experienced an 83% increase in sales of duty free goods.

Sales of duty free goods in Hainan (2011-2021)

(in RMB billion)



Source:

Statista, 2021

<https://www.statista.com/statistics/1232678/china-duty-free-sales-value-in-hainan-island/>

The Moodie Davitt Report, 2022

<https://www.moodiedavittreport.com/hainan-offshore-duty-free-sales-hit-us94-million-over-three-day-new-years-holiday/#:~:text=As%20reported%2C%20Hainan%20island's%20offshore,for%20by%20tax%20paid%20sales.>

Hainan's duty free policy is working. In 2021, the number of shoppers rose 73% y-o-y to nearly ten million, and the number of duty free items purchased increased 71% y-o-y to nearly 53.5 million.²⁶

Source

²⁶ Hainan offshore duty free sales rise 83 in 2021

<https://www.moodiedavittreport.com/hainan-offshore-duty-free-sales-rise-83-in-2021-to-us7-94-billion-total-revenues-hit-us9-47-billion/>

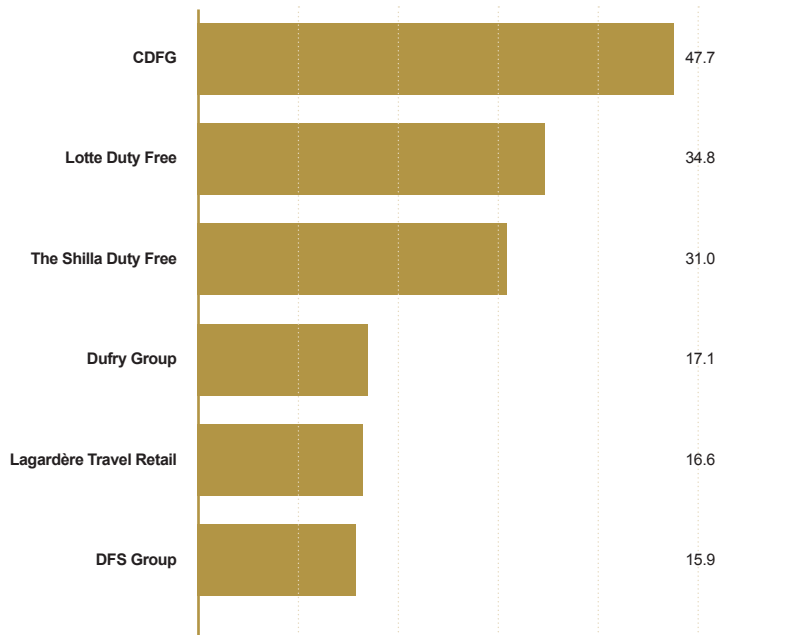


Leading travel retailers

Amidst the pandemic restrictions, CDFG was the only travel retailer to record growth in 2020, moving from fourth place to first globally among other top duty free groups by turnover. Since the CDFG is gaining relative market share globally within a shrinking international market, it is positioned for acquisitions of global competitors.

According to The Moodie Davitt Report, other top leading travel retailers include Lotte Duty Free, The Shilla Duty Free, Dufry Group, Lagardère Travel Retail, and DFS Group.²⁷

Top 6 leading travel retailers by revenue (as of 2020)
(in RMB billion)



Source: The Moodie Davitt Report, 2021
<https://ezine.moodiedavittreport.com/the-moodie-davitt-ezine-299/top-travel-retailers-2020/>

Downtown openings

Recent new openings in China include Haikong Global Boutique (Haikou) Duty Free City, Shenzhen Mission Hills Duty Free Shopping City in Haikou, CDF Haikou Meilan Airport T2 Terminal Duty Free Shop, and Sanya Hailu Duty Free City.²⁸

Source
²⁷ Top Travel Retailers 2020 - China Duty Free Group cements world number one ranking
<https://ezine.moodiedavittreport.com/the-moodie-davitt-ezine-299/top-travel-retailers-2020/>
²⁸ More Hainan offshore duty free openings confirmed for early 2021
<https://www.moodiedavittreport.com/more-hainan-offshore-duty-free-openings-confirmed-for-early-2021/>

2.1.2 The triumph of policy – how the pro-business, pro-consumer measures turn Hainan into a shopper’s paradise

A brief overview of Hainan’s duty free policies as of January 2020:²⁹

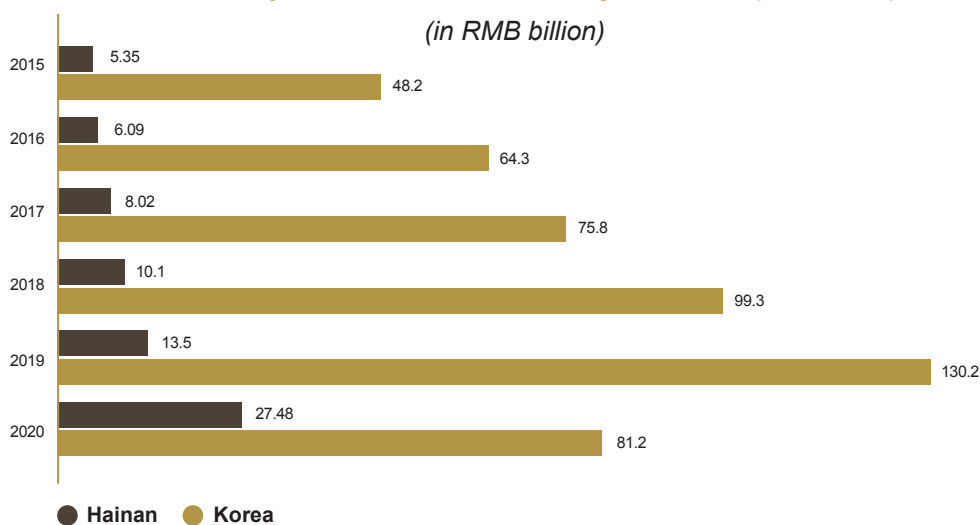
- The annual duty free shopping quota increased from RMB 30,000 to RMB 100,000 per person for travelers in Hainan
- The categories of duty free goods available for consumption increased from 38 to 45
- Cancellation of the RMB 8,000 (US \$1,255) duty free limit for each item
- Purchase limits on cosmetic products have been raised from 12 items to 30 items

According to Charles Chen (President of CDFG), the Hainan offshore replenishment service was launched in April 2020 to supplement bricks-and-mortar strategies and help companies diversify services. This service allows departed visitors to spend their remaining quota on duty free products through official online shopping platforms up to 180 days after their departure. As a result, CDFG’s online duty free sales have experienced a growth of 200% in Q1 of 2020, according to The Moodie Davitt Report³⁰, and Goldman Sachs estimated that Hainan DFS online sales rose 30% q-o-q.³¹ In addition, a mail delivery service was announced in February 2021, with visitors to the island being able to have their goods shipped back to the Mainland instead of having to hand-carry them.

Case study: Hainan VS Korean duty free sales

At RMB 135.8 billion (US \$21.3 billion) in size, the South Korean duty free market was the world’s biggest in 2019, pre-COVID.³² In 2020, 30% of the Korean travel retail customers were foreigners³³, with Chinese Daigou traders accounting for 94% of sales.

Hainan duty free sales vs Korean duty free sales (2015-2020)



Source:

Statista, 2021

<https://www.statista.com/statistics/1232678/china-duty-free-sales-value-in-hainan-island/>

Statista, 2022

<https://www.statista.com/statistics/945986/south-korea-duty-free-sales-revenue/>

This changed when COVID-19 travel restrictions started and supply chains became constrained, resulting in Korea significantly losing market share. Korean duty free sales recorded a 38% decline from 2019 to 2020. At the same time, Hainan is on track to becoming the largest duty-free market in the world within the next two years.

Source

29 Duty Free Shopping Guide

<https://www.cdfg.com.cn/dutyFreeShopingGuide/>

30 China Duty Free Group spurs Hainan revival

<https://www.moodiedavittreport.com/china-duty-free-group-spurs-hainan-revival-with-launch-of-offshore-replenishment-online-service/>

31 China tourism group duty free posts strong Q3 profits

<https://www.moodiedavittreport.com/china-tourism-group-duty-free-posts-strong-q3-profits-gains-though-sales-hit-by-covid-impact/>

32 Korean duty free sales leap by +23.7% year-on-year in 2019

<https://www.moodiedavittreport.com/korean-duty-free-sales-leap-by-23-7-year-on-year-in-2019/>

33 South Korean duty free market falls

<https://www.moodiedavittreport.com/south-korean-duty-free-market-falls-38-in-2020-downtown-sales-hold-up-due-to-daigou-trade/>



2.2

Overview and vision of the Master Plan for the Construction of Hainan Free Trade Port

2.2.1 Introduction of the key business sectors according to the Master Plan for the Construction of Hainan Free Trade Port

Hainan is currently the largest special economic zone in China and has the unique advantage of comprehensive policy implementation, deepening reforms, and experimenting with the highest level of the opening-up policy. To realize the initial establishment of a free trade port policy and system focusing on free trade facilitation and investment free facilitation in 2025, the Central Committee of the Communist Party of China and the State Council issued the “Master Plan for the Construction of Hainan Free Trade Port”. There are eleven parts within the plan, including investment, social governance, and legal system construction³⁴.

As one of the key points of the master plan, the modern industrial system emphasizes that Hainan will vigorously develop three major sectors, namely tourism, modern service, and high-tech industries.

Tourism

As one of the most important sectors in Hainan’s development, Hainan tourism adheres to ecological priority and green development, focusing on the construction of an international tourism consumption center. By promoting the in-depth integration of tourism with health and sports, and supporting the construction of cultural tourism industrial parks, Hainan will foster new forms of tourism and models, and finally create a demonstration province for all-for-one tourism.

Modern service

Regarding the second sector, the master plan mentioned that Hainan would gather global innovation elements, deepen opening to the outside world, and attract multinational companies to set up regional headquarters. Moreover, Hainan built International Design Island and International Education Innovation Island for Science, Engineering, Agriculture, and Medicine. As a result, the professional service industry will be effectively expanded to the outside world.

High-tech industries

This sector developed the information industry with the Internet of Things, artificial intelligence, blockchain, and digital trade as the core. Relying on Wenchang International Aerospace City and Sanya Deep-Sea Science and Technology City, Hainan constructed significant technological infrastructure and platforms, thereby cultivating deep sea and deep space industries. Moreover, to build “smart Hainan”, the master plan expanded advanced manufacturing around ecological environmental protection, biomedicine, new energy vehicles, and smart vehicles.

Source

34 The master plan for the construction of Hainan Free Trade Port
http://www.gov.cn/zhengce/2020-06/01/content_5516608.htm

2.2.2 Accomplishments and progress of the Master Plan for the Construction of Hainan Free Trade Port

Overall, since 2018, Hainan has added 763,000 new market entities in three years, exceeding the total of the past 30 years. The central SOEs and their subsidiaries based in Hainan have achieved more than a 20-fold increase in operating income. In addition, Hainan not only introduced 233,000 jobs, a y-o-y increase of 675%³⁵, it also doubled the utilization of foreign capital for three consecutive years, reaching a total of RMB 33.60 billion (US \$5.27 billion).³⁶

Under the influence of the pandemic in 2020, Hainan received a total of 64.6 million tourists and achieved a total tourism income of RMB 87.3 billion (US \$13.7 billion).³⁷ The added value of tourism accounted for 7.3% of GDP, becoming one of the best areas for tourism recovery in China. In the first quarter of 2021, the tourism industry recovered further, achieving a growth of 168.1% in the number of tourists. Besides, the total tourism revenue increased 293.5% to RMB 42.1 billion (US \$6.4 billion).³⁸

The scale of the modern service industry continues to expand, and the service industry contributed 95.8% to Hainan's economic growth. In 2020, the growth rate of other for-profit service industries and wholesale and retail industries was nearly 20%. The proportion of the import and export of emerging services such as finance, telecommunications, computer, and information services also increased steadily.

