# CHINESE OUTBOUND TRAVEL SHOPPER

WHITE PAPER

# COMMENTARY

China, the world's largest market for outbound travelers and their spending, has been attracting the interest of leading brands around the world, to tap into their hearts, minds and wallets.

Over the past few years, iClick has had the pleasure of working with several of these leading travel retail brands, to reach and deliver their brand messages across the 130M Chinese outbound travel shoppers trotting across the globe. This has offered us the opportunity to learn extensively about the intriguing Travel Retail industry, and to work hand in hand in unveiling the mystery of the elusive Chinese travelers. iClick has developed an integrated product set for marketers in travel retail industry to cultivate their own strategy to understand, influence, engage and even convert different types of Chinese travel shoppers. And all of these tactics, begin with the same first foot forward: A true understanding of who your target audience is, and how they think and behave.

Today, it is our pleasure to share our experiences and findings, through this White Paper, which leverages on iClick's proprietary marketing intelligence platform, iAudience and our unique data capabilities. And alongside our amazing strategic partner, the Moodie Davitt Report, we hope this whitepaper serves as a window for related stakeholders in the travel retail industry to gaze into the changing faces of Chinese outbound travel shoppers.

**_Yan Lee_**
*Chief Product Officer,*
*iClick Interactive*

# COMMENTARY

The Chinese shopper is the living heartbeat of the 21st century travel retail industry worldwide. The last two decades have seen an explosion of Chinese outbound (and domestic) travel, with a commensurate knock-on to travel shopping in popular Chinese destinations around the world.

What started as a steady drip of overseas shoppers in the early part of this century has turned into a torrent. No travel retailer in any location frequented by the Chinese – and the nationality's destination list has widened appreciably in recent years – can afford to be without a Chinese strategy. Chinese shoppers typically punch way above their weight in terms of their share of a retailer's spend compared to their share of traffic. Whether the Chinese represent a very high ratio (even majority) of store visitors, as in South Korea, Vietnam or Thailand, or a relatively low percentage (say, Dubai), their high average spend makes understanding the customer profile crucial. And yet so many retailers talk blithely about 'targeting the Chinese traveler'. As this excellent report reveals, this vast nation's global shoppers cannot be understood through such generalisations.

This White Paper attempts to explore beyond the clichés, to consider not just the tourism and spending numbers and projections but to examine consumer dynamics, varying customer profiles, and key behavioural components, including travel and shopping trends.

Anyone who wants to do business with this vast and growing legion of international consumers should read this White Paper. It offers rare insight and profoundly rich analysis, gleaned from the unrivalled market intelligence sources of the stakeholders who produced it.

The Moodie Davitt Report is proud to be associated with such a study, one that will help all travel retail players better understand and serve the nationality that, more than any other, will shape the industry's future.

The Moodie Davitt Report

***Martin Moodie***
*Founder & Chairman,*
*The Moodie Davitt Report*

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**Key Contributors**

**Project Lead**
Nash Liao

**Data Analyst**
Eva Xiao

**Designer**
Shirley Au

**Publishing**
Selina Wong
Ka Lo Man
Kammy Lau

# FOREWORD

The Chinese outbound traveler has become a potent force in the global travel retail sector in recent years. The total number of Chinese outbound travelers has burgeoned to reach 129 million in 2017 and their spending overseas has also risen accordingly making them the strongest revenue contributor for many industries such as Travel Retail, Luxury, Leisure, Hospitality, and Transportation, to name a few. Thus it has become an imperative to closely monitor this crucial segment for many brands, and to adopt the right promotional approach to win their hearts, minds and wallets.

To help better understand Chinese outbound travel shoppers, iClick conducted an audience analysis via its marketing technology platform which has 750+ million internet users anonymously profiled in China per month. This Chinese Outbound Travel Shopper White Paper, jointly issued by iClick & The Moodie Davitt Report, provides an in-depth analysis of the 3 key types of Chinese outbound travel shoppers, and seeks to identify the implications for marketers of related industries, as well as to share our predictions on the future trends.

# METHODOLOGY

### 1. Research Review

Review of second-hand research reports data and statistics from our partners and public organizations to propose a point of view on Chinese Travel Shoppers.

### 2. Data Mining

With iClick's capability to track and profile over 750 million active online users in China on a monthly basis, iClick is able to explore Chinese Travel Shoppers' online behavior through our proprietary market intelligence platform iAudience.

### 3. Derive Behavioral Insight

Analyze the behavioral results on iAudience, including audience demographics & interests, the topics and contents they pay attention to, to derive the behavioral insights for marketers.

# What is iAudience ?

## The China Market Intelligence Platform at Your Fingertips

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. With iClick's data capability and our partnerships with Tencent, Baidu, Ctrip and over 2.3 million other Chinese websites and apps, we can track and profile over 750 million active Chinese netizens on a monthly basis, thus acquiring the ability to explore the kinds of keywords Chinese users search for on the internet, the articles they read online, and the contents they consume and share with their friends via social media. iAudience is the crystallization of the wide expanse of data into a single, integrated real time platform for marketers.

# ZOOMING OUT:
# A MACRO VIEW OF THE CHINESE OUTBOUND TRAVEL SHOPPER

- **Continuously Growing Scale of Chinese Outbound Travelers**
- **Stronger Propensity to Spend Exhibited by Chinese Outbound Tourists**
- **The Rise of Chinese FIT & Customized Tours**
- **Chinese Outbound Travel Shoppers Plan Well in Advance**

# Continuously Growing Scale of Chinese Outbound Travelers

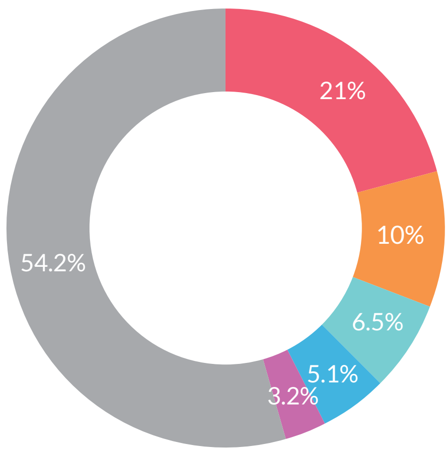
**In recent years, the Chinese passion to travel abroad has been soaring.** According to China National Tourism Administration's data, the number of Chinese outbound travelers has grown from 83.2 million in 2012 to 129 million in 2017, up by 5.7% compared to 2016.

