



Travel Retail in China under the Data-intensive Perspective

-- Present & Future

Jessica's Secret CEO - Mirko Wang

Jessica's Secret App

2 Million Chinese User Shopping Platform



Duty-free E-commerce IT Service Provider

Duty-free E-commerce Developer & Operation Provider



Price AITracking

Travel Retail Exclusive Price Tracking System



Industry Research & Consulting

Travel Retail China Market Research & Consulting



Impact of Covid-19

- Income from traditional models has stagnated
- The number of active users fell by 56%
- Business transformation - Solid data analysis

“ The pandemic is not necessarily a bad thing. It helps us to press that Pause button, and to accomplish things that have been left behind for a long time. ”

-- Mirko Wang

CEO of Jessica's Secret

▶▶ **Index Terms of Travel Retail in 2020**

**Consumption
Backflow**

Newly Granted License

**Consumption
Expansion & Quality
Improvement**

**Dual
Circulation**

**Offshore Duty-free
Policies**

Collaboration

Survival

Covid-19

► Policy - Dual Circulation

China's Economy is Transforming from "International/External Circulation" to "Domestic/Internal Circulation "



- Retain Duty-free Consumption "Home"

2019 - Chinese tourists spent \$28 billion on overseas duty-free shopping.
- \$ 7.6 billion domestically.

2018 - Chinese tourists shop overseas for more than \$200 billion.

- Internal Economic Circulation -

Focuses on expanding domestic demand, increasing consumption, stimulating industrial upgrading, and making domestic supply and demand self-sustaining.

- The Political Bureau Conference Stressed on 30 July

"We should accelerate the formation of a new pattern of development in which both domestic and international cycles play a dominant role and promote each other."

Policy - Consumption Expansion & Quality Improvement

- On 13 March, the National Development and Reform Commission and 23 other departments jointly released,

Suggestions on the Implementation of Promoting Consumption, Expanding Capacity, Improving Quality and Accelerating the Formation of a Strong Domestic Market

- Improve the policy for downtown duty-free shops and build a number of downtown duty-free shops with Chinese characteristics.
- Cities are qualified shall be encouraged to provide venue, financing and other support for the construction and operation of downtown duty-free stores, and set up pickup stands at airports or offshore stores.
- Expand offshore/port duty-free business, add more store at ports. In line with the rising incomes and consumption levels of residents, study and adjust the tax exemption quotas and categories of tax-free goods.
- Set up a certain area for domestic products display in duty-free stores and guide relevant enterprises to develop high-quality featured domestic products exclusively for travel retail channels.
- The duty-free shop will be built into an important platform to support domestic products, display independent brands and spread national traditional culture.

► Policy - New Policy for Offshore Duty Free

- In order to implement the Overall Plan for the Construction of Hainan Free Trade Port, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation have issued the Notice on the Duty-free Shopping Policy for Tourists on Hainan Islands, which will take effect from July 1, 2020.
- The duty-free shopping quota has been raised from 30,000 yuan to 100,000 yuan per person per year.
- The category number of offshore duty-free has been increased from 38 to 45.
- The 8000 yuan duty-free limit for a single item is cancelled.
- Mainly by quota management, greatly reduce the quantity of a single purchase of limited categories
- Moderate competition is encouraged, and business entities that have duty-free products distribution qualification who can participate in duty-free business in Hainan islands on an equal footing.



Current Status of Domestic Duty-free Licence Grants

- **10 June,2020, Wangfujing Group has been granted the 8th duty-free licence in China.**
- **19 Aug,2020, Hainan Travel Investment Duty-free Company has been granted a duty-free license.**
- **19 Aug,2020, Hainan Development Holding Co., Ltd Has been granted the qualification of Offshore Duty-free Operation.**

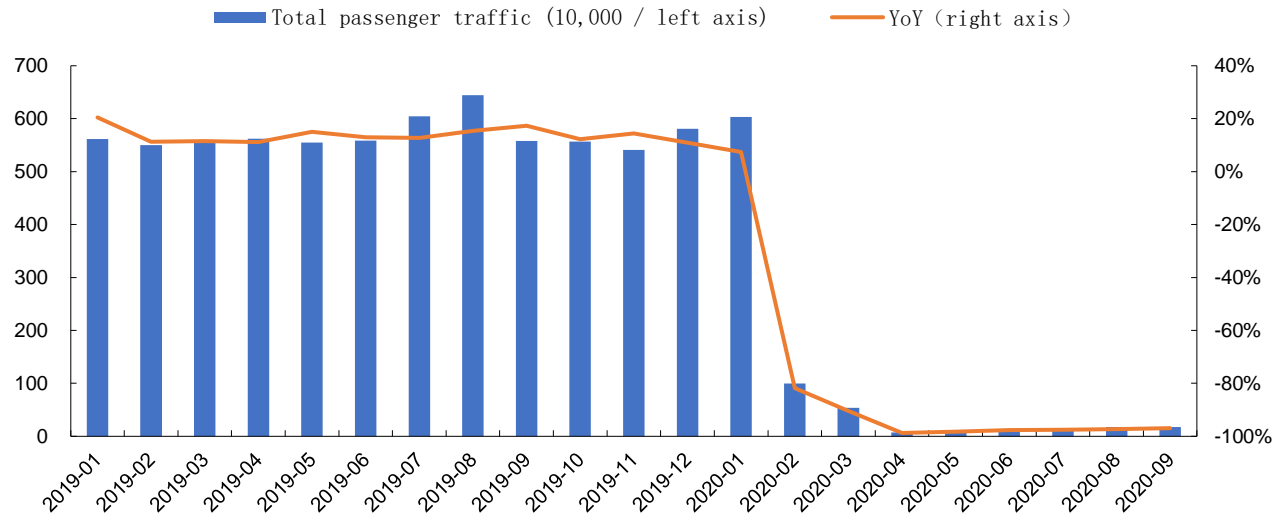
Domestic Duty-free Retailers General Information