Finally, in comparison to 2017, Hainan had a total of 1,005 high-tech enterprises in 2020, boasting an increase of 273.6%, and achieving a rise of 76.9% in an operating income at RMB 84.1 billion (US \$13.2 billion). We can conclude that the role of industrial support has been significantly enhanced. Additionally, in the first quarter of 2021, the production of Hainan's crops such as rubber, betel nut, and coconut has increased by 220.9%, 98.1%, and 4.7% y-o-y respectively.³⁹

Source

35 Hainan talent introduction-gathering talents from all over the world
<https://inf.news/en/economy/1b7127aa1462e02e10085fb743631be8.html>

36 The Hainan Free Trade Port Law was officially passed on June 10
<https://china.legalbusinessonline.com/features/alb%E5%8C%BA%E5%9F%9F%E5%B8%82%E5%9C%BA%E6%8A%A5%E5%91%8A%EF%BC%9A%E6%B5%B7%E5%8D%97-zhen>

37 China's Hainan to build international tourism, consumption center
<http://en.people.cn/n3/2021/0122/c90000-9812164.html>

38 Hainan tourism revenues up by 293.5% year-on-year in the first quarter of 2021
https://tass.com/economy/1283629?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com

39 Hainan Free Trade Port Construction Whitepaper
<http://hntb.mofcom.gov.cn/article/lingzxz/202106/20210603160650.shtml>



2.2.3 Zooming into the tourism industry in Hainan: Implications for marketers and brand owners

The modern industrial system is the “root” of the development of the Hainan Free Trade Port in the next 30 years. In the first 30 years, Hainan’s industry is essentially a resource-dependent and “internal” development model. Although Hainan Province is one of the most important tourist destinations in China with good tourism resources and geographical advantages, Hainan’s original tourism industry is essentially derived from the real estate industry and cannot survive independently, which is different from tourism development paths overseas. Today, tourism is the “backbone industry” in Hainan, which is also entering its peak development stage. In 2019, it was recorded that Hainan reached a total tourism revenue of RMB 105.8 billion (US \$16.6 billion), an increase of 11% y-o-y. This includes 83.14 million both domestic and foreign tourists (+9% y-o-y) and 1.42 million inbound visitors (+12% y-o-y).⁴⁰

Advantages of Hainan’s development

Unique tourism resources

- The only tropical island province in China
- Largest marine area
- High-quality tropical island scenery

Duty free upon exit

- One of the few provinces in China where tourists can enjoy duty free shopping without going abroad
- The world’s largest duty free shop – prices 15% to 35% lower than retail prices

Highest density of luxury hotels

- 78 world famous hotel management groups
- 94 international brand hotels

59 countries visa-free policy

- Citizens from 59 countries can enter Hainan visa-free
- Recorded more than 470,000 visa-free arrivals in 2019 (+33% y-o-y)

Source

40 More than 64 million tourists visited China’s Hainan in 2020

<https://tass.com/economy/1249685>

What are the upcoming opportunities for FTP investments?

Being China's largest special economic zone (SEZ), the largest pilot free trade zone, and a free trade port with Chinese characteristics, Hainan is turning into a world-class tourism hub. New businesses, hot spots, and luxury tourism consumption will also be highly promoted to enhance the overall tourism industry. This includes:

Shopping tour

Increasing the number of shopping centers and implementing more duty free shopping policies

Sports tour

Promoting the integration of general tourism, sports, and elderly care

Medical tour

Expanding the opening up of medical products and services

Culture tour

Developing culture consumption such as digital consumption

Cruise home port

construction
Combining the cruise economy with the sightseeing industry for mutual development

Yacht tour

Continuously developing the yacht industry and increasing the convenience of yacht leasing

Digital tourism is trending in Hainan

Digital tourism brings a new form of tourism experience to Chinese people. Digital tourism has the internet characteristics such as decentralization, sharing, and collaboration, which coincides with the experience attributes, sharing economy, and resource aggregation of Hainan's tourism industry. Given that the comprehensive start of the construction of Hainan Free Trade Port has brought new opportunities to Hainan's tourism development. Brands should actively join the new industrial chain of tourism ecology with digitization, networking, and intelligence as the core. Relying on "Internet +", digital economy, virtual reality, electronic tourism, and new intelligent elements will have a boosting effect on the main body of the cultural tourism market in Hainan, thus constantly changing the consumption patterns of the cultural tourism industry. Technology will become an important driving force for promoting Hainan's tourism industry.



Hainan duty free shops will be recognized by more Chinese consumers

Since the implementation of the new offshore duty free policy, Hainan's duty free consumption has continued to rise. The sales of offshore duty free shopping exceeded RMB 60 billion (US \$9.41 billion) this year.⁴¹ International brands and Hainan duty free shops will be in a mutually beneficial relationship. On the one hand, more international brands considering entering Hainan duty free shops will help to increase the gold content of the policy. On the other hand, this action can also attract more domestic and foreign tourists who are willing to buy high value-added duty free goods and boost Hainan's single-customer consumption.⁴²

Source:

41. Hainan offshore duty free sales hit US\$94 million over three-day New Year's holiday
<https://www.moodiedavittreport.com/hainan-offshore-duty-free-sales-hit-us94-million-over-three-day-new-years-holiday/>

42. Suggestions on boosting the construction of free trade ports with digital tourism
<https://www.hainan.gov.cn/hainan/5309/202007/e0d061224d8b4b7cbb415fc087420bc5.shtml>

2.3

Business opportunities in Hainan

2.3.1 Hainan Government's efforts for a better business environment

It has been a top priority in the construction of the Hainan Free Trade Port to create an international and convenient business environment that calls for the rule of law, align with high-standard international trade and investment rules, and develop internationally competitive opening-up policies and systems. The Government's efforts to optimize of business environment in the Free Trade Port have created a better business environment which may be summarized in two aspects: creating a law-based business environment, and implementing integrated system innovations centered on the business environment.

"Regulations on Optimizing the Business Environment of Hainan Free Trade Port" (hereinafter referred to as "Business Environment Regulations"), as adopted at the 30th session of the Standing Committee of the 6th Hainan Provincial People's Congress held on 29 September 2021 and among the first regulations published by the Hainan Government to support the enactment of "Hainan Free Trade Port Law of the People's Republic of China", the Business Environment Regulations has made overall plan to improve the business environment

in the Free Trade Port. "Fair Competition Regulations of the Hainan Free Trade Port" adopted in the same period have further incorporated fair competition review into the system of evaluation in terms of the business environment, law-based governments, etc. In short, the Free Trade Port is taking active actions to leverage legislative advantages to keep on with cementing the foundation for a law-based business environment, in order to provide solid legal guarantees for trading development and market construction.

Since 25 April 2020, 123 cases of system innovations have been introduced in 13 batches in Hainan, creating extensive experiences that can be reproduced and promoted. By implementing the "single window" system for international investment, the entire process reduces the number of form submissions by 55% and approval time and links by nearly 70%.⁴³ By implementing immediate administrative approval without reaching someone, meeting, or interacting in key zones within the Free Trade Port, the process reduces the approval time by 80%⁴⁴ and improves the approval efficiency significantly. By reforming administrative approval to access with prior filing or

Source

43 The first "package" service platform for the whole investment process in China - "single window" system for international investment in Hainan was officially launched
<http://dofcom.hainan.gov.cn/dofcom/zwtdt/202008/df1eb5ad41bc491a81ce774bd24d1b8e.shtml>

44 Implementing immediate administrative approval without reaching someone, meeting or touching in key zones within the Free Trade Port. What achievements have been made with this case of system innovations
<http://www.haikou.gov.cn/hdjl/zcwd/jdxqglj/202111/t412932.shtml>



commitment, processing costs have been reduced and administrative efficiency has been improved, contributing to more convenient market access and operation permission in a comprehensive manner. This is no more than an epitome in terms of an improved business environment in Hainan. Hainan is embracing cooperation to translate the achievements of integrated system innovations into tangible improvements of the business environment, create a special business environment in the Free Trade Port and provide more convenient and efficient services for various market players.

For APAC economies, Hainan has geographic convenience and provides superior conditions for the implementation of the “dual circulation strategy”.⁴⁵ Hainan will also continue to improve the business environment in the Free Trade Port through independent customs operations.



Source

45 The Proposals of the CPC Central Committee for the Formulation of the 14th Five-year Plan for National Economic and Social Development and the Long-range Objectives Through the Year 2035 were adopted at the fifth Plenary Session of the 19th CPC Central Committee, which incorporated the proposal of “speeding up the construction of a new development pattern, in which both domestic and international circulations promote each other with a focus on the domestic circulation” (i.e. the “dual circulation strategy”) in it. http://www.gov.cn/zhengce/2020-11/03/content_5556991.htm

2.3.2 Preferential policies implemented by Hainan to promote the duty free retail industry and the holding of China International Consumer Products Expo

On 1 June 2020, the CPC Central Committee and the State Council published “Master Plan for the Construction of Hainan Free Trade Port” (the “Plan”), which specified the strategic positioning of Hainan as an international tourism and consumption destination. Afterward, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration jointly published “Announcement on the Tax-free Shopping Policy for Hainan’s Offshore Passengers”, producing direct benefits for the development of the duty free retail industry. According to the statistics⁴⁶, in 2021 Hainan reported RMB 60,173 million of sales of 10 offshore duty free stores, a y-o-y increase of 84%; RMB 50.49 billion of duty free sales, a y-o-y increase of 83%; 9,676,600 shoppers entitled to duty free policies, a y-o-y increase of 73%; 53,492,500 duty free articles, a y-o-y increase of 71%, showing good prospects of the travel retail industry. By virtue of such unique policy advantages and in the environment of tourism and consumption, duty-free retailers will find more business opportunities in Hainan. In addition, holding the China International Consumer Products Expo will provide duty free retailers with a national platform to facilitate the exhibition and trade of duty-free retail goods.

1. More and more offshore duty free incentives, and cemented unique policy advantages

(1) Broader customer bases

Domestic and foreign tourists including Hainan residents of 16 years old and above who leave Hainan Island are entitled to offshore duty free incentives. Compared with other forms of tax exemption, such as tax exemption for outbound personnel in the city and tax exemption for returnees, Hainan provides duty free incentives to broader customer bases

including domestic and overseas tourists and Hainan residents leaving the Hainan Island, without having to also leave China.

(2) More varieties of products

Unlike those limitations on certain categories involved in other forms of tax exemption including tax exemption for outbound personnel in the city and tax exemption for returnees, according to the list of products published in “Announcement on the Tax-free Shopping Policy for Hainan’s Offshore Passengers”, the offshore duty free products in the Hainan Free Trade Port are grouped into 45 categories, includes electronic products, alcohol, etc. It is expected the offshore duty free incentives will share benefits continuously and apply to more categories of products after upgrading and expansion.

(3) Higher shopping quota

Tourists leaving Hainan Island have a duty free shopping quota of RMB 100,000 per person per year. Duty free shopping in Hainan has absolute advantages in terms of quota, compared with that as stipulated in “Announcement on the Policies on Port Entry Duty free Stores”, “certain duty free shopping quota may be granted to shop in inbound duty free stores at ports, in addition to former duty free quota of RMB 5,000 for residents and tourists to purchase inbound products, i.e., no more than RMB 8,000 is granted in conjunction with overseas duty free shopping quota.”