**The growth of Chinese outbound tourists continues to accelerate.** This number has already reached 71.3 million in the 1st half of 2018, a 15% increase compared with the same period in 2017. With only 10% of the population in China currently holding international passports, the potential for future growth is staggering.

# Stronger Propensity to Spend Exhibited by Chinese Outbound Travelers

**Chinese outbound travelers exhibit a much stronger propensity to spend while abroad compared with travelers from other countries.** According to data from United Nations World Tourism Organization (UNWTO), Chinese outbound travelers spent 258 billion USD in 2017, ranked the No.1 (21%) contributor globally. Chinese outbound travelers also lead other countries in average spending per outbound traveler even though China only ranked No. 69 in terms of GNI per capita in 2017. Chinese travel shoppers' spending capacity can be best illustrated by the stark contrast between average spending per outbound traveler and GNI per capita of the top 5 countries in 2017. Based on our research, Chinese outbound travelers spent USD1,985 on average in 2017, more than double their counterparts from the UK (USD890) while GNI per capita of the UK (USD39,072) is over 3 times that of China (USD8,805).

**Total Spending When Traveling Abroad by Country in 2017 (USD)**




**Average Spending Per Outbound Traveler VS GNI per capita in 2017 (USD)**

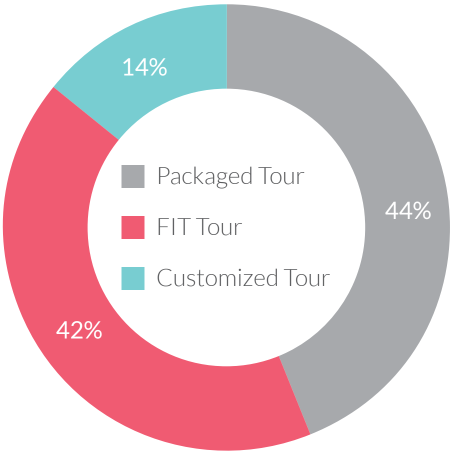
| | China | US | France | Germany | UK |
|---|---|---|---|---|---|
| Average out-bound Spending | $1,985 | $1,539 | $1,383 | $1,003 | $890 |
| GNI per capita | $8,805 | $60,198 | $39,323 | $45,388 | $39,072 |

*GNI = Gross National Income

*Source: World Bank, WNWTO, OECD, USNTTO, iClick*

# The Rise of Chinese FIT & Customized Tours

**The Travel Methods of Chinese Outbound Travelers in 2017**



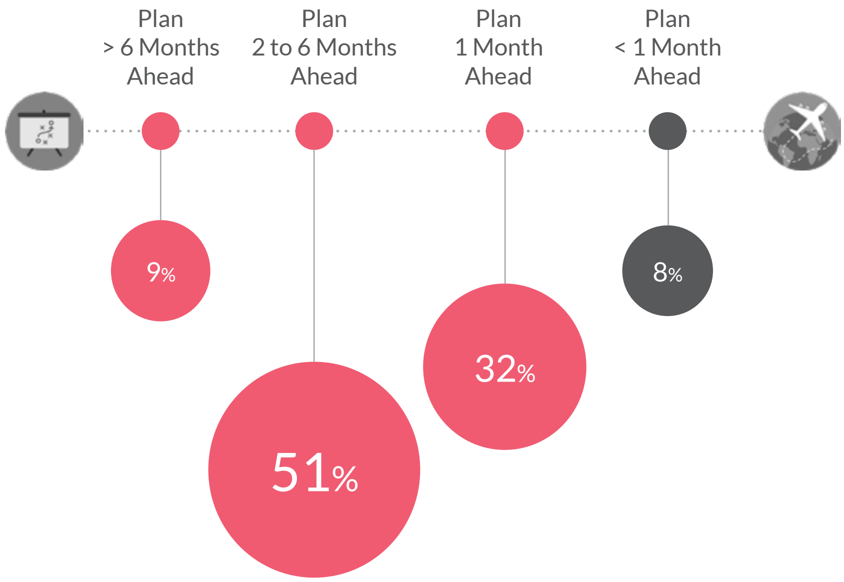

*Source: Ctrip*

**While participating in traditional packaged tours used to be the norm for Chinese overseas travel, more and more Chinese travelers choose to book customized tours or travel independently as FITs. This can be attributed to the growing sophistication and experience of the traveler population in China, where cookie cutter tour packages no longer satisfy the individualistic needs of these avid travelers.** According to Ctrip, the percentage of FIT Tourists (42%) has almost equaled packaged tours (44%), whereas tailor-made and thematic tours are increasingly popular, accounting for the remaining 14% of total online bookings. This represents an increase of 220% in 2017. There is also a noticeable distinction between the forms of travel chosen by 1st tier citizens and non-1st tier citizens. More travelers from 1st tier cities prefer to travel independently or through customized tour, while packaged tour is more favored by travelers from non-1st tier cities.

