# Embracing the Era of New Travel Retail in China

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# CONTENTS

# 01

New characters and changes of China's travel retail market in the past year

# Feature 1:China's outbound travel market maintains high-speed growth continuously, hitting a new record high in both scale and consumption expenditure in 2018

**150 million travelers**

**USD 120 billion**

**14.9%**

**Size of outbound travel market:**

150 million outbound travelers，14.7%↑

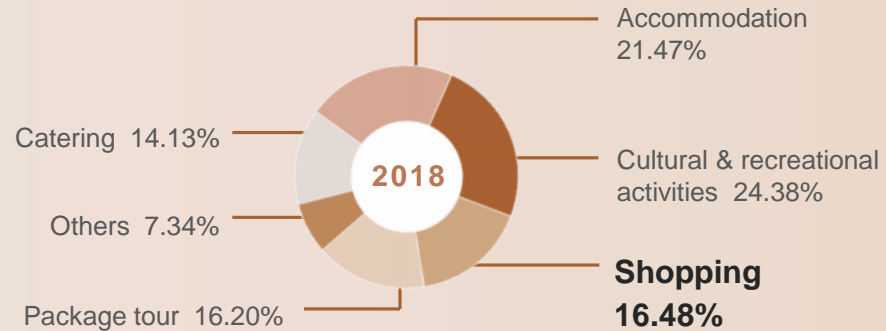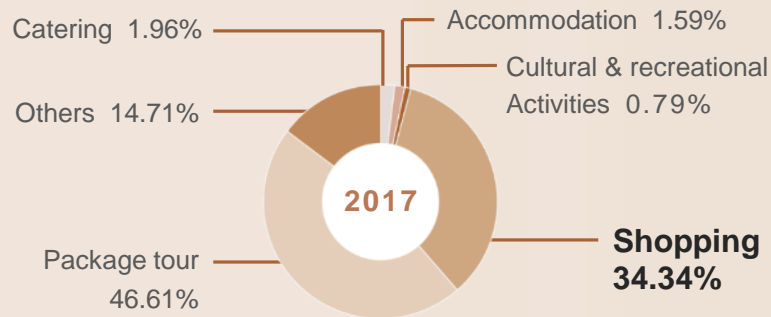**Expenditures in outbound travel:**

Over USD 120 billion, 4%↑

**Spending per capita:**

Spending of USD 2,971 per capita, 14.9%↑

# Feature 2: Duty-free shopping growth in contrast to shrinking share of shopping spending in outbound travel

The spending mix of outbound travelers showed that spending in shopping has decreased from 34.34% in 2017 to 16.48% in 2018, with rapid increase in spending in catering, cultural, recreational, accommodation activities and drastic drop in entrusted purchase, gift purchase and impulsive purchase, as well as "whistle-stop" tours in popular scenic spots.

## Changing spending mix: a comparison between 2017 and 2018

Catering  1.96%
Accommodation  1.59%
Cultural & recreational
Activities  0.79%
Others  14.71%

**2017**

**Shopping
34.34%**

Package tour
46.61%

Accommodation
21.47%
Catering  14.13%

**2018**

Cultural & recreational
activities  24.38%

Others  7.34%

**Shopping
16.48%**

Package tour  16.20%

**Data source:** Speech Values and Thoughts on China's Outbound Travel, Dai Bin, President, China Tourism Academy

# Feature 2: Duty-free shopping growth in contrast to shrinking share of shopping spending in outbound travel

- Dynamic growth in China's duty-free shopping with increasing convenience and maturity of the China's duty-free market

- Sales of China's duty-free industry reached **RMB 39.49 billion** in 2018

- An increase of **27.3%** , approaching the milestone of **RMB 40 billion**

## Offshore duty-free shopping in Hainan

- Diversified channels and relaxed limits
- Duty-free shopping for outbound and Inbound travelers at airport

- Duty-free shopping on cruises
- Online order and airport pick-up

▷

- **More diversified channels**
- **More convenient shopping experience**
- **Growing size of duty-free sales**

## Feature 3: Increased share of new travel retail
## Robust growth of China's online retail revenues of luxury goods in 2018, up by 37%

- In 2018, China's online sales of luxury goods hit RMB 36 billion at an increase of 37%, accounting for 14% of the sales of luxury goods in China

- Nearly 90% of luxury brands are expanding online services, including product launching, reservation for store visit and launch events, etc.

- By the end of 2018, over 400 stores of more than 90 premium brands have settled down on the third party VIP service platforms.