2. Organization of large consumption expos and platforms to promote exhibition and trade of the duty free retail industry

On 1 June 2020, the CPC Central Committee and the State Council published the Plan,

Source

⁴⁶ Hainan’s offshore duty free sector maintained a rapid yearly growth rate of 84% in 2021, with total sales of over RMB 60 billion

<http://dofcom.hainan.gov.cn/dofcom/1100/202201/d4d5418d7459455f9953f8f0218f8109.shtml>

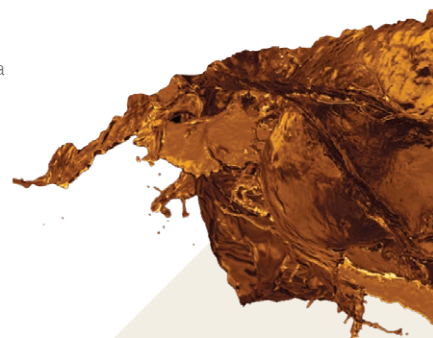
which proposed to hold China International Consumer Products Expo, during which, imports and sales of foreign exhibits should be duty free; On 5 March 2021, China International Consumer Products Expo was formally included in the Report on the Work of the Government 2021; and on 21 January 2022, Feng Fei, the governor of Hainan Province, further stressed its significance at the Fifth Session of the Sixth People's Congress of Hainan Province. The China International Consumer Products Expo, as China's first national exhibition mainly displaying quality consumer goods, aims at building global exhibition and trading platforms for international quality consumer goods by gathering global resources in the consumer goods sector centering on the positioning of building Hainan into the international tourism and consumption destination. On 7 May 2021, the first China International Consumer Products Expo was formally held, attracting 1,505 companies and 2,628 brands from about 70 countries and regions. The Hainan Pavilion reported a reception of about 20,000 persons in total, an intended turnover of RMB 103.1 million, and a contractual turnover of RMB 1,535.5 million between 7 May and 9 May, 2021⁴⁷. The 2022 China International Consumer Products Expo will be held in the near future. The 2022 Expo aims to demonstrate higher international standard

and longer exhibition duration by extending to 5 days instead of 4 days compared with last year. The "global center for boutique consumer goods" to be built in Hainan, which leverages the policy advantages of "zero tariff, low tax rate and more liberalization" of the Hainan Free Trade Port, will satisfy the needs of enterprises and brands engaged in boutique consumer goods to participate and trade in the expos to a greater extent, facilitate domestic and overseas boutique consumer goods to settle in Hainan, and provide brand new transaction platforms for duty free retailers.

On 7 May 2021, Mr. Feng Fei, Governor of Hainan Province, stated at the Global Consumption Innovation & Duty Free and Travel Retail Conference that Hainan was an important gateway to China's opening-up and convergence of domestic and international circulations, producing booming consumption backflows and unlimited opportunities of consumption upgrading. It is a brand-new opportunity for duty-free retailers to actively commit themselves to the development of the world-class tourism and consumption destination in the Free Trade Port by using the Hainan Free Trade Port platform, seizing the dual advantages of overseas consumption backflows and increased domestic consumption.

Source

47 New platform, new opportunity and new future - written at the closing of the first China International Consumer Products Expo
http://www.xinhuanet.com/expo/2021-05/11/c_1211150175.htm





2.3.3 Vision on economic development in Hainan Province

As the largest special economic zone in China and a free trade port with Chinese characteristics, Hainan will be committed to aligning with internationally high-level economic trade rules to ensure it has with international influence, in keeping with the Master Plan for the Construction of Hainan Free Trade Port.

Hainan is placing focus on liberalization and facilitation of trade and investment. For trade in goods, a system of trade liberalization and facilitation featuring “zero tariffs” is implemented in Hainan. The Hainan Government has published the “zero-tariff” negative list applied to production equipment for enterprises’ own use, the “zero-tariff” positive list applied to raw and auxiliary materials, as well as the “zero-tariff” positive list applied to transportation and yachts. At the same time, the National Development and Reform Commission together with the Ministry of Commerce has released the “Special Administrative Measures for Foreign Investment Access to Hainan Free Trade Port (Negative List)” which is more streamlined than the “Special Administrative Measures (Negative List) for Foreign Investment Access” (the national version) or the “Special

Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones” (the version for free trade zones), significantly easing restrictions on foreign investment access to the market. With regard to trade in services, policy measures for liberalization and facilitation basically characterized by “letting companies in and letting them do business” is implemented in Hainan. In order to support openness and development and attract foreign investment to settle in within the Hainan Free Trade Port, the Ministry of Commerce has unveiled the “Special Administrative Measures for Cross-Border Trade in Services in the Hainan Free Trade Port (Negative List) (2021 version)”, the first negative list on cross-border trade in services in China, the publishing of which remove various barriers existing under the modes of trade in services such as cross-border delivery, overseas consumption, and movement of natural persons, and grant national treatment to overseas service providers.

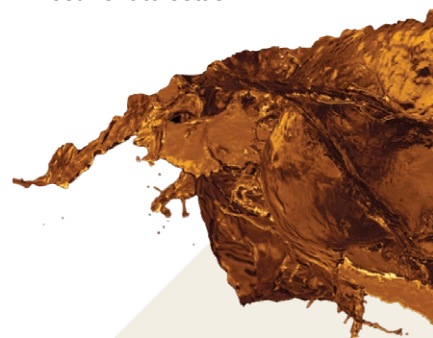


Hainan is actively committed to moving ahead towards free and convenient flows of various production factors. With regard to cross-border capital, Hainan will focus on trade and investment liberalization and facilitation, and work for the free and convenient flow of funds between the Hainan Free Trade Port and overseas in an orderly manner. At present, Hainan demonstrates unique policy advantages in terms of cross-border capital pools, facilitation of foreign exchange receipts and payments, qualified foreign limited partners (QFLP), qualified domestic limited partners (QDLP), etc., and witnesses obvious improvement of liberalization and facilitation in terms of cross-border investment settlement, cross-border investment management, investment, and financing, etc. At the same time, more open talent and residence policies for high-end industrial talents are implemented in Hainan. According to the National Immigration Authority's notice, Hainan introduces visa-free entry policies to travelers from 59 countries, gives foreigners access to more than 30 professional qualification examinations, and accepts more than 200 overseas professional qualifications.

Hainan provides tax incentives as well. According to the preferential tax policies issued by the Ministry of Finance, enterprises in encouraged industries that are registered in

Hainan Free Trade Port and have a practical operational record are entitled to a reduced corporate tax rate of 15%. At the same time, high-end talents and highly demanded talents employed in the Hainan Free Trade Port are entitled to the personal income tax rate of 15%. At present, the dual 15% incentives have achieved remarkable results in terms of attracting market players and talents to settle in. After independent customs operation throughout the Hainan Island in 2025, Hainan will launch streamlined tax systems in a comprehensive manner, further unleashing Hainan's attractiveness for global investment.

In recent years, by virtue of the advantages above, Hainan has made significant progress in its outward-oriented economic development and has seen three multiplications of foreign investment in terms of actual scale, entities and sources. After the upcoming independent customs operation, Hainan will further explore the route to liberalization and facilitation of investment, trade, and production factors, leading domestic enterprises to go global and attracting foreign investment to settle in Hainan.





2.3.4 How marketers and brand owners should grasp business opportunities under the new policies



With the implementation of Hainan Free Trade Port's Zero-Tariff lists effective on 1 December 2020, the duty free retail industry is flourishing in Hainan. For domestic consumers, Hainan has gradually become a leading choice for shopping and tourism in the context of the COVID-19 pandemic worldwide. According to statistics from Department of Tourism, Culture, Radio, Television and Sports of Hainan Province, in 2021, Hainan Province welcomed 81 million domestic and overseas tourists, representing a y-o-y increase of 25.5%, gradually returning to the number in 2019. In addition, according to data from Haikou Customs and the Department of Commerce of Hainan Province, the offshore duty free sales in Hainan reached RMB 50.5 billion in 2021. While achieving remarkable results, the duty free retail industry in Hainan is continuing its development in a bid to build a "shopping paradise". This section, starting from an analysis on domestic consumers' demands, puts forward suggestions on marketing strategies applicable to duty free retailers and brand owners in Hainan from three aspects including commodity categories, distribution channels, and an integration of consumption and the cultural & tourism industry to facilitate the upgrading of Hainan's duty free retail industry.

(1) To introduce top luxury brands and facilitate marketing and promotion.

China is expected to become the largest personal luxury market in the world in the future. In the current context, Hainan is expected to cater to the consumption backflows of luxury goods and become a domestic luxury consumption destination. We suggest that duty free retailers in Hainan

should focus on subcategories of luxury products with stronger growth prospect such as leatherware, apparel, and fashion while continuously increasing brand quantity and improving brand quality, appropriately introducing top luxury brands to build a brand street and cooperate in marketing and promotion to form a strong communication effect.

(2) To optimize online platforms and build a superior shopping experience.

The overall digitalization of the consumption market in China has already been at a high level and is increasingly improved. The COVID-19 further speeds up the digital development of domestic enterprises as well. Therefore, although offline stores are still the primary channels of branding and sales conversion, many marketing activities and consumer operations have already been done online. According to statistics, online sales of luxury goods of all major categories registered continuous growth in 2021. With the implementation of the policy of online additional shopping within 180 days after departing from the Hainan Island and the on-going improvement of Hainan's general trade and cross-border e-commerce platforms, we suggest that duty free retailers should continuously optimize online shopping system applied to domestic consumers' shopping, and encourage brand owners to interact with consumers by collaborating with Key Opinion Leaders (KOLs) and introducing social channels, VR try-ons, livestreaming, and other current popular technologies and channels while improving the convenience, in order to offer novel online shopping experience for consumers.

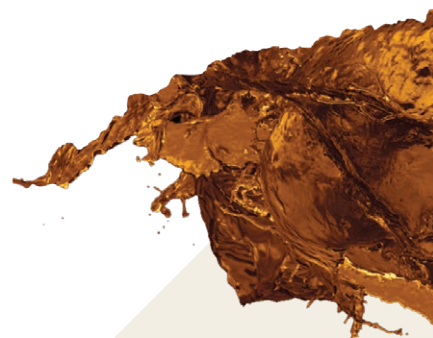


(3) To build city highlight and foster prosperity of the retail industry.

Based upon the leading duty free retail experience in other countries and regions, it is found that duty free shopping is closely related to the tourism industry. For example, South Korea has created an extraordinary travel shopping experience for tourists by the successful in-depth combination of duty free retails with tourist attractions and Korean popular culture. A lot of internet-famous cities are also emerging in China. Take Chengdu as an example, in the New Fashion Capital Index Report co-authored by Vogue Business in China and EY Parthenon (Shanghai) Advisory Limited, Chengdu was honored as a pearl of fashion growing at a “speed of light” for being scored highest in five dimensions including “Fashion consumption strength”, “Fashion business potential”, “Fashion cultural charm”, “Fashion innovative talent” and “Fashion development strength”. Its leap from “pandas’ hometown” to “Chengmsterdam” also attracted attention at home and abroad and greatly increased national tourism enthusiasm. Therefore, we suggest Hainan’s duty free retailers and brand owners learn from experiences in Chengdu and South Korea, cooperate with Hainan’s cultural & tourism industry in digital marketing and promotion by exploring representative city music, local foods, urban landscape, and facilities with a sense of science and technology in Hainan, generating short videos

and other online communication materials with senses of picture, immersion, and novelty to trigger communication among circles as well as fissions to achieve the dual benefits of building city highlight and facilitating duty free shopping.