# Chinese Outbound Travel Shoppers Plan Well in Advance

**Most Chinese outbound travelers will plan well in advance of their trip and they rely heavily on various digital platforms when crafting their itinerary.** Chinese outbound travelers typically plan their trips early with most of them (51%) planning 2-6 months ahead. Younger demographics tend to have shorter planning cycles of usually a month, while only 8% will plan less than a month ahead. This planning cycle also varies between familiar short haul week end getaway destinations (ie. Japan, Korea and Hong Kong) and long haul trips to Europe, US and other more exotic destinations.

**How Long in Advance Do Travelers Plan Itinerary**




*Source: Chinese Outbound Travelers Report, by Hotel.com, 2017*

# THE CHANGING FACES OF THE CHINESE TRAVELER

Not only is the rise of Chinese travel spending volumes evolving rapidly, the profile of this market is also evolving equally rapidly.

While the wealthy 1st tier city Chinese remain the heaviest spender and are shifting more attention towards brand prominence & product quality, the New Affluent in the new 1st tier cities are catching up with their burgeoning growth in outbound visits and spending. Simultaneously, the maturing Post-90s who have a curious mindset and are eager to explore & indulge in the world outside are also on a spike. It's become apparent that the overall Chinese Travel Shopper market has grown in prominence globally, so let's take a deeper dive into the most potent segments driving this macro trend.

## Dissecting the Millennials: A Chinese Perspective

Marketers often see Chinese Travel Shoppers from a more "Western" perspective using "Chinese Millennials" to generalize the Chinese consumers.

However, the concept of "Millennials" is not necessarily compatible with the Chinese landscape. Chinese marketers segment this target audience group in a more elaborated manner. The concept of "Millennials" is often broken down into the "Post-80s", "Post-85s" and "Post-90s" generation, based on the year of their birth, to depict a more accurate grouping of the respective, distinctive characteristics. Based on iClick's experience in the Travel Retail segment and our proprietary marketing intelligence platform, we provide a more granular segmentation of these Chinese Travel Shoppers for Marketers in the Western World.

# ZOOMING IN:
# A DEEP DIVE AT THE 3 KEY TYPES OF CHINESE TRAVEL SHOPPERS

- **The Dark Horse: The New Affluent from the New 1st Tier Cities**
- **The Walking Wallet: The Luxury Overseas Shopper**
- **The Awakened Generation: The Post-90s Explorers**

# The Dark Horse: The New Affluent from the New 1st Tier Cities

Traditional 1st tier cities like Beijing, Shanghai, Shenzhen and Guangzhou were surpassed by 10 non 1st tier cities in terms of growth in outbound travelers in 2017. These fast growing dark horses are called the new 1st tier cities with Xi'an in the first place due to a 323% increase of outbound travelers in 2017, followed by Changsha (232%), Wuxi, Taiyuan, Wuhan, Hefei, Chengdu, Nanjing, Harbin and Kunming. The new affluent Chinese travel shoppers in these new 1st tier cities are forcing a brand new source of growth that should not be ignored.

## #NEW AFFLUENT

Not to be confused with the High Net Worth Individuals (>1M USD in net assets), this group mainly comprises of mature, financially well-off males, with an above average disposable income (USD 30,001 – 45,000 annual household income) and who are beginning to pursue the finer things in life, including globetrotting. The more mature of the segment, i.e. those between 45-54 years old, will most likely prefer packaged tours to avoid the hassle, while the younger generation between 25-34 prefers a more hands-on DIY approach.

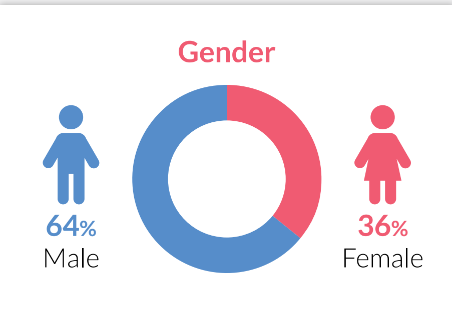
### The 5 Tiers of Chinese Wealth (USD)

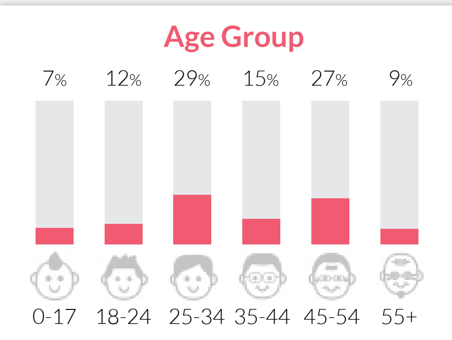
| | |
|---|---|
| High Net Worths | >$1000000* |
| Wealthy | >$45001△ |
| Affluent | $30001-$45000△ |
| Mainstream | $15001-$30000△ |
| Value | $5001-$15000△ |
| Poor | >$5000△ |

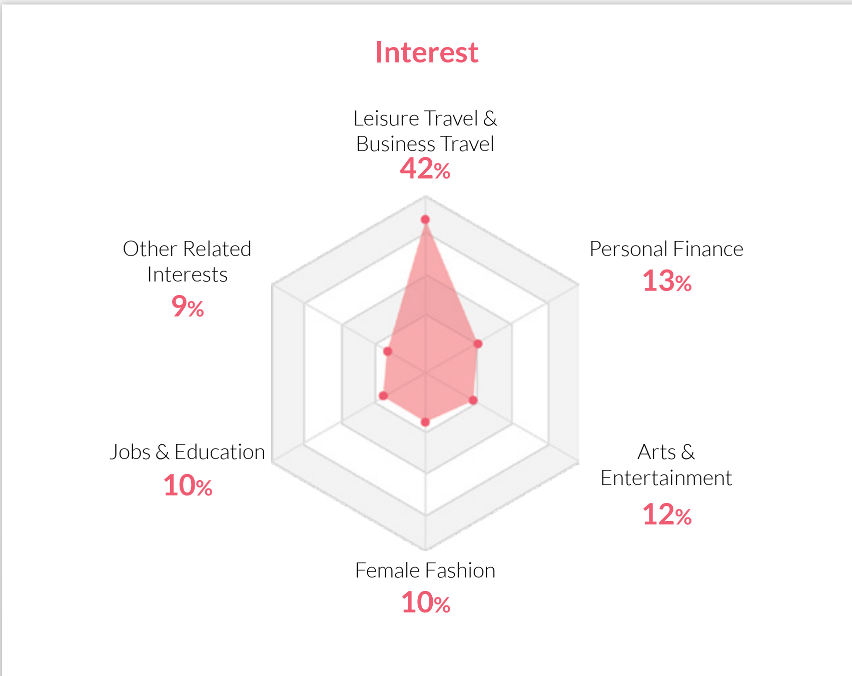
*Net Asset Value
△Annual Household Income

