



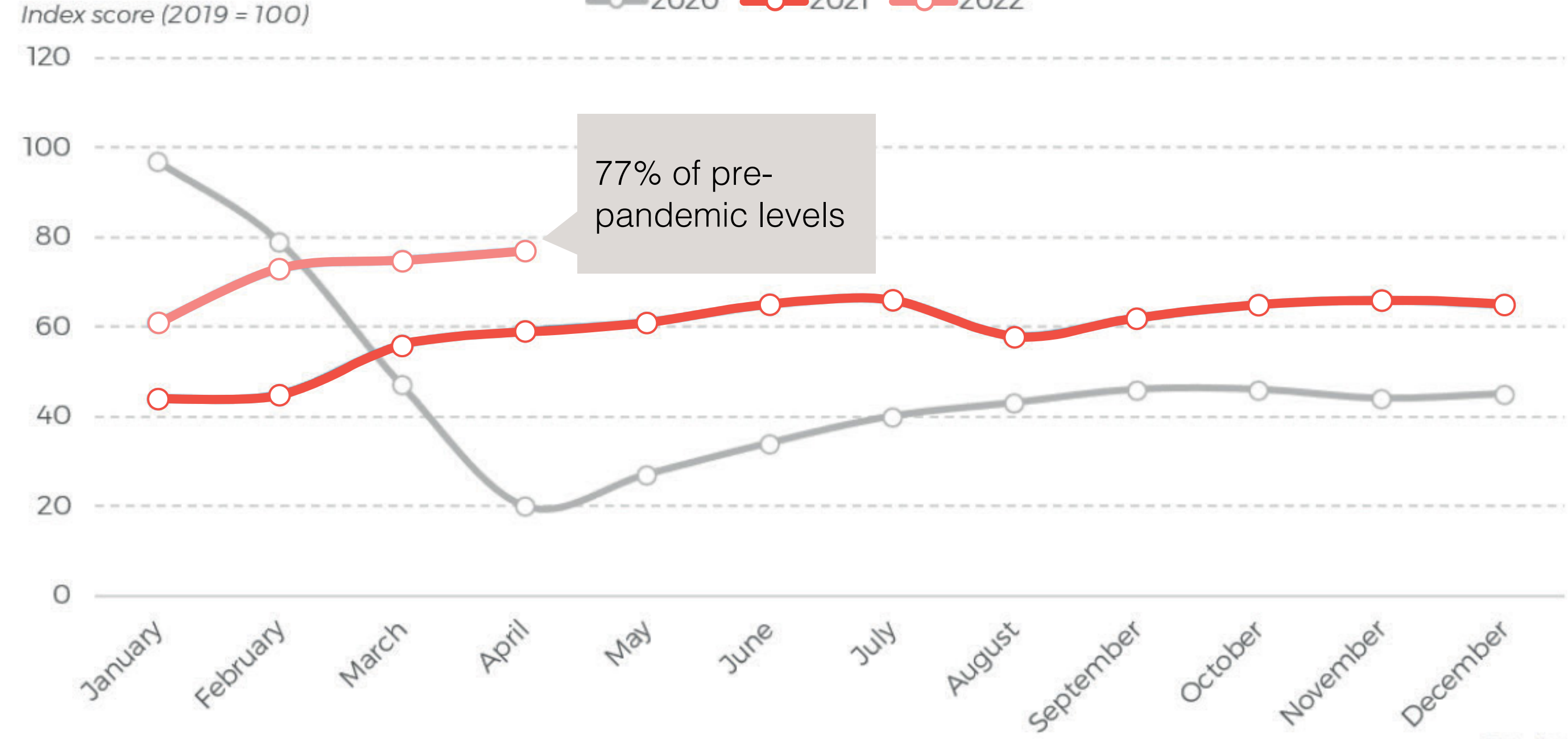
Travel Retail Insight: The comeback of travel retail

Capitalize on the surge in domestic travel in China

► Encouraging recovery in the global travel market

The long-awaited global travel recovery is finally here. US travel intelligence service Skift¹ brought us the good news in its April 2022 issue of 'Travel Health Index', which highlighted that the travel industry is on track to fully return to pre-pandemic levels based on a real-time measure of performance of the industry across 22 major countries and the core verticals within it.

Global travel health index score (weighted average)