In summary, while catering to the trends of luxury goods consumption upgrading, online consumption, and in-depth integration of shopping and cultural & tourism industry, Hainan’s duty free retail industry, being familiar with the marketing approach to manage based on consumers’ demand and experience on the one hand, and insightful into leading practices at home and abroad, on the other hand, is bound to see a prosperous development and become a “golden highlight” of Hainan.



2.4 Tax incentives in Hainan

2.4.1 Compliance requirements to access the “zero-tariff” policies on goods with 30% added value from processing by enterprises in Hainan

Hainan Free Trade Port’s various preferential tax policies have aroused attention from all audiences since the introduction of the “Master Plan for the Construction of Hainan Free Trade Port” by the State Council on 1 June 2020. Many large enterprise groups began to consider how to make reasonable and effective use of these preferential policies in Hainan Free Trade Port.

Key points on the application and practice of typical preferential tax policies in Hainan Free Trade Port are interpreted as below.

According to the “Interim Measures for Collection and Administration”, import tariffs will be exempted when meets all conditions: (1) Goods produced by enterprises engaged in encouraged industries in the Yangpu Bonded Port Area; (2) Goods contain no imported materials and parts, or contain imported materials and parts but have added value from processing of 30% or above; (3) Goods are sold to the domestic market outside the bonded area.

Enterprises meeting the above requirements can apply for entitlement with the Yangpu Economic Development Zone Administrative Committee (Yangpu Administrative Committee) through the Yangpu Public Information Service Platform.

To assist companies filing, the Yangpu Administrative Committee has released the “Record Filing Mechanism for Enterprises Engaged in Encouraged Industries with Respect to Tax Policies on Domestic Sales of Goods with Added Value from Processing

in the Yangpu Bonded Port Area”. Filing will be granted within one working day by Yangpu Market Supervision Bureau, Yangpu Tax Bureau and Yangpu Economic Development Bureau. Once approved, the enterprise list will be sent to different government departments for oversight during and after process.

The “Interim Measures for Collection and Administration” stipulates that if the goods produced by enterprises engaged in encouraged industries in the Yangpu Bonded Port Area that contain imported materials and parts and have the added value from processing less than 30% are sold to the domestic market outside the bonded area, the current policies for selective imposition of tariffs on domestic sales in comprehensive bonded areas apply; the imposition of tariffs may be applied for based on the corresponding imported materials and parts or the actual inspection status, and import value-added taxes and consumption taxes will be levied in accordance with provisions.

The Interim Measures also specified that goods containing no imported materials that will be sold to the domestic market outside the bonded area through Yangpu Bonded Port Area are entitled to the duty-free policy.

Goods transferred for further processing may also be sold duty free when sold to the domestic market outside the bonded area if the accumulated added value from processing exceeds 30%.



Definitions of “materials and parts imported from abroad” and “materials and parts purchased from the domestic market outside the bonded area”

The two terms “materials and parts imported from abroad” and “materials and parts purchased from the domestic market outside the bonded area” have not been specifically defined. For example, how to define the nature of materials and parts which have been temporarily stored in Yangpu Bonded Port Area or other comprehensive bonded areas before the two Measures came into force; and whether those entrusted by enterprises within the area to enterprises in other parts of China (enterprises within the island or the mainland) for processing shall be regarded as materials and parts “purchased from other parts of China”.

Calculation and supervision of accumulated added value for goods transferred for further processing

The policy on accumulated added value for goods transferred for further processing in Yangpu Bonded Port Area, encouraged the industrial division among different manufacturing enterprises within the area, and integrated enterprises in the whole area into a unity to determine the applicability

of policy. As it is a special policy in Hainan Free Trade Port, it is necessary to further confirm the calculation and judgment theory and regulatory requirements of the Customs in practical operation, such as data that enterprises shall submit to the customs.

Detailed identification of minor processing or handling

The tariff quota management and minor processing or handling are excluded in the “Interim Measures for Collection and Administration”, but requirements such as tariff changes and manufacturing or processing procedures are not involved. On the one hand, this policy reflects the innovation of encouraging manufacturers within the area; on the other hand, it also shows the minimum requirements on substantial processing in Yangpu Bonded Port Area.

A detailed analysis may be necessary for determining whether a processing procedure of an enterprise shall be regarded as minor processing or handling. For example, mixing is a key manufacturing step in some industries such as the formula dairy industry. It may be impossible to directly determine whether it is a “simple mixing”. By analogy with the ten specific categories of processing which are determined as minor processing and handling



in Article VII of the “Administrative Measures for the Origin of Imports and Exports under the Regional Comprehensive Economic Partnership (Draft for Comment)”, the specific determination with respect to minor processing and handling is pending further confirmation in the Interim Measures for Collection and Administration subsequently.

Practical operation in supervision by the customs

“The Interim Measures for Implementation” provided detailed provisions and instructions on Customs declaration process for goods departing from the area with added value from processing, from operation platform and operation method to declaration form filling. It also introduced an innovative declaration element of confirmation number, requiring domestic importing enterprise outside the area to go through the procedures for domestic sales of goods with added value from processing outside the area with the confirmation number. The setting of confirmation number brings more challenges to the Customs in supervision and practical operation. For example, the confirmation

number shall be derived after an enterprise in Yangpu Bonded Port Area filled in its conditions about added value from processing, so if an enterprise within the area obtained the confirmation number after determining that its added value from processing may exceed 30% based on its processing conditions and filing for record, however, it’s not entitled to the duty free policy as its added value from processing did not exceed 30% due to its own fault. In such circumstance, an enterprise outside the area may use the confirmation number in import declaration without intention, and enjoyed the tax benefits, which resulted in unpaid duty. The way by which the Customs may supervise and deal with such situation is to be subsequently supplemented and clarified by relevant customs authorities.

2.4.2 Compliance considerations on tax benefits for profit repatriation from foreign investment by enterprises in Hainan

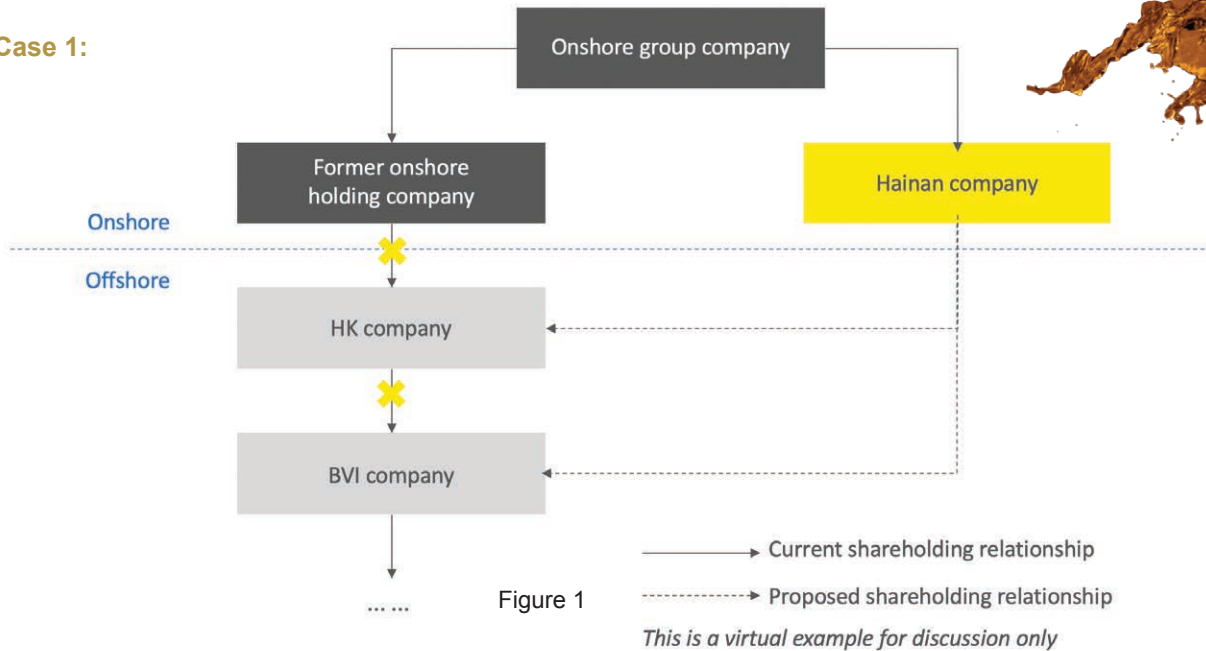
According to the “Master Plan for the Construction of Hainan Free Trade Port” and the “Circular on Preferential Corporate Income Tax Policies for the Hainan Free Trade Port” (Cai Shui [2020] No. 31), “Income derived by enterprises in the tourism industry, modern service industry and high-tech industry established in the Hainan Free Trade Port from newly increased overseas direct investment before 2025 may be exempted from CIT”.

For the purpose of the above provisions, the “income derived from overseas direct investment” shall be subject to the following scope and conditions:

Scope	(1) Operating profit obtained from the newly established overseas branches; or (2) Dividend income corresponding to the newly increased overseas direct investment obtained from the overseas subsidiaries in which more than 20% of the equity is held.
Conditions	The statutory CIT rate of the invested country (region) shall not be less than 5%.

Under the preferential policies, we note that many enterprise groups began to plan establishing investment holding platform for foreign investment in order to enjoy the preferential policy of CIT exemption on dividends. However, we intend to remind that enterprises shall focus on all the aspects of practical operations when establishing companies in Hainan for foreign investment in order to meet the requirements of the preferential tax policy.

Case 1:



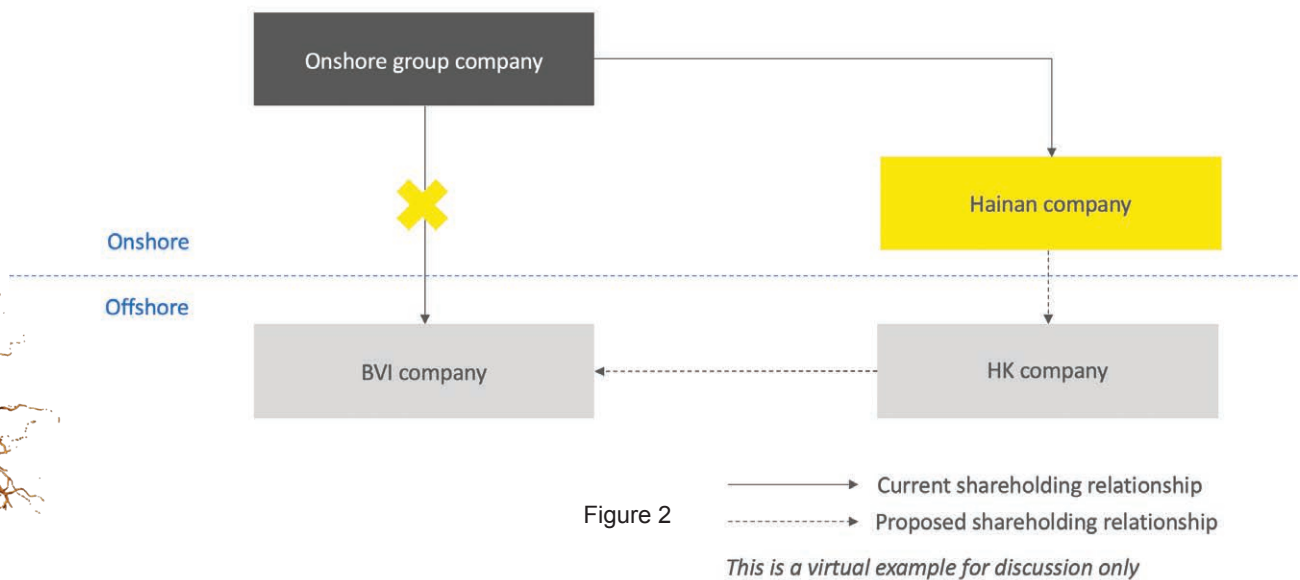
As shown in Figure 1, a group company (“Onshore group company”) has newly established a company in Hainan (“Hainan company”) as a holding platform. If Hainan company pays consideration to the former onshore holding company to acquire equities of an offshore company, no external payment will be involved as such cash flow occurs within mainland China. In the meantime, both the Hainan company and the former onshore holding company are affiliated to the same group. In such situation, the Hainan Provincial Development and Reform Commission generally may refuse to file for foreign investment made by the Hainan company based on our communication with the Commission.