**36** Billion

↑ **37%**

**90%**

**>400** Stores

Travel retail industry

Limited time

Limited space

Challenge of new travel retail

Before travel

During travel

After travel

Integrate the online and offline channels in travel retail

Penetration rate
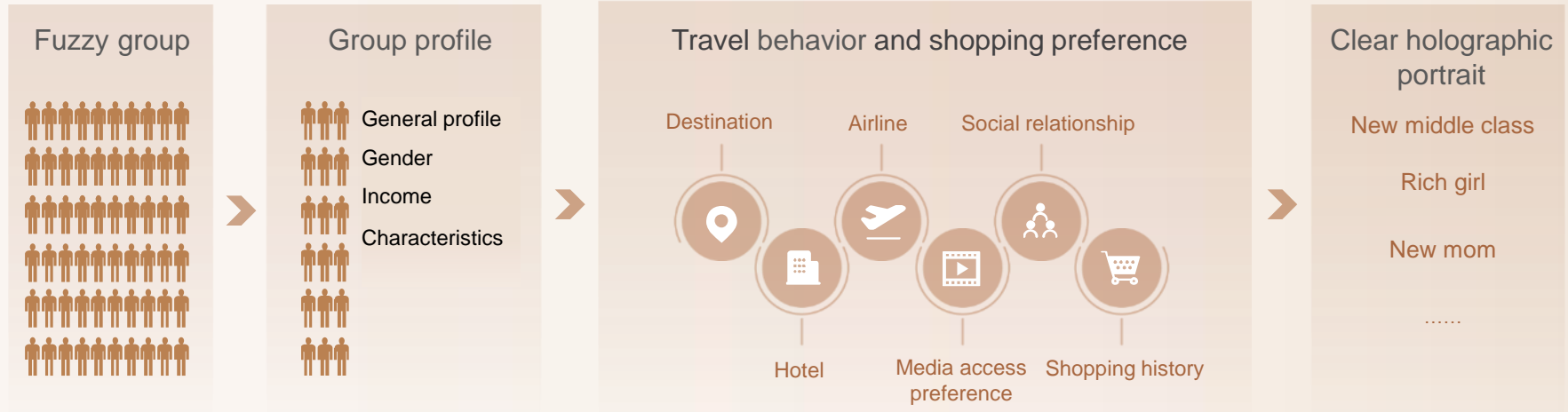
Conversion rate

Transaction price per customer

*02*

**Focusing on
new travel scenarios and reshaping
the relationships among people, product and scenario**

# 1. People are digitalized in 360 degrees
## Marketing empowered by consumer big data and membership data

| Fuzzy group | Group profile | Travel behavior and shopping preference | Clear holographic portrait |
|---|---|---|---|

**Group profile:**
- General profile
- Gender
- Income
- Characteristics

**Travel behavior and shopping preference:**
- Destination
- Airline
- Social relationship
- Hotel
- Media access preference
- Shopping history

**Clear holographic portrait:**
- New middle class
- Rich girl
- New mom
- ......

**Each one is an individual**
**Contents are precisely delivered to target groups based on user tag**

# 2. Products meeting new consumption needs
## More personalized products, experiences and services



### Duty-free exclusive products

- More limited editions.
- Exclusive sets of great value for money.
- Customized products.



### New experiences

- Trendy and luxury shopping environment.
- Interaction with celebrities.
- High-tech empowered interactive experience.
- Tasting events.
- Beauty care lecture.



### Personalized services

- Customized content services.
- Exclusive discounts for online order and offline pick-up.
- Annual membership awards.
- Airport shuttle service for VIP members.
- VIP lounge.