Retailer	Background	License	Franchise Territories
CDFG	SOE (State-Owned Enterprise)	Departure & Arrival Duty-free License, Hainan Offshore Duty-free License, Departure Non-Chinese Downtown Duty-free License	Beijing, Shanghai, Guangzhou Airline Hub DF Store, Border DF Store, Sanya Haitang Bay etc.
CNSC	SOE - Sinopharm Group Sub	Departure & Arrival Duty-free License, Local Downtown Duty-free License	Beijing, Shanghai Certain Downtown Store, Chongqing
Shenzhen DF	Shenzhen SOE	Departure & Arrival Duty-free License	Airport Arrival Store, Tianjin Cruise Onboard Arrival Store
Zhuhai DF	Zhuhai SOE	Departure & Arrival Duty-free License	Shenzhen Border Port DF Store, Xi'an Airport Arrival DF Store, Zhuhai Border Port DF Stores
Sunrise	CDFG Stake in 51%	Departure & Arrival Duty-free License	Bid Operation Permission at Beijing, Shanghai Airport, then CDFG inquired 51% stake.
Wangfujing	Beijing Local State Background	Duty Free Operation Permission - License Business Scale TBC	
Hainan DF	China Tourism Group (CITS Major Shareholder) Stake in 51%, Hainan Holdings Stake in 49%.	Hainan Offshore Duty-free License (w/o D&A DF License)	Haikou Airport, Downtown DF, Boao Downtown DF.
Hainan Tourism Investment DF	Hainan Local State Background, HTIDF 100% Stake.	Hainan Offshore Duty-free License (w/o D&A DF License)	Granted on 19 Aug.
Hainan Development Holding	Hainan Local State Background, HDH 100% Stake.	Hainan Offshore Duty-free License (w/o D&A DF License)	Granted on 19 Aug.



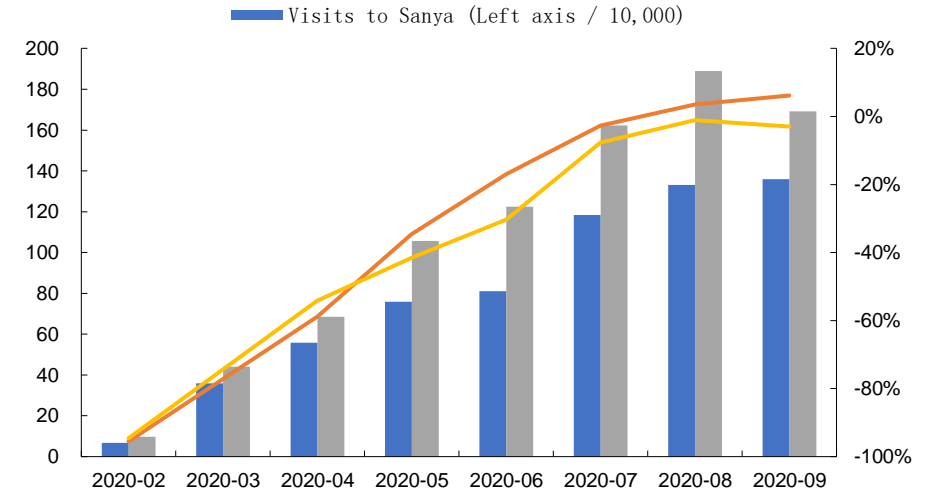
Tourism – The Passenger Volume of International Tourists & the Reception of Hainan Tourists

Summary and Growth Rate of Monthly Passenger Traffic on International Routes of the Six Major Airlines



- In Sep, the six major airlines carried 172,000 passengers on international routes, with a decrease of 97.3% YOY.
- From Jan to Sep, the 6 major airlines carried a total of 8.35 million passengers on international routes, with a YOY decrease of 81.5%.
- The passenger volume of Air China's international routes decreased by 97.1% YOY; that of China Eastern Airlines decreased by 97.9% YOY. That of China Southern Airlines decreased by 95.2% YOY; that of Hainan Airlines decreased by 97.8% YOY; that of Chunqiu Airlines decreased by 99% YOY; that of Jixiang decreased by 95.9% YOY.