However, if the Hainan company acquires equities in a BVI company from a HK company, and the Hainan company pays consideration to the HK company which actually involves cross-border payment, but as the former onshore holding company has already made capital contribution and completed record filing for foreign investment when establishing the HK company and its affiliated BVI company, there is a risk of repeated capital contribution with respect to payment made by the Hainan company to the HK company. Therefore, the Hainan Provincial Development and Reform Commission may still refuse to file for foreign investment.

In the above two situations, the Hainan company may not be entitled to the CIT exemption policy on profit repatriation.

Nevertheless, it may be possible for the Hainan Provincial Development and Reform Commission to file for the foreign investment if the Hainan company increases capital via cash in the HK company or the BVI company.

Case 2:



As shown in Figure 2, the Hainan company intends to establish a new HK company to acquire an offshore company formerly held by the Onshore group company. Under the circumstance, the Hainan company has to file for record with the Hainan Provincial Development and Reform Commission for establishing the new HK company. Generally, the Hainan Provincial Development and Reform Commission may grant the record filing if the newly established HK company has a reasonable commercial substance with a non-M&A nature, such as carrying out offshore business. However, if the proposed new HK company is established only for acquiring an offshore affiliate, such record filing may not be granted generally. Therefore, the proposed new HK company can consider using overseas capital if it is used to acquire an offshore affiliate, meaning that the HK company can acquire by self-financing. In addition, it shall be noted that the registered capital filed at the time of establishing the HK company must be used within the scope as committed.

3.

Zooming Out: A Macro-View of Chinese Travel Retail Shoppers

- 3.1. The optimistic outlook of Chinese travel shoppers' consumption habits
- 3.2. Domestic travel trends
- 3.3. Chinese travel retail shopper demographics
- 3.4. App category analysis



3.1

The optimistic outlook of Chinese travel shoppers' consumption habits

As China's effective public health measures have led to an unprecedented rebound in consumer confidence, China's consumer market has recovered steadily, ultimately making China the only major economy to achieve positive growth in 2020.⁴⁸

In 2021, the per capita disposable income of Chinese residents was RMB 35,128 (US \$5,510), a nominal increase of 9.1% over the previous year; and the national per capita consumption expenditure of residents was RMB 24,100 (US \$3,780), a nominal increase of 13.6% over the previous year.⁴⁹ Moreover, a September 2020 consumer survey showed that Chinese consumers' net optimism about the economic recovery has stabilized at around 50%, compared to about 22% in the United States, in stark contrast to the pessimism that pervaded in Europe, Australia, and Japan at the time.⁵⁰

Chinese outbound travel shoppers have switched their focus to domestic consumption

Chinese outbound tourists preferred to purchase duty free goods abroad, but nowadays domestic duty free consumption seems to be gaining momentum with overseas consumption flowing back to the home market. Hainan island recorded RMB 2.13 billion (US \$ 334.08 million) in offshore duty free spending during the Spring Festival in 2022, up 1.5 fold from 2021.⁵¹

It is estimated that by 2025, the number of domestic tourists in China will reach 10 billion, and by 2030, the number of domestic tourists in China will exceed 15 billion. Among them, road trips including traveling by RVs as well as health or educational theme travel will see the greatest growth.⁵²

Why is domestic duty free shopping rising?

- International travel was put into suspension due to the pandemic.
- Trading and political tensions with western countries.
- The gradual elimination of the price gap of duty free products between China and other countries as China's duty free retail industry continues to grow. For example, a few years ago, the same luxury and cosmetic products from Chinese duty free shops were on average 20 to 30% more expensive in comparison to those from overseas. However, this price gap today is gradually decreasing, incentivizing shoppers to buy duty free products domestically, such as Hainan.
- The number of Chinese cities with duty free shopping centers continues to increase, as the 14th 5-year-plan outlined an initiative to develop international consumer cities.
- New measures of online replenishment service for duty free shopping.

Source

48 China's economy leads recovery amid global pandemic
http://www.xinhuanet.com/fortune/2021-03/03/c_1127163657.htm

49 Resident Income and Consumption Expenditure in 2021
http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202201/t20220117_1826442.html

50 Chinese Consumer Survey by McKinsey
https://www.mckinsey.com.cn/wp-content/uploads/2020/11/%E6%B6%88%E8%B4%B9%E8%80%85%E5%AD%A3%E5%88%8A-2020_%E4%B8%AD%E6%96%871126_s.pdf

51 Hainan duty free sales soar +156% during Spring Festival to US\$305 million
<https://www.moodiedavittreport.com/hainan-duty-free-sales-soar-156-during-spring-festival-to-us305-million/>

52 Outbound travel continues to shift to domestic travel, and domestic travel will reach 10 billion in 2025
<https://www.traveldaily.cn/article/141108>



3.2 Domestic travel trends

Chinese trips are becoming shorter and closer to home

Red tourism (traveling to national monuments), rural tourism, family trips, and sightseeing tours were the most popular travel choices.⁵³ The travel platform TongCheng's data shows that bookings for short trips for the October National Holiday in 2021 increased 56% y-o-y due to travel limitations in certain regions. Correlated with the increase of shorter trips is the increased demand for high-end hotels, as more consumers book staycations.

Combining business and leisure when traveling

With the pandemic increasingly altering how and where people work, working remotely is now preferred as it enables flexibility and autonomy in different workspaces. This also brings about a new definition of "working from home". As a result, Chinese people nowadays are merging business and leisure when traveling, also known as a new "bleisure" travel trend.⁵⁴ According to a market survey of 200 Chinese travel agencies and companies⁵⁵, over 60% of business travelers would arrange personal trips during their work travel in the upcoming years.

Source

53 2021 China National Day holiday travel data: Bookings for short-haul trips increase by 56% year over year
<http://www.chinagoabroad.com/en/article/2021-china-national-day-holiday-travel-data-bookings-for-short-haul-trips-increase-by-56-year-over-year>

54 Future in flux: How to outmanoeuvre uncertainty in a new era of travel
https://www.accenture.com/_acnmedia/PDF-142/Accenture-Future-in-Flux-How-to-Outmaneuver-Uncertainty-in-a-New-Era-of-Travel.pdf

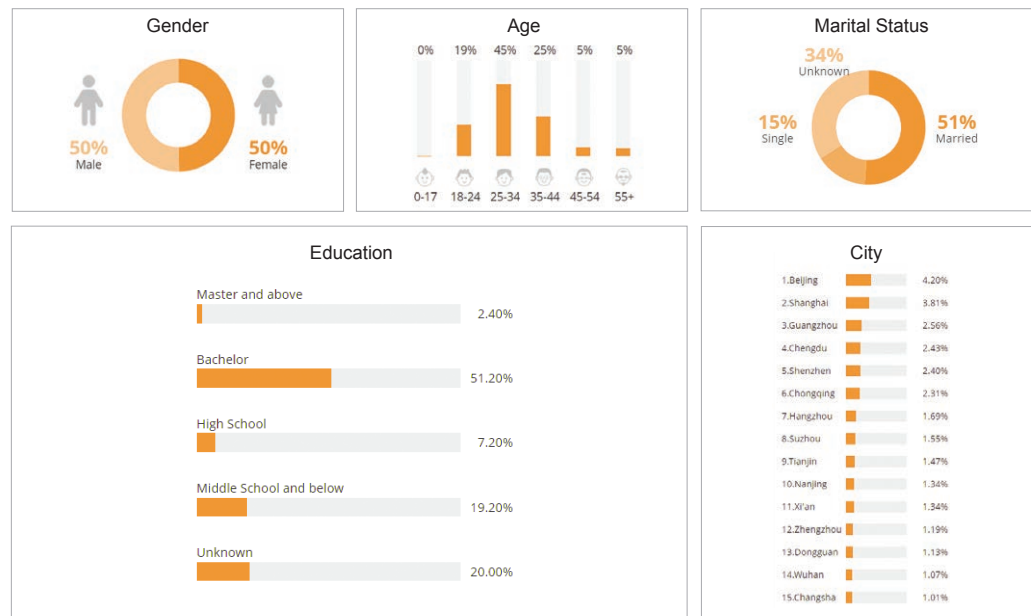
55 Travel products to focus on safety, health, nature and customization
<https://www.traveldailynews.com/post/itb-china-travel-trends-report-travel-products-to-focus-on-safety-health-nature-and-customization>

3.3

Chinese travel retail shopper demographics

The majority of consumers are youngsters

- Age: 25-34
- Gender: 50/50 Male and female
- Marital status: Married
- Education: Bachelor's degree
- Location: 1st tier cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu



Source: iAudience powered by iClick, data as of Dec 2021

Narrowing down on young Chinese outbound travel shopper behavior⁵⁶

Young consumers are rising and taking an increasingly large market share in terms of duty free consumption. By the end of 2021, consumers under the age of 35 were estimated to contribute 65% of overall consumption growth in China.

Buy now and pay later has become a way of life for young consumers, putting many of them in debt. Nearly half of the consumers in debt were young people born in the 90s, while only 31.5% of those in debt were born in the 80s. Young consumers display a different consumption behavior as they tend to spend lavishly and prefer a better consumer experience.

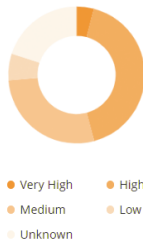
Psychographics

- The majority of audiences have high purchasing power and are very active on e-commerce platforms.
- They are more likely to be influenced by sales promotion than comments on social media when making purchase decisions.
- They are interested in Jobs & Education such as overseas education and private school as well as early childhood education.

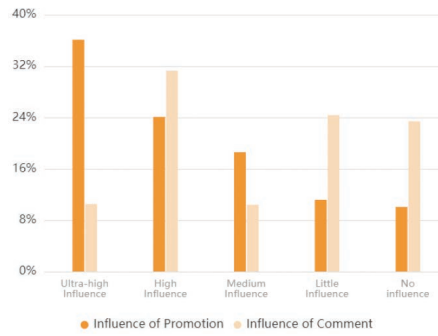
Source

⁵⁶ Report finds only 13 percent of young consumers in China are not in debt
<http://en.people.cn/n3/2021/11/01/c90000-9914092.html>

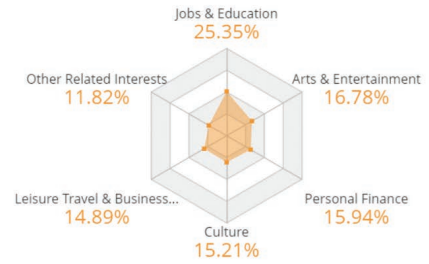
Online Purchase Power¹



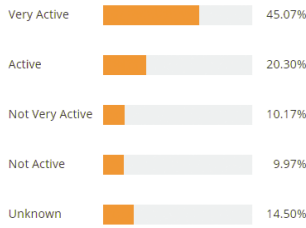
Purchase Influence Factors³



Interest Categories



Online Shopping Active Level²



Jobs & Education

1. Overseas Education
2. Private School
3. Vocational & Continuin...
4. MBA/EMBA
5. Early Childhood Educat...

Arts & Entertainment

1. Pop Music
2. TV Dramas
3. Movies
4. Variety & Entertainment
5. Comics & Animation

Personal Finance

1. Investing
2. Real Estate & Construct...
3. Insurance
4. Personal Loan & Mortg...
5. Asset Management

Source: iAudience powered by iClick, data as of Dec 2021

1. The Online Purchase Power is based on audiences' composite preferred Price Level of their frequently purchased product categories on E-commerce platform. All product categories are divided into 4 Price Levels, for example, lipstick products are divided into 4 Price Levels: Low (RMB 1-78), Medium (RMB 78-149), High (RMB 149-287), Very High (RMB 287 or above).
2. The Online Shopping Active Level is mainly based on the audiences' online shopping frequency. "Very Active": at least once every month; "Active": at least once every quarter, but not every month; "Not very Active": at least once every year, but not every quarter; "Not Active": not every year.
3. The level of influence "Promotion" & "Comment" have on the audiences' purchase decision.