## Audience Profile of The New Affluent from the New 1st Tier Cities

Mainly Male in age 25-34 and age 45-54, interested in Travel, Personal Finance & Education.




Source:
iAudience
powered by iClick

## #MAINSTREAM FOLLOWER

This group prefers to "go with the flow" in terms of traveling and shopping abroad. More of them want to go to nearby destinations which are popular among Chinese tourists such as Thailand, Korea and Hong Kong. They are gradually familiarizing themselves with the famous luxury brands and want to shop for well established, and renowned brands and products.

## #COST EFFICIENCY

While relatively well to do, the New Affluent from the New 1st tier cities still seek cost savings when they intend to travel. As overseas travel is not the norm for them yet, domestic travel is still under consideration when they intend to travel.  While traveling abroad, the price differentials are a big lure for them to purchase luxury items. They will conduct in-depth research about duty-free policies and price differences so that they can optimize their spending and make the best-value-for-money shopping decisions.

### The Topics the New Affluent Travelers Pay Attention to

| Shopping | Travel Style | Destination | Outbound Travel |
|---|---|---|---|
| LV | DIY tour | Travel in Thailand | Travel in China |
| Brand ranking | DIY tour tips | Thailand | Exit border |
| First-choice | Self-driving tour | Travel in US | Go abroad |
| Shopping list | Self-guided tour | Travel in Korea | Enter border |
| Luxury product | Travel agency | Travel in HK & Macau | Go travel |
| Cosmetics brands | Chinese travel agency | Zhangjiajie | Global |
| Luxury brand | International travel agency | Sanya | Airport |
| Duty-free | CN travel agency | Europe | Visa |
| Airport duty-free | Cruise | | Certificate |
| Duty-free policy | Travel | | Scenic area |
| Duty-free shopping | Travel together | | Full travel tips |
| Duty-free product | | | Scenic spot |
| Customs | | | Route |
| Tax return | | | Travel website |
| Shopping | | | Travel Attraction |
| Apparel | | | Spring Festival |
| Luxury consumption | | | Golden Week |
| Daigou | | | |
| Luxurious | | | |


*Note: Since the Chinese' online behavior captured by iAudience are mostly in Chinese, the generated keywords are mainly in Chinese as well. For illustration purpose, we have translated the keywords cloud from Chinese to English.*

*Source:*
iAudience
*powered by iClick*

**1. Shopping - Popularity Matters, Not Specific Brand**

Only 1 specific brand "LV" shows up in our system, more attention goes to popularity indicating keywords like "brand ranking", "shopping list", etc.

**2. Shopping - Value Price Advantage Abroad**

Up to 7 keywords are related to "duty-free"

**3. Travel Style - Interested in both FIT & Packaged Tour**

4 keywords about FIT & 4 keywords about packaged tour

**4. Destination - Favor Nearby and Popular Countries**

In terms of "Destination", only destinations that are popular among Chinese show up, most of them are nearby places.

**5. Outbound Travel - Compare Cost Efficiency Closely**

"Travel in China" is the No. 1 most related keyword.

# The Walking Wallet: The Luxury Overseas Shopper

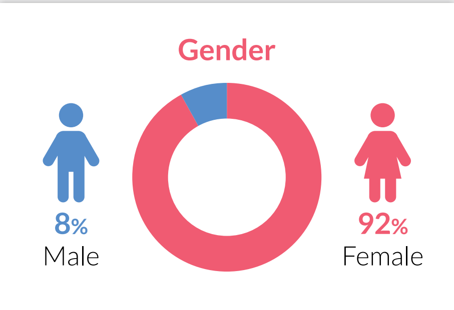
Chinese consumer spending has been one of the biggest forces in global luxury spending in recent years and is expected to account for 44% of the total global market by 2025 according to a study by McKinsey. And while Chinese also spend heavily on luxury at home, two-thirds of Chinese luxury spending happens overseas. Hence it is imperative for businesses to pay attention to these wealthy Chinese luxury shoppers who are frequently traveling abroad.