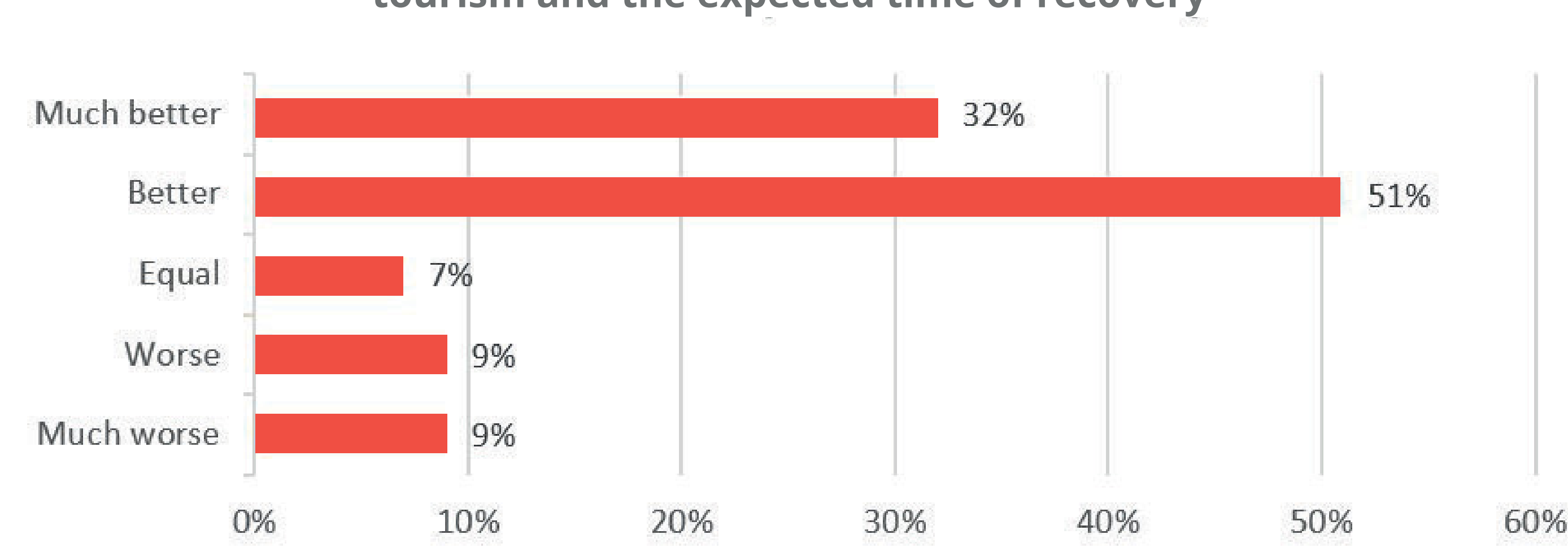


Source: Skift Research from partner data. All data vs same month in 2019.



Echoed with Skift was UNWTO Tourism Barometer², the latest issue suggested a strong global tourism recovery. Data showed that international tourism recorded a 182% y-o-y increase in Q1 2022, with destinations worldwide welcoming almost three times as many international arrivals in Q1 2022 (approx. 117 million) as in the same period of 2021 (41 million). Another survey conducted by UNWTO in May 2022 also showed a positive general sector sentiment with over 80% of tourism professionals seeing better prospects for 2022 compared to 2021, provided that the virus is contained and destinations continue to ease or lift travel restrictions.

UNWTO panel of tourism experts on the impact of Covid-19 on tourism and the expected time of recovery



Source: UNWTO, 2022

► Will the Chinese travelers return?

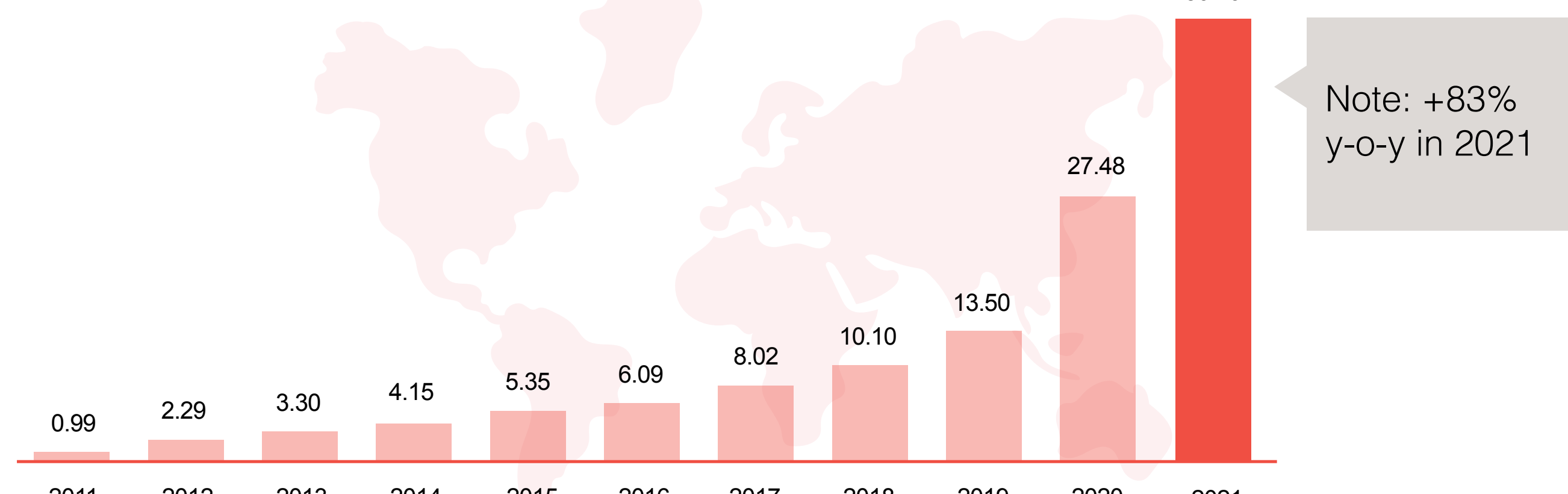
As global tourism is recovering from the Covid-19 pandemic, the world is anticipating the return of Chinese travelers. Pre-pandemic, China was the world's largest outbound tourism market and also one of the largest contributors to the global tourism industry by expenditure. In 2019, Chinese travelers spent about USD 255 billion while traveling abroad. The top destinations of choice for Chinese outbound travelers were other Asian destinations, namely Thailand (24%), Japan (23%), and South Korea (9%).³ However, when Chinese travelers are allowed travel internationally again, will they still be enticed by the same destinations?