Keywords in the travel retail market

Travel retail: Sanya, Hainan, Shopping

Tourism activity: Cultural Tourism, Rural Tourism, Cultural Tourism Festival

Online platform: Online Travel Agency, Online News, Womai.com

Source: iAudience powered by iClick, data as of Dec 2021



3.4 App category analysis



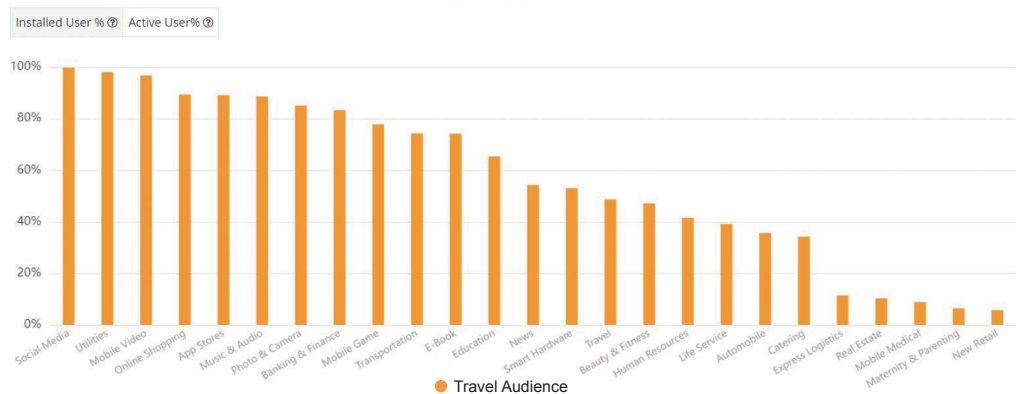
Mobile apps related to tourism have become increasingly popular mainly due to how easy, accessible and convenient these platforms are. Travel and transportation apps are open to a two-way interaction that also provides consultation and assistance. Furthermore, accommodation arrangements, destination location navigation, transportation including plane and train tickets, as well as restaurant reservations can also be booked via these mobile applications, destination information is also accessible.

Online apps are used for all parts of the consumer journey, from preliminary research to making purchases, to booking and reviewing.

Mobile usage

The majority of audiences are active on social media and do research via online travel apps such as Ctrip. Not only can social media platforms and travel apps provide useful insights and personal traveling experiences, but feedback is also available on these platforms which allow audiences to understand all aspects when traveling. Apart from online travel apps, transportation apps are also popular among audiences due to their convenience. Transportation apps such as 12306 China Railway provides ticketing services which can all be done in one-stop.

App category analysis



Top Travel Apps Rank							
App Name	App Category	Installed User%	Active User%	App Name	App Category	Installed User%	Active User%
1 携程旅行	Travel	23.30%	7.47%	11 易通行	Travel	2.30%	24.01%
2 铁路12306	Travel	17.84%	11.95%	12 Metro大都会	Travel	2.29%	12.17%
3 去哪儿旅行	Travel	12.01%	15.03%	13 无线城市掌上公交	Travel	2.12%	31.01%
4 飞猪	Travel	7.06%	22.22%	14 Airbnb	Travel	2.01%	34.57%
5 智行火车票	Travel	4.26%	11.92%	15 高铁管家	Travel	1.63%	15.38%
6 Booking酒店预订	Travel	3.88%	24.68%	16 飞常准	Travel	1.40%	39.66%
7 蚂蜂窝自由行	Travel	3.65%	28.47%	17 途牛旅游	Travel	1.39%	35.94%
8 车来了	Travel	2.84%	39.08%	18 同程旅游	Travel	1.32%	33.68%
9 航旅纵横	Travel	2.82%	18.43%	19 南方航空	Travel	1.30%	50.24%
10 华住酒店	Travel	2.59%	56.31%	20 中国国航	Travel	1.11%	51.19%

Source: iAudience powered by iClick, data as of Dec 2021

Installed User = The no. of users that have installed the app in a month divided by the total no. of users in a month *100%

Active User = The no. of users that have used the app in a month divided by the total no. of users in a month *100%



Chinese travel apps for research

Online channels have become the main way for Chinese consumers to obtain tourism information and make decisions, predominantly due to the influence of tourism KOLs. The penetration rate of the online tourism market in 2019 has reached nearly 20%, at the same time, the user scale of online tourism platforms has increased significantly.

Xiaohongshu

First, the Little Red Book (Xiaohongshu) platform is built with KOLs as the core, forming a closed-loop for consumers to research and purchase. Different from the traditional marketing model, KOLs provide users and fans with intuitive and personal feelings through a real trial of products, experience sharing, and graphic explanations. In this mode, because of the more personalized sense of reality, Xiaohongshu can attract young people to recognize, trust, and even purchase the products. Additionally, communities

such as Xiaohongshu have gradually enriched the content of the tourism sector. Users search for travel notes and consult strategies through the content community, and the number of consumers who use the Xiaohongshu platform to make travel decisions has increased significantly. The user's travel behavior starts from Xiaohongshu and also returns to the platform for secondary dissemination and sharing. More specifically, before the trip, Xiaohongshu is a consumption portal for users to collect information and make decisions; and after the trip, users share their experiences and recommendations of traveling.

Short video platforms

Short videos also have gradually become a source for recommendations for Chinese tourists' purchases. As early as April 2018, Xi'an Tourism Development Committee reached cooperation with Douyin, to carry out comprehensive packaging promotion of Xi'an.

Travel apps

In the trend of short video tourism, travel platforms such as Mafengwo, Ctrip, Fliggy have begun to attach importance to the sharing of short video content. At the beginning of 2019, Mafengwo officially launched the short video field and continued to cooperate with tourism bureaus and scenic spots to form a complete travel platform from scenic resource integration, offline talent experience, online theme activities, and high-quality short video production.

Chinese travel apps for purchasing⁵⁷

Ctrip

China's leading travel agency that provides a one-stop travel service; this application took off with a strong demand for Chinese tourism. With its multifaceted design, the platform provides transportation ticketing, accommodation reservation, packaged tours, as well as corporate travel management. Ctrip was also one of the first platforms where Chinese netizens can provide feedback, which is a crucial factor for the e-reputation of tourism operators.

Qunar.com

For domestic accommodation bookings, similar to Ctrip, Qunar.com is also a travel app that provides one-stop streamlined services for Chinese tourists, including air ticket booking, car rental, and hotel reservation. Apart from these amenities, Qunar.com has an exclusive "travel diary" feature, which allows previous travelers to write about their travel experiences on the front page (including expenses, transportation methods, and other useful information) as well as interact with readers in the comment section. This enables customers to have a more comprehensive and unbiased understanding of their future travels.

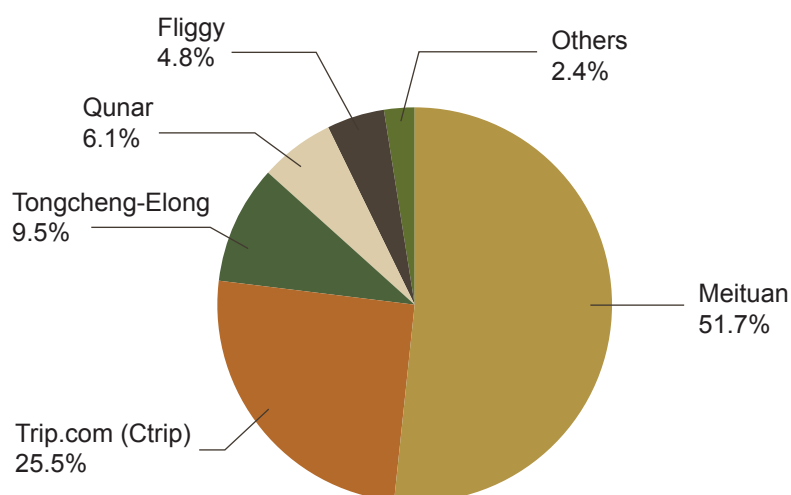
12306 China Railway

A mobile ticket purchasing app launched by China Railway, not only does the app provide ticket-purchasing service and news release, but it has also implemented a communication tool for customer service and content provider. One of its most effective features is the "Trip SMS", which is a reminder service on the app that sends booking confirmations to travelers.

Meituan Travel

One of the leading hotel-booking platforms and one of the largest service-focused e-commerce platforms in China. The company provides online booking services for accommodation, both domestic and outbound travel and transportation.

Most used online platforms for hotel reservations by market share (2019 H2)



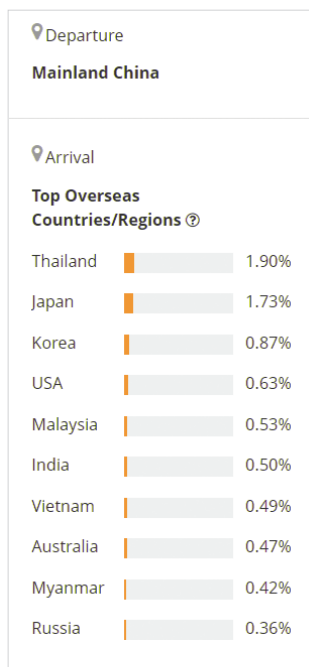
Source: Trustdata, 2020
<http://www.199it.com/archives/1030619.html>

Source
57 2019-2020 China Online Hotel Booking Industry Report
<http://www.199it.com/archives/1030619.html>



Top travel destination departing from China

1. Thailand
2. Japan
3. Korea



Source: iAudience powered by iClick, data as of Dec 2021

4. Zooming In: A Deep Dive at the 4 Key Types of Inbound Travel Shoppers

- 4.1 The family trip: A diverse and quality experience
- 4.2 The solo trip: A quality short-haul experience
- 4.3 The small-town youth: A flexible and modern experience
- 4.4 The Sanya traveler: A shopping experience



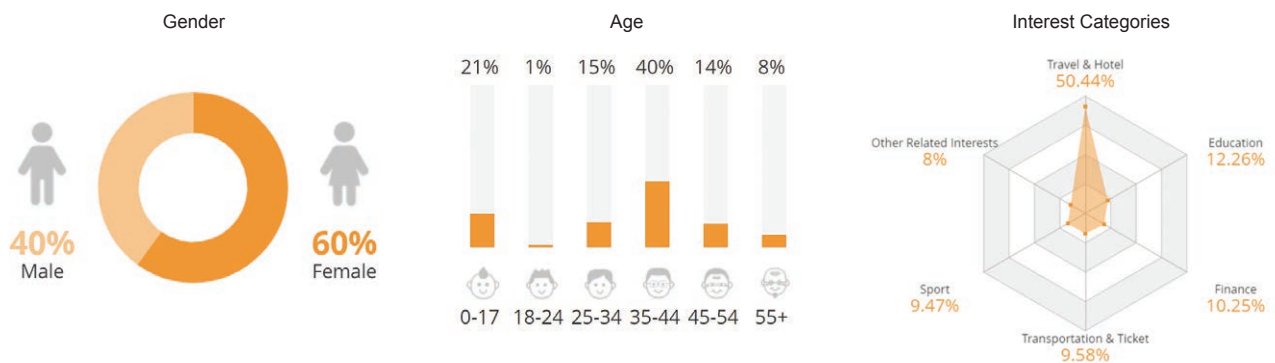
4.1

The family trip: A diverse and quality experience

Most Chinese travelers prefer traveling abroad with family members instead of alone or with strangers.⁵⁸