# 3. Omnipresent scenario
## Infinite expansion of omni-channel shopping time and space

Downtown duty-free store

On-board duty-free shopping

Airport duty-free store

Pop-up shops

**Offline stores**

Cruise duty-free store

Border duty-free store

Offshore duty-free store

Bus terminal duty-free store

# 3. Omnipresent scenario
# Infinite expansion of omni-channel shopping time and space
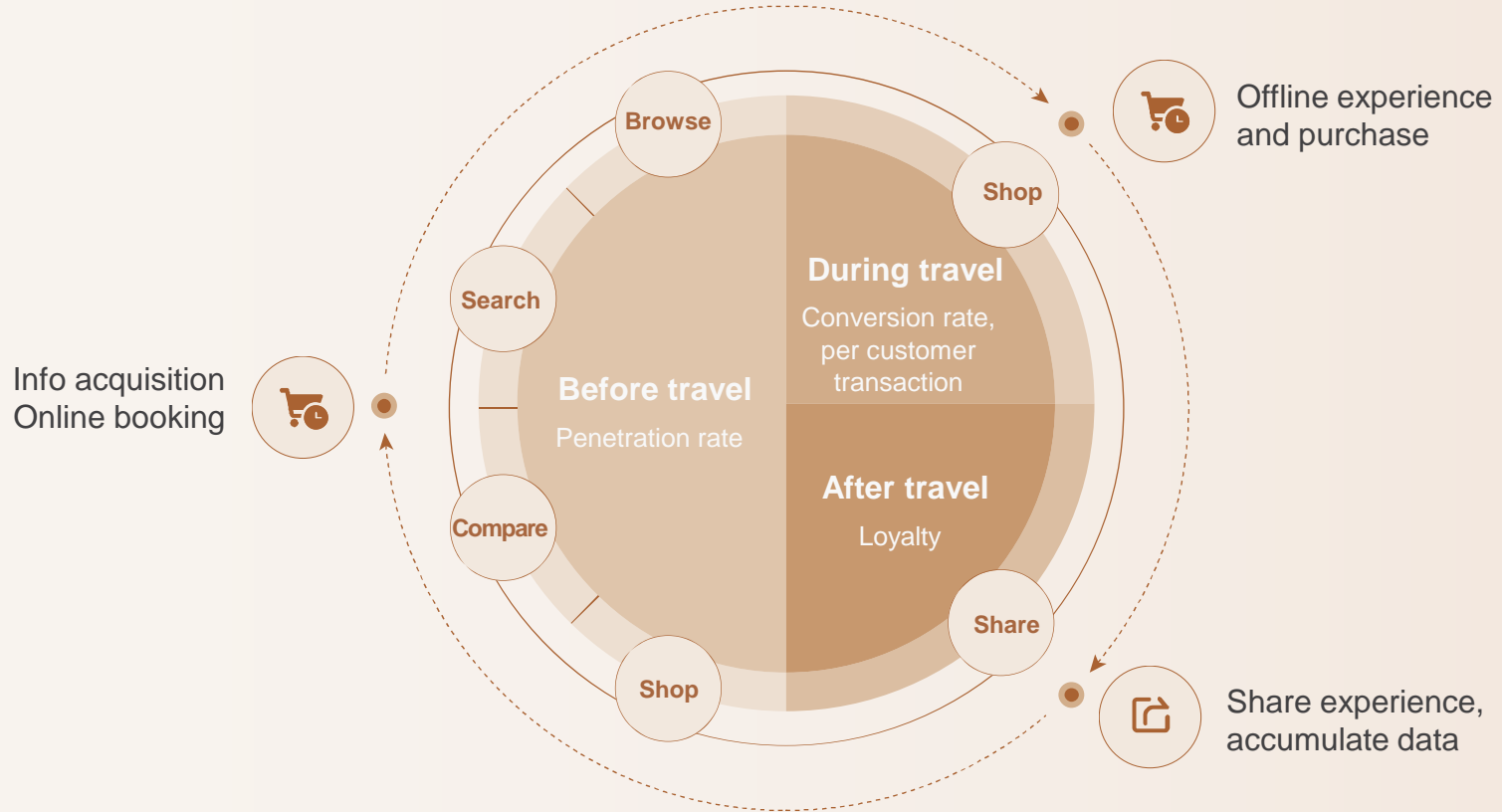
WeChat public account
for online booking

Mini-programs

**Online booking platforms**

APPs
For online booking

Alibaba's Fliggy
Travel-Buy

# 4. Focus on new travel scenarios, reshaping people, product and scenario before, during and after travel



**Browse**

**Shop**

**During travel**
Conversion rate, per customer transaction

**Search**

**Before travel**
Penetration rate

**After travel**
Loyalty

**Compare**

**Share**

**Shop**

Offline experience and purchase

Info acquisition
Online booking

Share experience, accumulate data

# 4. Focus on new travel scenarios, reshaping people, product and scenario before, during and after travel

**(1) Before travel:** identify target group, push precise content for a higher penetration rate

**Browse** **Search** **Compare**

**User acquire information (content): deliver more content via the following two channels:**
**Discount coupon, 3rd party benefit (Alipay, Unionpay, bank, offline travel benefits)**

**Decide destination and travel plan through stories shared by other travelers**

Meituan, Dianping, REDesign, Mafengwo.co,,

www.toutiao.com, Tik Tok, SMZDM.COM

**Book travels via offline travel agencies + OTA platforms**

Travel agencies under China Tourism Group or online OTA platforms such as Ctrip, LY.COM, Booking, Agoda, Fliggy, etc.