► China sees domestic tourism & duty free sales boom during COVID time

In fact, Chinese travelers turned to domestic travel as global travel was suppressed under the pandemic. The rise of domestic tourism has led to extraordinary expansions and development in the domestic duty free market, as the majority of Chinese outbound travel shoppers have switched their focus to domestic consumption and new domestic travel retail channels were introduced in China, especially the up-and-coming Hainan's duty free market.

Thanks to the government's initiative in opening up Hainan and making it a key travel retail destination, Hainan alone experienced an 83% increase in sales of duty free goods between 2020 and 2021, making it a major contributor to China's duty-free sales amid the pandemic.⁴

Sales of duty free goods in Hainan (in RMB billion)



Note: +83% y-o-y in 2021

Source: Statista, 2021 & The Moodie Davitt Report, 2022

More on the growth opportunities of the travel retail market in Hainan can be found in iClick's **Chinese Travel Shoppers 2022 Whitepaper**.

► How to appeal to Chinese travel retail consumers?

Domestic tourism is here to stay and so does domestic duty free consumption. The travel retail industry stakeholders should continue to plan on the overwhelming majority of Chinese travel retail consumption to take place within the national borders.

1. Brands to set up duty free stores in Hainan

Hainan has become the top duty free location for international luxury brands. In the past few years, many beauty brands such as SKII and La Prairie have set up permanent stores or launched tech-driven pop-ups in the duty free malls in Sanya to catch the eyeballs the digital-savvy young Chinese travelers. The global spirits brand, Bacardi Global Travel Retail, has even planned to create an Asia Pacific region to focus on the emerging Chinese traveler across Asia, with effect from 30 May 2022.⁵ Global brands who set up shops on the island will definitely be one step ahead in capturing Chinese travel shoppers and their incredible purchasing power.



La Prairie's pop-up in Hainan in May 2022, image from The Moodie Davitt Report.

2. Duty free retailers to increase product variety

It's not new that young Chinese consumers are looking for something novel and "special". Apart from offering a personalized shopping experience, duty free retailers can consider expanding their product range to meet the specific needs of Chinese consumers. According to Charles Chen, the President of China Duty Free Group, exploring new ways to provide more commodity choices to travel retail consumers will be the focus of the Group's ambitious plans for China's travel retail this year.⁶ With China's new duty-free policy has expanded the categories of duty-free goods from 38 to 45, duty free retailers in China can reference the giant to provide greater product diversity or even goods tailored primarily for the Chinese travel retail market.



3. Get to know the new domestic Chinese travel shoppers

The **Chinese Travel Shoppers 2022 Whitepaper** leveraged iClick's proprietary iAudience market intelligence platform to identify four key groups of Chinese domestic travel shoppers in 2022. They are the family trip, the solo, the small-town youth and the Sanya travelers. Each of the groups has distinguished demographics, shopping behaviors, and interest categories, which are covered in detail in the Whitepaper. The industry stakeholders must learn the preferences of these highly sought-after segments and to win them over with the right marketing mix.

1 'Travel industry is more than ¾ recovered' – Skift Travel Health Index
<https://www.moodiedavittreport.com/travel-industry-is-more-than-%c2%be-recovered-skift-travel-health-index/>

2 Global tourism recovery gathers strong momentum amid eased restrictions
<https://www.moodiedavittreport.com/global-tourism-recovery-gathers-strong-momentum-amid-eased-restrictions/>

3 What if China outbound reopens this year?
https://forwardkeys.com/what-if-china-outbound-reopens-this-year/?utm_campaign=Engagement+-+Feb+25,+2022&utm_source=linkedin&utm_medium=paid&hsa_acc=503688722&hsa_cam=621707844&hsa_grp=191705124&hsa_ad=163934104&hsa_net=linkedin&hsa_ver=3

4 Chinese Travel Shoppers 2022 Whitepaper
<https://www.i-click.com/whitepaper/chinese-travel-shoppers-whitepaper-2022/>

5 Bacardi GTR announces the creation of two new region
<https://www.dfnionline.com/latest-news/bacardi-gtr-announces-creation-two-new-regions-26-05-2022/>

6 CDFG President Charles Chen lays down bold vision for Chinese market growth at Virtual Travel Retail Expo
<https://www.moodiedavittreport.com/cdfg-president-charles-chen-lays-down-bold-vision-for-chinese-market-growth-at-virtual-travel-retail-expo/>



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