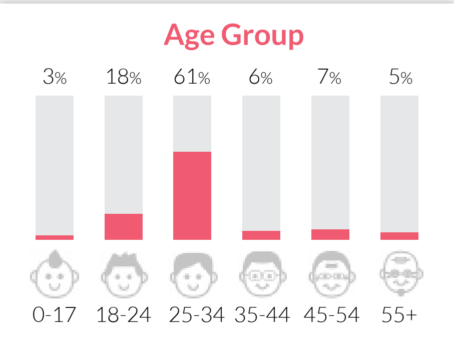
## #WEALTHY CHINESE

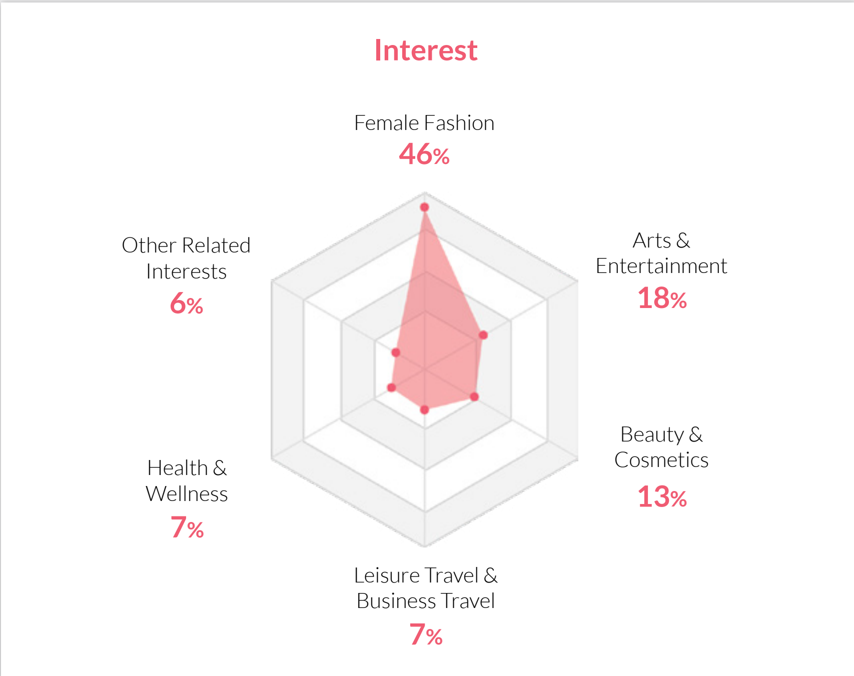
This group comprises mainly upper middle class females with high spending power (over USD 45,000 household annual income), who lead a premium, high social lifestyle, seeking gratification in both material and spiritual aspects. They are repetitive luxury buyers with diverse interests across various luxury brands and product categories. They are jetsetters, always up in the air, traveling frequently (3-4 times/year) for pleasure but also for business, often in a luxurious fashion.

### Audience Profile of The Luxury Overseas Shoppers

Mostly female aged in 25-34 who are interested in premium travel, shopping and will spend time caring for health and appreciating art.




Source:
iAudience
powered by iClick

## #PREMIUM CUSTOMIZATION

When traveling abroad, this segment are avid adopters of customized luxury tours, often traveling in business or first class, and will choose 5/6/7 starred hotels or luxury boutique hotels. In terms of travel destinations, often prefer long-haul destinations suitable for shopping such as European countries as well as more exotic getaway destinations such as the Middle East, Africa, Cambodia or Bhutan.

## #QUALITY FIRST

Wealthy Chinese consumers have become more sophisticated and discerning when shopping for luxury products. They look for reassurance about the quality and authenticity of their purchases and pay more attention to comparatively premium luxury brands such as Hermès, Gucci and Chanel, and will consider whether the brands are top of mind with celebrity endorsements.  And since many of these brands are already available at home, they seek unique items not available in China, as well as the premium shopping experience overseas sometimes unparalleled while shopping at home.

### The Topics The Luxury Travel Shoppers Pay Attention to

| Shopping | Shopping | Travel Style | Outbound Travel |
|---|---|---|---|
| LV | Fake product | Business class | Outbound travel |
| Gucci | Product quality | 5 star hotel | Outbound tourism |
| Chanel | Shopping | Luxurious | Go abroad |
| International big brand | Duty-free | Business | Overseas |
| Popular celebrity | Top choice | Travel agency | Foreign |
| Brand | Product price | Travel | Global |
| Jewelry | Daigou | | Worldwide |
| Cosmetics | Cheap price | **Destination** | Visa |
| Accessory | Duty-free policy | Thailand | Airport |
| Handbag | Luxurious | Italy | Travel route |
| Apparel | Low price | Europe | High-end |
| Accessories | Shopping frenzy | Asia | Tips |
| Fashion | Ecommerce | Korea | |
| | Discount | | |
| | Consumption | | |


*Note: Since the Chinese' online behavior captured by iAudience are mostly in Chinese, the generated keywords are mainly in Chinese as well. For illustration purpose, we have translated the keywords cloud from Chinese to English.*

*Source:*

iAudience
*powered by iClick*

### 1. Shopping - Brand Prominence Matters

3 premium luxury brand names show up in our system, also some BIG BRAND related keywords.

### 2. Shopping - Sophisticated in Luxury Shopping

Up to 7 keywords about various luxury product categories such as "handbag" & "jewelry".

### 3. Shopping - Value Product Authenticity Abroad

Pay attention to quality related topics such as "fake product" & "product quality".

### 4. Travel Style - Consider Premium Customized Travel Style

In terms of "travel style", we find keywords of both premium and customized style, indicating they also consider premium customized travel options.

### 5. Destination - Also Like Long-haul Destination

Except for nearby countries in Asia, this group also like long-haul destinations such as Italy and other Europe countries.

# The Awakened Generation: The Post-90s Explorers

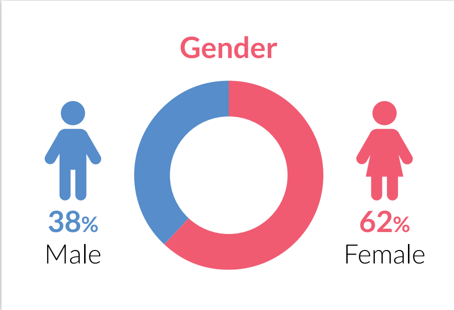
The "Post-90s" which refers to Chinese who were born from 1990 to 1999 is one of the most special consumer groups in China. They grew up in an era of strong economic growth and affluence in China, and at a time when China has become more open to foreign influence. They are also the first generation of digital natives in China. To them, the smartphone is almost an inseparable "organ" to their body, and they are constantly learning about the outside world through multiple online platforms and are also eager to go abroad to explore that world for themselves.