# 4. Focus on new travel scenarios, reshaping people, product and scenario before, during and after travel

(1) **Before travel:** identify target group, push precise content for a higher penetration rate

**Shop** (Pre-order）


Smooth online product experience
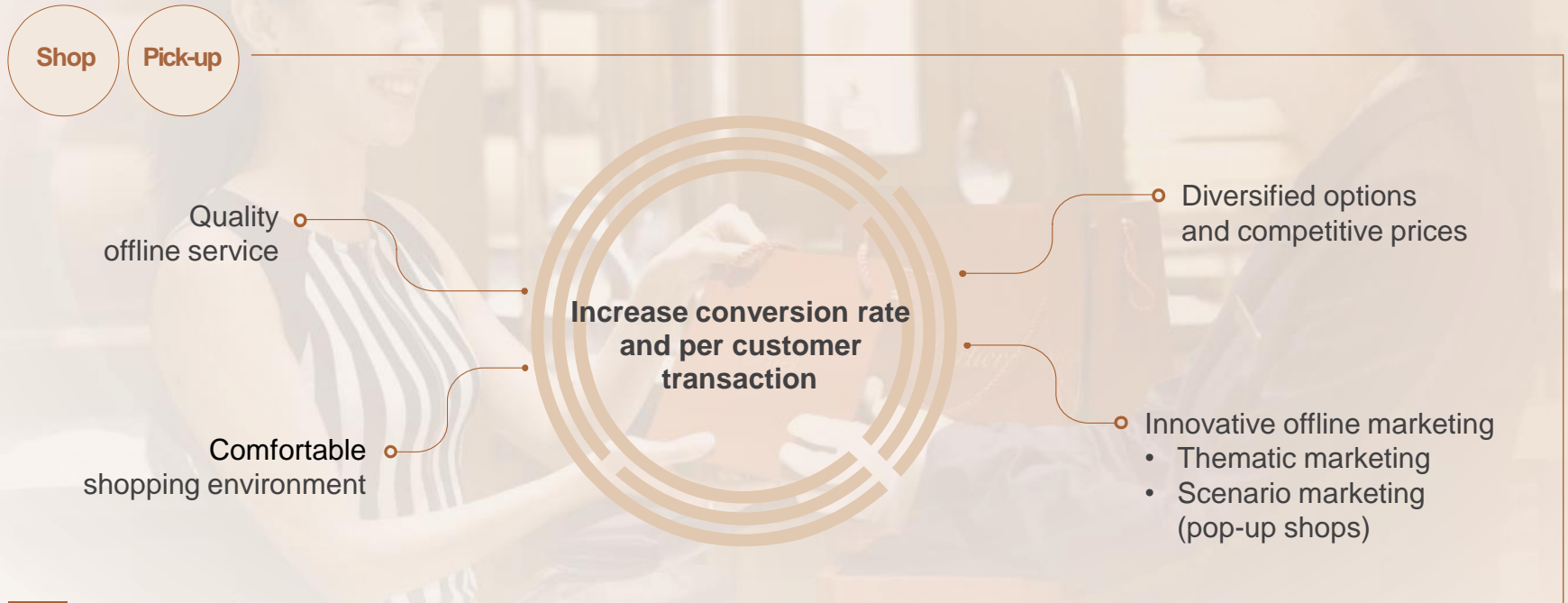

Quality products at preferential prices


Innovative marketing activities

# 4. Focus on new travel scenarios, reshaping people, product and scenario before, during and after travel

(2) **During travel:** upgrade shopping experience to improve conversion rate and transaction price per customer

**Shop** **Pick-up**

Quality offline service

Comfortable shopping environment

**Increase conversion rate and per customer transaction**

Diversified options and competitive prices

Innovative offline marketing
- Thematic marketing
- Scenario marketing (pop-up shops)

# 4. Focus on new travel scenarios, reshaping people, product and scenario before, during and after travel

(3) **After travel:** collect user data, increase user adhesiveness and loyalty

**Share** (Sharing and word-of-mouth communication)

**Online: Massive UGC contents generated by members sharing online**
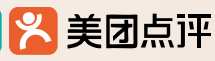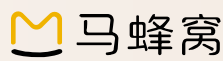