Demographics

- Mostly female aged 35-44 (with kids aged 0-17)
- Interested in Tourism and Education
- Moms are likely to be the person-in-charge when it comes to family trip planning & spending



Source: iAudience powered by iClick, data as of Dec 2021

Behavior trend

Family trips usually involve more diverse and quality experiences. It is estimated that by 2025, the number of domestic tourists in China will reach 10 billion, and by 2030, the number will exceed 15 billion. Among them, road trip including travel by RVs as well as health or educational theme travel, will see the greatest growth.⁵⁹

Keywords

Destination:

Sanya, Hainan, Harbin

Domestic destinations are the most popular

Activities with children:

Outdoor Fair, Summer Camps, Educational Games

Educational and learning activities are preferred for children

Family activities:

Camping, Farm Trips, Theme Parks, Aquariums

Look for family-friendly activities

Travel plan:

Trip.com, Travel Route, Travel Tips

Search for travel resources like travel routes and tips

Accommodation:

B&B, Resort Hotel, Hotel

Look for comfortable accommodation during the stay

Source: iAudience powered by iClick, data as of Dec 2021

Source

58 China Outbound Tourism Development Annual Report 2021
<http://www.ctaweb.org.cn/cta/gzdt/202111/074b098d53e24375bfebf5352f67512a.shtml>

59 Outbound travel continues to shift to domestic travel, and domestic travel will reach 10 billion in 2025
<https://www.traveldaily.cn/article/141108>



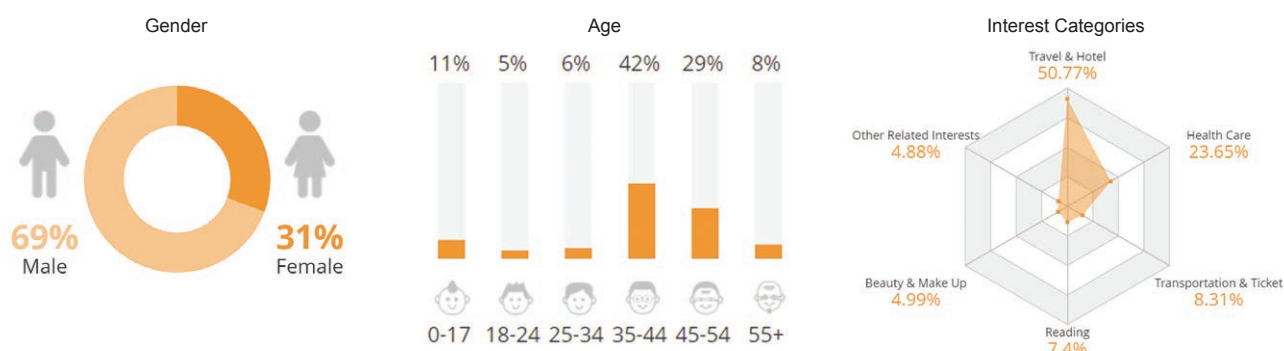
4.2

The solo trip: A quality short-haul experience

Independent travel was much more popular than package tours among Chinese travelers, which accounted for 96% of domestic travel and 50% of outbound travel in 2019.⁶⁰

Demographics

- Mostly male aged 35-44
- Interested in Travel, Health Care and Ticketing
- Have health concerns when planning travel during the pandemic



Source: iAudience powered by iClick, data as of Dec 2021

Behavior trend

In recent years, there are more quality domestic leisure and travel products in the market. More and more Chinese travelers prefer quality short-haul domestic trips to overseas trips. This phenomenon helps fuel the return of domestic consumption. Technological innovation has accelerated the integrated development of the Culture and Tourism sectors, which contributes to the emergence of cultural tourism in China.⁶¹

Keywords

Destination:

Qingdao, Changsha, Hainan, Xi'an
Domestic destinations are the most popular

Travel safety:

Vaccine, Vaccination, Health Protection, Pandemic
Travel safety is the biggest concern of solo travelers

Transportation:

Flight, Public Transport, Green Transport, Self-driving
There are great varieties and flexibilities for choice of transportation

Holiday:

Chunyun, Dragon Boat Festival, International Workers' Day
Prefer going on short trips during holiday break or long weekend

Tourism activity:

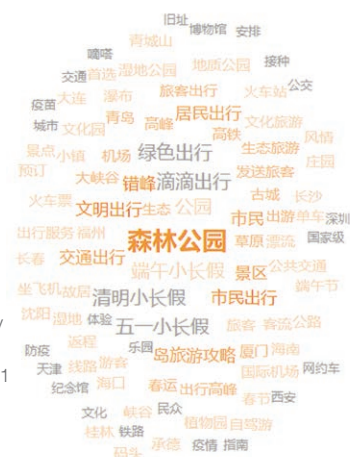
Cultural tourism, Ecotourism, Island Tourism
Favor sightseeing and cultural tourism

Source: iAudience powered by iClick, data as of Dec 2021

Source

60 Analysis on the Development Status of China's Self-service Travel Industry <https://bg.qianzhan.com/trends/detail/506/200507-3a0b8653.html>

61 China Tourism Academy: 4.1 billion domestic tourists are expected in 2021 <http://m.people.cn/n4/2021/0224/c32-14857414.html>



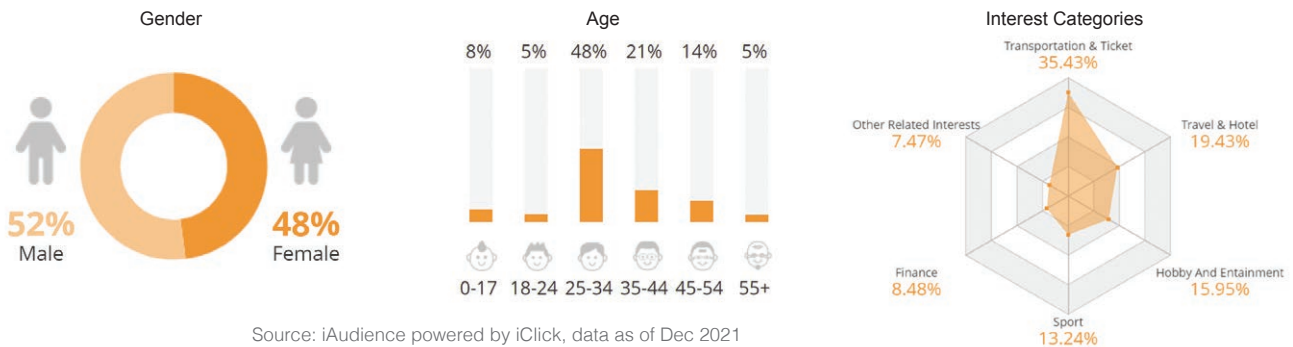
4.3

The small-town youth: A flexible and modern experience

In 2020, China's urbanization ratio hit 60%. The increase in the urban population and the prosperity of the urban economy have provided the necessary foundation for the development of China's tourism, including inbound and outbound tourism and have given rise to the emergence of a new market segment "small-town youth", i.e. young people from 3rd tier and 4th tier cities.⁶² Small town youth accounted for 60% of travel consumption during the 2021's Labor Day Golden Week.⁶³

Demographics

- A more gender-balanced segment; Mostly aged 25-34
- Interested in Ticketing, Tourism, and Entertainment content



Source: iAudience powered by iClick, data as of Dec 2021

Behavior trend

Active online

- Compared to their urban counterparts, small-town youth spend a lot less time commuting to and from work. Hence, they have more personal time to browse

More budget to spend on entertainment

- Consumers from non-metropolitan regions like 3rd and 4th tier cities usually have a lower cost of living, thus, are able to enjoy a lifestyle that is much more relaxed than those from larger cities

Under the influence of Key Opinion Leaders and Key Opinion Consumers

- Social engagement is valued, usually from the form of referral programs or endorsement by KOLs or KOCs and special edition products.⁶⁴
- 28% of the "small-town youth" from rural areas stated that social engagement (such as referral by online influencers) would affect their purchasing decisions, whereas only 12% of 1st tier city-dwellers said those factors count as levers of influence.⁶⁵

Travel accommodation preference

- Prefer Airbnb or short-term rental to hotels

Source

62 China Outbound Tourism Development Annual Report 2021
<http://www.ctaweb.org.cn/cta/gzdt/202111/074b098d53e24375bfeb5352f67512a.shtml>

63 "Small town youth" account for 60% of consumption
https://hznews.hangzhou.com.cn/chengshi/content/2021-05/06/content_7958713.htm

64 Small-town youth expected to become big e-commerce growth driver
<https://www.chinadaily.com.cn/a/201911/19/WS5dd348c9a310cf3e355784b3.html>

65 China digital consumer trends 2019
<https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20digital%20consumer%20trends%20in%202019/china-digital-consumer-trends-in-2019.ashx>

Keywords

Chinese online travel agency: Qunar, Fliggy
Make bookings via online travel agencies

Travel style & preference: Experiences, Unique Attractions, Photo-taking, Customization
Look for unique travel attractions and tend to share the experiences on social media

Travel plan: Travel Guide, Travel Tips, Place To Go
Search for detailed travel information

Destination: Xiangyang, Xiamen, Sanya
Domestic travel destinations are the most popular

KOL influences: Jia Ling, Liu Haoran, Tong Liya
Follow the recommendations from travel influencers and celebrities

Source: iAudience powered by iClick, data as of Dec 2021



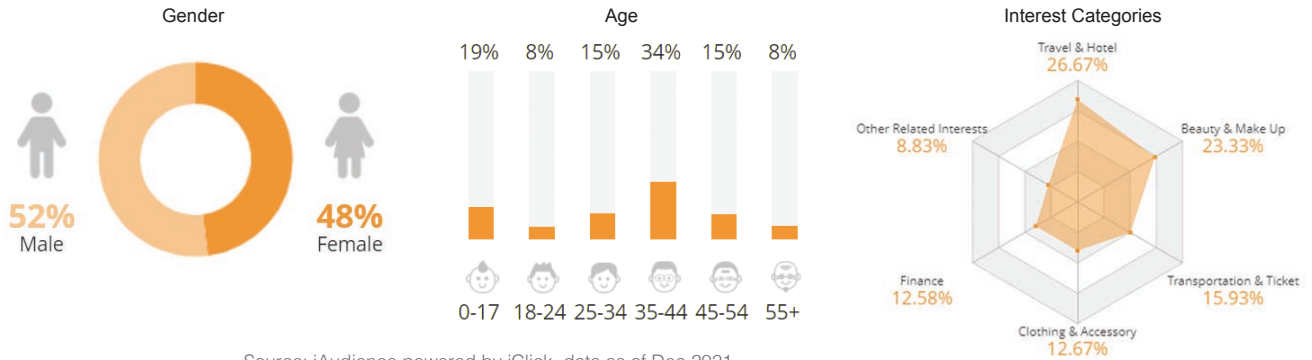
4.4 The Sanya traveler: A shopping experience