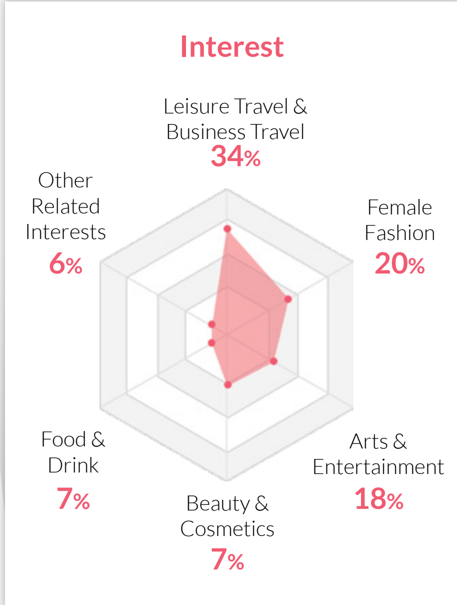
## #THE AWAKENED GENERATION

The self-expressive "ME" culture is one of the most important traits of this generation. Unlike the New 1st tier segment and the luxury shoppers, the post-90s seek to distinguish themselves from others in their appearances and other facets. This does not come necessarily through prominent brand names, but a "uniqueness" factor that sets their "ME" apart from the "ME TOO" crowd. They also seek spiritual enrichment and pays attention to education in a constant pursuit of self-betterment. When it comes to travel, post-90s desire exploration and to "find" themselves in new exotic locations.

### Audience Profile of The Post-90s Explorers

Mostly post-90s female who are into fashion & beauty as well as lifestyle topics such as food & drinks, arts & entertainment.




Source:
iAudience
*powered by iClick*

## #EXPERIENCE ORIENTED

According to RTG, we understand that for post-90s who travel abroad, relaxation and experiencing the local culture is more important than just shopping. Based on iAudience's data, post-90s like DIY travel much more than packaged tours so that they can customize the itinerary to their unique needs, and to have in-depth immersion and exploration of the city and to rediscover themselves. At the same time, it is important for them to share their travel moments and experience avidly with like-minded travel companions.

## #SHOPPING FOR UNIQUENESS

Unlike the New 1st tier segment and the luxury shoppers, there were no specific brands identified in the Top Keyword Search results. Instead, they searched for "National Parks", "Travel Companions" and "Duty Free policies". While there are no apparent brands occupying their top of mind, the Post-90s are contrived with discovering new brands and products, with which they can show off as a trophy of discovery via social media, and to position themselves as a unique thought leader amongst their peers. As such, it would be important to craft unique items, gifts with purchases, and souvenirs, or unforgettable shopping experiences to stimulate the Post-90s shopping attention and desire.

### The Topics The Post-90s Explorers Pay Attention to

| Shopping | Travel Style | Destination | Outbound Travel |
|---|---|---|---|
| Duty-free | In-depth travel | Travel in Thailand | Travel in China |
| Airport duty-free | National Park | Thailand | Exit border |
| Duty-free policy | Self-guided tour | Travel in US | Go abroad |
| Duty-free product | Self-driving tour | Travel in Korea | Border |
| Customs | Prebook | Travel in HK&Macau | Global |
| Tax return | Backpacker buddy | Vietnam | Visa |
| Outlets | Travel companion | Salt lake city | Certificate |
| Shopping | Travel together | Las Vegas | Airport |
| First-choice | Travel agency | Los Angeles | Route |
| Cross-border EC | China travel agency | San Francisco | Travel attraction |
| | Cruise | Niagara | Spring Festival |
| | International travel agency | Grand Canyon | Golden Week |
| | | Island | |


*Note: Since the Chinese' online behavior captured by iAudience are mostly in Chinese, the generated keywords are mainly in Chinese as well. For illustration purpose, we have translated the keywords cloud from Chinese to English.*

*Source:*

iAudience

*powered by iClick*

**1. Shopping - Not Just Shopping for Brand**

Unlike the other 2 segments, there is no specific brand found in the keywords. Thus shopping for some specific brands is not a must.

**2. Shopping - Value Price Advantage**

6 keywords related to "duty-free" as well as price sensitive keyword like "outlets" show up in our system.

**3. Travel Style - In-depth DIY Experience Oriented**

More attention goes to "in-depth travel" and "national park", also how to "pre-book" in advance by themselves.

**4. Travel Style - Sharing the Experience is Important**

Keywords indicating companionship during trip show up, implying that it's important to share travel moments with like-minded travel pals.

**5. Destination - Explore Exotic Experience in Long Haul Countries**

Some relatively exotic places such as Niagara & Salt lake city in long-haul countries showed up.

# IMPLICATIONS FOR MARKETERS

- Think Huge, Think Granular
- Engage Travel Shoppers in the Right Moment of Purchase Decisions
- Shorten the Gap Through Traveler Pre-orders

# Think Huge, Think Granular


Based on our findings so far, the 3 types of Chinese travel shoppers illustrated are as diverse and distinctive in so many ways, they could very well be from different nationalities. So while the market potential for the Chinese travelers is huge, marketers should also "Think Granular" when engaging with the clearly defined segments. A broad stroke, over-generalized strategy towards the Chinese travelers as a whole, will pose risks to brands' competitive edge. It's imperative for marketers to understand the diversities in different types of Chinese travel shoppers' preferences and motivations to derive an effective strategy to capture their hearts, minds and wallets.

iClick's proprietary market intelligence platform is equipped with real-time database and 750 million monthly profiled Chinese audience online. Not only can our platform provide in-depth analysis and extract actionable insight on these key types of Chinese travel shopper, but can also monitor the constantly changing profile to help brands stay up to date with potential new growth opportunities.