**Community**



**We-media platform**

# 4. Focus on new travel scenarios, reshaping people, product and scenario before, during and after travel

(3) **After travel:** collect user data, increase user adhesiveness and loyalty

**Share** **(Sharing and word-of-mouth communication)**

**Offline: Communication of offline membership activities + value-added benefits via traditional media and we-media**

Thematic membership activities

Membership benefits

*03*

**CDF latest progress and
plans for developing new travel retail**

# 1. People

**Omni-channel membership interconnection**
**to build China's biggest membership big data platform to empower omni-scenario marketing**
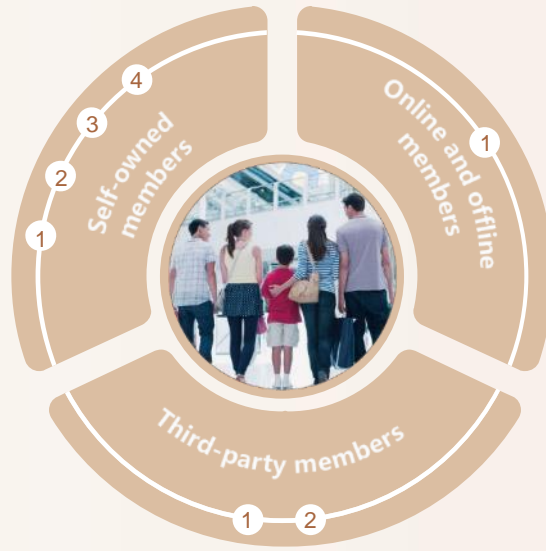
## Self-owned members

1. CDF members
2. Sunrise Duty-free
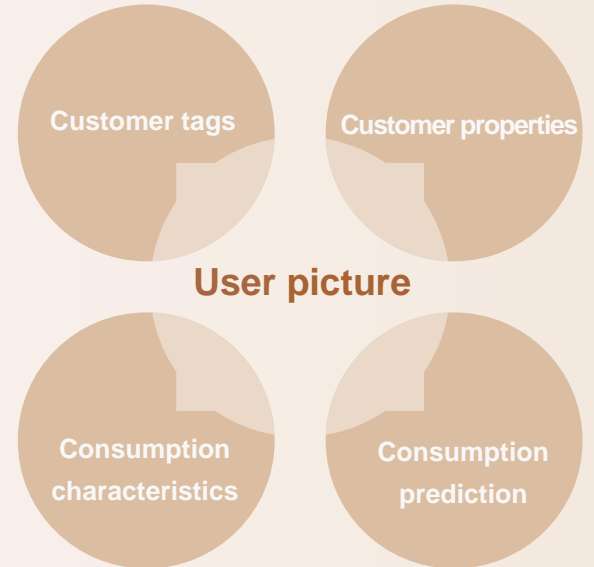3. Duty Zero by cdf
4. China Tourism Group

## Third-party members

1. Third-party membership benefit sharing

## Online and offline members

1. Online platform & offline stores
2. Interconnection of membership network

Self-owned members

Online and offline members

Third-party members

## Digitalization of membership data

Customer tags

Customer properties

### User picture

Consumption characteristics

Consumption prediction

# 2. Product

**Nearly 60 brands will launch exclusive limited editions
in 2019 for the 40th anniversary of China duty free industry.
More choices of special sets and exclusive limited editions to satisfy diversified and individual needs of consumers**



**China Duty Free Industry 40th anniversary limited editions**

# 3. Scenario

## Omni-channel incorporating online and offline to cover all shopping scenarios

**01**

**Offline duty-free shops**

| Beijing |
| Shanghai |
| Hong Kong |
| Guangzhou |
| Hangzhou |
| Macau |

**Main airport hubs**

| Cambodia |
| Macau |
| Beijing |
| Shanghai |
| Dalian |
| Qingdao |
| Xiamen |

**Downtown duty-free shops**

| Sanya |
| Haikou |
| Bo'ao |

**Offshore duty-free shops**

# 3. Scenario

**Omni-channel incorporating online and offline to cover all shopping scenarios**

*02*

**Online duty-free pre-order platform**

# 3. Scenario

## Build brand-new consumption experience empowered by brand resources

# 4. Comprehensive strategic partnership with Alibaba to build a new travel retail business model

## (1) Direction of strategic partnership



**Comprehensive strategic partnership**

E-commerce

Big data

Marketing

Logistics

Membership

# THANK YOU