The rise of inbound travel boosted domestic consumption, especially luxury goods sales in 1st tier cities. The top five luxury shopping cities in 2021 include Shanghai (46%), Beijing (33%), Guangzhou (30%), Shenzhen (27%), and Sanya (20%).⁶⁶

Likewise, factors driving the recovery of China's luxury market are the return of domestic consumption, the emergence of new Gen Z customers, the rapid development of digitalization, as well as the rise of Hainan duty free shopping.⁶⁷

Demographics

- A more gender-balanced segment; Mostly aged 35-44
- Interested in Travel, Beauty & Cosmetics related topics



Source: iAudience powered by iClick, data as of Dec 2021

Keywords

Travel activity:

Shopping, Sightseeing, Beach Activities

Place to visit:

Shopping Mall, Beach, Landmark, Resort

Search for the typical to-do and to-go when traveling in Sanya

Outbound destination:

Korea, Singapore, Australia, Switzerland

Show interest in other duty free retailing markets

Sanya duty free:

Airport Duty Free, DFS, CDF

Search for local duty free shopping complexes to shop at

Sanya development:

Construction, Renowned, Grand Opening, New Policy

Keep up with the latest news and duty free policies of the destination



Source: iAudience powered by iClick, data as of Dec 2021

Source

66 China Luxury Forecast 2021

<https://socialbeta.com/t/socialbeta-report-ruderfinn-luxury-forecast-2021>

67 The Future of Luxury: Bouncing Back from Covid-19

<https://www.bain.com/insights/the-future-of-luxury-bouncing-back-from-covid-19/>

5. Future Outlook

5.1. The emergence of smart travel

5.2. Implications for marketers

5.2.1. Focus on domestic travelers

5.2.2. Marketers must meet their customers in their natural environment: Online

5.2.3. Offline shops are more than just check-out points, they must be experiential and engaging

5.2.4. Get to know the new Chinese tourists: Outdoor adventurers, families and small-town youth

5.1

The emergence of smart travel

China's outbound tourism is now on track in recovery, thanks to the affluence development in technology, including the integration of 5G, big data, and AI within the tourism industry.

What usual means to attract Chinese outbound travelers?

Throughout the pandemic, technology has been widely adopted to safeguard the health of travelers, improve travel efficiency and satisfaction, provide a new direction for products and service innovation, as well as process optimization for the market.

This technology includes advanced booking, virtual reality, digital identify authentication, contactless check-in, and dynamic control of travel status based on big data.⁶⁸

About iClick's cross-border smart retail SaaS solution: iSmartGo

A SaaS-based (Software as a Service) cross-border smart retail solution, iSmartGo effectively enhances customer online experience, customers service, and operational efficiencies with lower labor and operational costs.

Traveler's needs	iSmartGo's features
Seamless online experiences	Comprehensive WeChat mini-program with detailed product/ room information, online payment, logistics and advertising
Travel flexibilities	Online reservation and order management
Customer incentives	Customers loyalty programs
Effective customer service	Mini-program customer services

Source

68 China Outbound Tourism Development Annual Report 2021

<http://www.ctaweb.org.cn/cta/gzdt/202111/074b098d53e24375bfeb5352f67512a.shtml>

5.2

Implications for marketers

5.2.1 Focus on domestic travelers

Given the unlikeliness that outbound travel will thrive again in 2022 as it did in 2019, brands should continue to plan on the overwhelming majority of Chinese travel retail consumption to take place within the national borders.

Brands should keep an eye out for new duty free hot spots to rise in China around hot tourism destinations. According to tourism app data, popular travel destinations in 2021 included red tourism (to major cities of governmental or historical significance) and outdoor travel (including camping, natural scenery, and ski resorts).

Chinese duty free retailers are benefiting from the shift to domestic retail, with China Duty Free Group now the world's largest duty free retailer in terms of revenue.

Additionally, data also shows that Chinese are booking their trips for shorter durations and closer to home. While most travel tends to clump around major holidays like the Lunar New Year and the national holiday, more people are planning weekend trips to nearby destinations.

5.2.2 Marketers must meet their customers in their natural environment: Online

Duty free or not, Chinese consumers are doing more and more of their shopping online. In addition to making the final purchase online, the entire consumer journey from research to check-out is done online as well. Social media plays a major role in product discovery and reading reviews for both duty free products and travel plans.

A social media presence is crucial and working with KOLs is the key to increase a brand's presence online. But the digitalization of marketing does not end there, many brands are tapping into WeChat's ecosystem by creating their own WeChat mini-program, which allows them to retain consumers and send more targeted messaging.

Duty free retailers are also creating their own e-commerce platforms to reach consumers directly in their homes. The China Duty Free Group, for example, launched an e-commerce platform with contact-free delivery of discounted goods. This seems to be a future direction of duty free retailers as it provides more advantages to consumers than standard e-commerce platforms, and therefore it is worthwhile for brands to get their products listed.

5.2.3 Offline shops are more than just check-out points, they must be experiential and engaging

Brands are partnering with duty free retailers to create engaging offline experiences in shopping destinations like Hainan and Shanghai. As the internet can be much more useful in gathering product options, searching for product details, and reading reviews, offline stores have to find their competitive advantage over online stores – and that is through being experiential.

New retail, which is the merging of online and offline shopping experiences, is more and more becoming the standard of offline shopping. Ways that brands are integrating new retail into offline stores are through augmented reality, virtual reality, simulators, games, and livestreaming events.

Brands also create pop-up shops which, short-term in nature, leverage hunger marketing through selling exclusive products. If executed well, pop-up shops can also be tourist destinations, where travelers take and share pictures online. Many customers' photos at pop-up displays can be found on Chinese social media platforms like Xiaohongshu and WeChat, enhancing the shops' visibility online.

5.2.4 Get to know the new Chinese tourists: Outdoor adventurers, families, and small-town youth

Outdoor adventurers, families, and small-town youth are some of the rising demographics of Chinese travelers. The expenditures of rural travelers, in particular, are growing faster than their urban counterparts. Looking back at the years 2008 to 2019, rural travelers had already been on a trajectory of growth in both trips and spending, with 1.01 billion rural resident domestic trips in 2008 to 1.54 billion in 2019. Over the same time period, the per capita travel expenditure of rural residents grows 2.81 times, reaching RMB 634.7 (US \$99.5) in 2019.⁶⁹ Hence, the gap between rural and urban tourists is closing quickly.

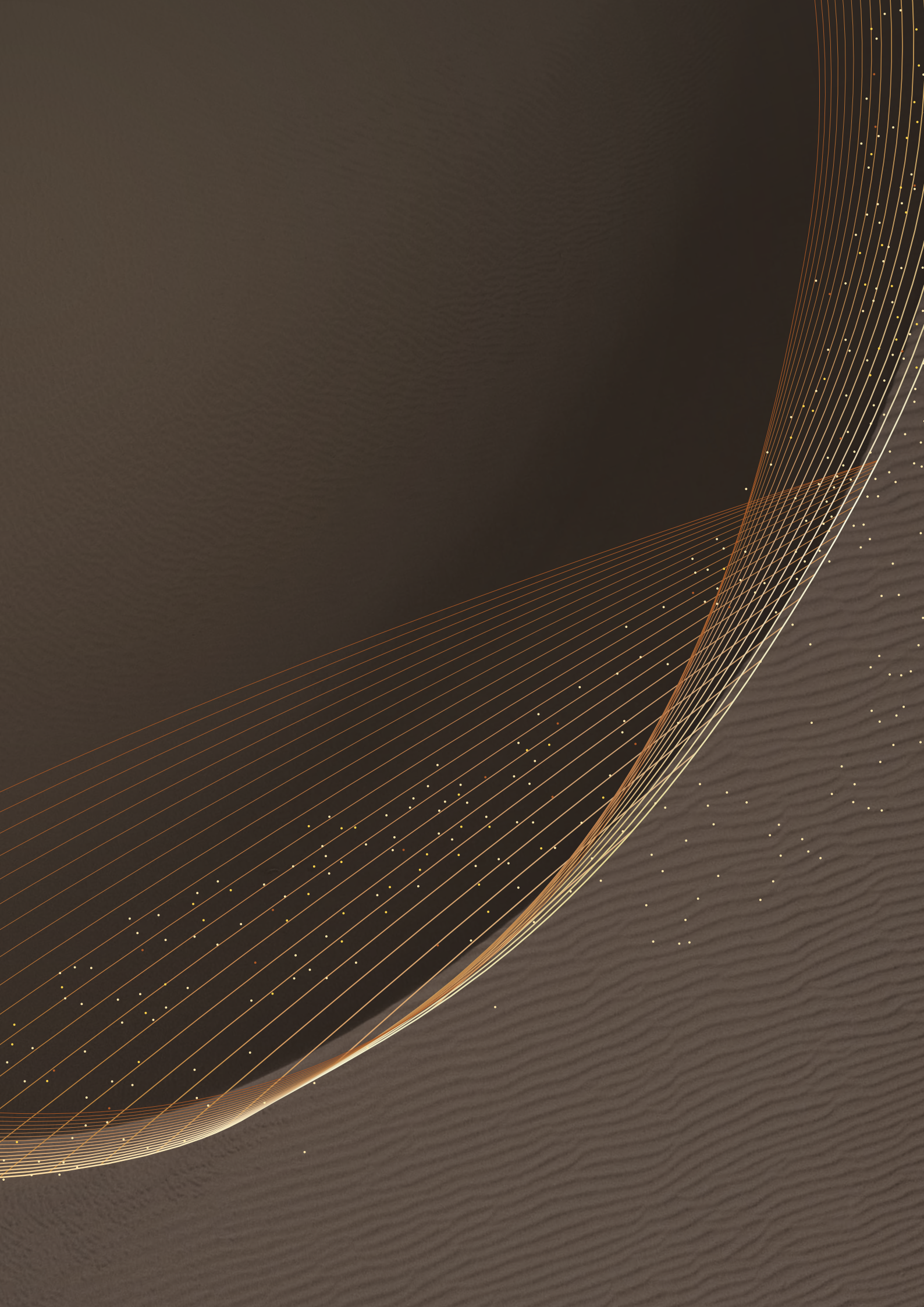
One specific area of outdoor tourism that China marketers should watch out for in the near future is travel to ski and snowboard resorts. In 2002, China only had 130 ski resorts, yet in 2022 the nation reached 804 ski resorts, but it doesn't stop there, by 2030 there will be an estimated 1,000 ski resorts in China.⁷⁰ Around the Beijing 2022 Winter Olympics, skiing and snowboarding have become a part of the urban aristocracy, making the markets for winter sports apparel and equipment very attractive for luxury brands. Brands like Louis Vuitton, for example, are selling luxury snowboards in China at the price of RMB 40,000 (US \$6,274).

What is on the downfall, however, is travel groups. Previously the preferred method of travel, groups tours have been on the decline over the last several years internationally, and with the rise of more young and independent tourists, tour group packages are slowly pushed to the back burner.

Source

69 The evolution and new trends of China's tourism Industry
<https://www.aimspress.com/article/doi/10.3934/NAR.2020020?viewType=HTML>

70 The Chinese ski market reaches new altitudes
<https://daxueconsulting.com/chinese-ski-market/>





Founded in 2009, iClick Interactive Asia Group Limited (NASDAQ: ICLK) is a leading enterprise and marketing cloud platform in China. iClick's mission is to empower worldwide brands to unlock the enormous market potential of smart retail. With its leading proprietary technologies, iClick's full suite of data-driven solutions helps brands drive significant business growth and profitability throughout the full consumer lifecycle. Headquartered in Hong Kong, iClick currently operates in eleven locations across Asia and Europe.

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ED None

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