# Engage Travel Shoppers in the Right Moment of Purchase Decisions

Throughout the overall process from pre-travel planning, during-travel experiencing to post-travel sharing, two moments are especially critical to influence Chinese travel shoppers' purchase decisions: the shopping planning moment before travel and the consumption activation moment in store.

Brands have a golden opportunity to influence travelers and enter their consideration list when they are actively searching suggestions on where and what to shop for during their upcoming trip. These brands will have very strong competitive advantage over those that don't have early top-of-mind awareness. Thus we strongly suggest marketers to engage with potential Chinese outbound travelers when they are still at home in China in order to **insert your brand into their travel itinerary.**

Brands can also stimulate travel shoppers' final decision making by **optimizing the shopping experience in store.**

Since different groups of travel shoppers have their own preferences and needs, the shopping experience should be tailor-made accordingly. For example, luxury shoppers like a hassle-free shopping experience with premium service while post-90s shoppers would prefer the experience to be more unique so that they can mark it as part of their journey.

iClick's Travel Targeting Solution for Chinese outbound travelers can leverage unique audience data from Tencent and iClick to enable travel retail brands engage potential Chinese outbound travelers before their trip to drive brand image and conversions. Also, the iSmart Retail powered by iClick can empower retailers to integrate online and offline data to help marketers to better understand their customers and personalize the in-store shopping experience for different customers.

# Shorten the Gap Through Traveler Pre-orders

With more outbound Chinese travelers choosing DIY travel and customized tours, they pay more attention to their itineraries in order to maximize their time and experience abroad. Their shopping itineraries and shopping lists are also often loosely planned during this process. However, very typically, the traveler is rushing through the airport, without sufficient time to recall which products to buy or to wait in line to pay.

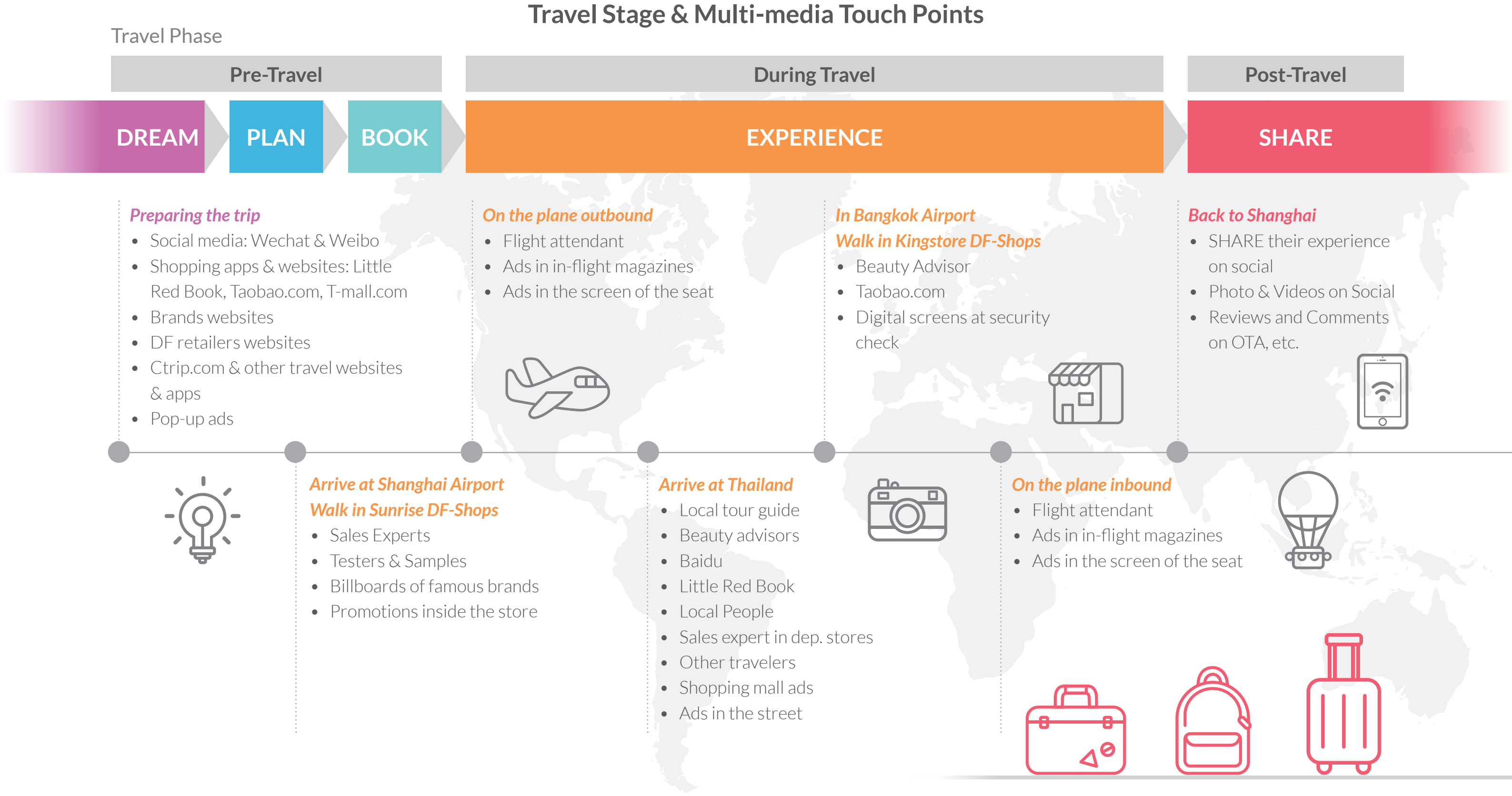
Traditional digital travel retail touchpoints undergo too much "noise" from potential customer engagement to final in-store footfall, also often ending in an over reliance on highly cluttered Point-of-Sales marketing. With this in mind, apart from considering how to engage with travelers in advance and tap into their travel agenda, marketers can also think out-of-box to help travelers shorten the time span of the shopping when traveling abroad.

One of our suggested options is to obtain pre-orders from would-be travelers. This considerably shortens the gap between engagement and purchase, thus creating a whole new tax free shopping experience.

Brands and duty free retailers may even consider dedicated queues for pre-order customers, or even offer delivery to boarding gates for the more luxury and premium brands, targeting the hassle-averse luxury shopper. These new shopping experiences, can stimulate greater shopping attention while travelers are still in the comfort of their homes, instead of rushing through the airport. And may even create a new "shareable" shopping experience for travelers to show off to their friends via social media. A beautiful ending to an already memorable trip.

iClick's iWorld Travel Retail eCommerce platform will provide marketers and duty free retailers a disruptive new platform to engage with verified would be Chinese outbound travelers and directly drive pre-orders to destination Duty Free operators or the Airport's Ecommerce shopping platforms.

**Travel Stage & Multi-media Touch Points**



# THE FUTURE:
# THE BELT AND ROAD INITIATIVE AND THE FUTURE OF CHINESE TRAVEL SHOPPERS

- **Continued Spike of Total Outbound Chinese Travelers but Towards More Diverse Destinations**
- **The Business Travelers as a Core Segment for Travel Retail**
- **Rationalization of Overseas Shopping towards More Unique and Expensive Selections**
- **Shift from “Landmark Based Travel” towards “Experiential Travel”**


# THE FUTURE: **THE BELT AND ROAD INITIATIVE AND THE FUTURE OF CHINESE TRAVEL SHOPPERS**

## The Belt And Road Initiative (BRI)

The Belt And Road Initiative, a 21st century rendition of the ancient Silk Road trading routes, is China's multibillion dollar economic and diplomatic program that spans 71 countries across South-East Asia, Eastern Europe and Africa. This strip of overland corridors and maritime shipping lane countries, accounts for half the world's population and a quarter of global GDP.

To date, China has invested more than $210bn, with plans to spend up to $1tn in these friendly countries across infrastructure construction and trade.

The BRI initiative has also influenced visa requirements for Chinese to travel to these beneficiary countries, with many dropping visa requirements for Chinese nationals. Of these 71 countries, over 30 countries now offer visa waivers or visa upon arrivals, and over 7 offering conditional visa waivers and electronic visas to Chinese travelers.

**BRI Countries With Lowered Visa Requirements Towards Chinese Travelers**

| Visa Free | Group Tour Visa Waiver | Visa On Arrival | | Electronic Visa |
|---|---|---|---|---|
| Indonesia | Turkmenistan | Thailand | Iraq | Singapore |
| East Timor | Russia | Cambodia | Jordan | India |
| Sri Lanka | Belarus | Laos | Lebanon | UAE |
| Kyrgyzstan | Moldova | Brunei | Bahrain | Vietnam |
| Tajikistan | Georgia | Maldives | Kenya | Myanmar |
| Serbia | Azerbaijan | Nepal | Tanzania | Turkey |
| Morocco | | Kazakhstan | Ukraine | Qatar |
| | | Iran | Bangladesh | |
| | | Egypt | | |

## Continued Spike of Total Outbound Chinese Travelers but towards More Diverse Destinations

**Regional countries will still enjoy strong tourism figures, but longer haul and more exotic destinations will see growth.**

As only 10% of Chinese nationals currently hold an international passport, we expect to see more "1st time travelers" visiting key regional countries, including South Korea, Japan and Thailand, coupled with repeat travelers on a quick getaway, thus sustaining the high influx of Chinese travelers to the region.

However, the greater ease of travel driven by the BRI initiative will stimulate the more experienced travelers towards more exotic destinations especially towards the Middle East and off the beaten track destinations such as Cambodia, Myanmar, Laos, and Vietnam.

## The Business Travelers as a Core Segment for Travel Retail

**An expected 20% of total Travelers today are already Business Travelers, accounting for 30% of FITs today.**

As the Chinese government's overseas investments rise along the BRI strip, cross border trade volumes between China and other economies are on an explosive trend. We expect that business travelers will continue to travel further and more frequently. Combined with the greater affluence of the business traveler segment, the business traveler will further grow its contribution to travel retail and become a core driving force behind it.

## Rationalization of Overseas Shopping towards More Unique and Expensive Selections

Along with stronger cross border ties, the Chinese government and destination authorities have cracked down on cheap or free mass market travel packages with "a shopping trap" attached. These packages used to result in high spending levels. With the crackdown, we will inherently see reported average spending decline.

However, the rise in MNC entry and accessibility to high quality products in the lesser tiered cities in China will also dampen the quest for authenticity and price differentials in overseas product spending. But the desire to acquire unique products and offerings and even unique shopping experiences unavailable in their home city will be the key allure in driving spending.

Hence, while the range products purchased may see a decline, the appetite to spend remains strong, suggesting a potential to shift towards splurging on more expensive products.

## Shift from "Landmark Based Travel" towards "Experiential Travel"

As the majority of the Chinese travelers become more savvy, and shift away from the track destinations, we can expect their preferences to also shift away from simply "Been there done that" photo opportunity type of travel, but towards more unique experiences in their travels. This also matches the shift of the general social psyche away from the "material assets" that drove the earlier generations, towards a desire for "intangible assets" such as a great experience and memory.

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The Moodie Davitt Report, founded by Martin Moodie, is published by independent UK company Moodie International, one of the world's most successful multi-media business-to-business publishers and event organisers.

The website was launched as The Moodie Report in March 2003 and quickly became established as an indispensable source of reliable and real-time business intelligence on the global travel retail sector. It now attracts over 500,000 page views a month. The company also owns and organises (with Airports Council International) The Trinity Forum – the most influential airport commercial revenues conference – and The Airport Food & Beverage (FAB) Conference & Awards.

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