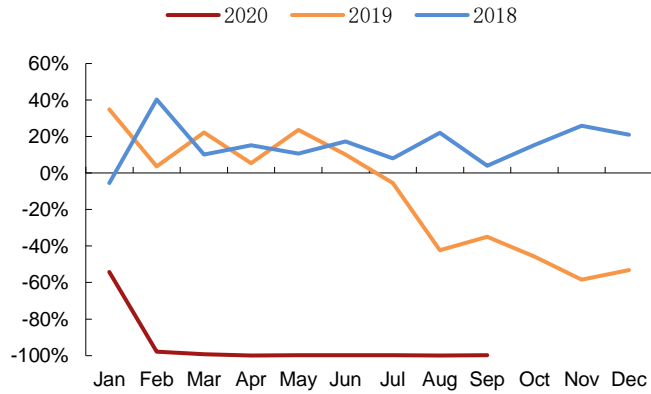
Monthly Overnight Tourist Reception in Sanya and Haikou, 2020



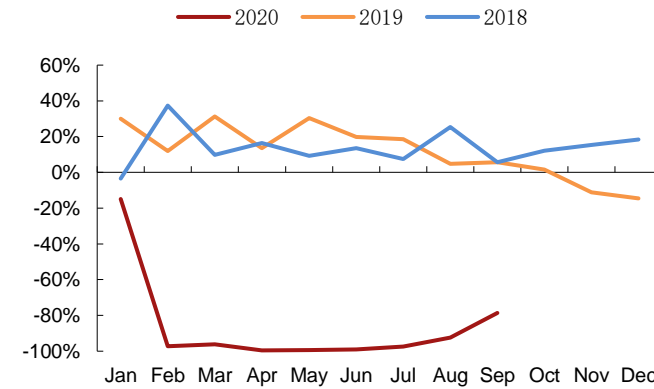
- In Sep, tourism reception in Hainan grew by 0.3% YOY in September (YOY growth rate was -1.6% in August).
- The number of overnight tourists reached over 5,110,000 in Hainan, with a YOY growth of 1.1%; that in Sanya rose by 6.2% (which was 3.5% in August);
- And that in Haikou experienced a decline by 3.0% (which was 3.5% in August).

Tourism – International Flights Data

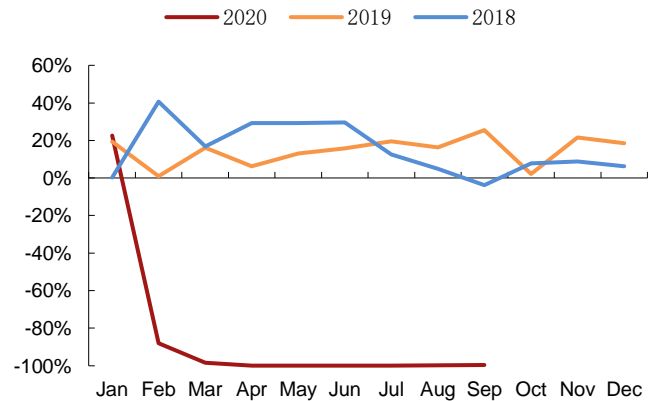
Monthly YOY Growth in the Number of Tourists from Mainland China to **Hong Kong**



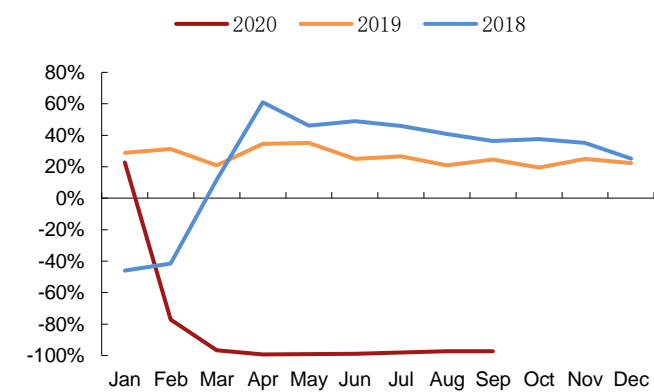
Monthly YOY Growth in the Number of Tourists from Mainland China to **Macao**



Monthly YOY growth in the Number of Tourists from Mainland China to **Japan**



Monthly YOY growth in the number of tourists from Mainland China to **South Korea**



- **Macau**

- From August 12, people entering the mainland from Macao no longer need be placed under quarantine for 14 days for medical observation.
- Visa applications for mainland residents to visit Macao resumed from September 23. With the nucleic acid test negative result within 7 days or health code, no longer need 14 days of isolation to entry into macau.

- **Japan**

- Visitors entering Japan from China (including CH Taiwan, CH Hong Kong and CH Macao) will no longer have to undergo nucleic acid tests at Japanese airports from Nov 1.

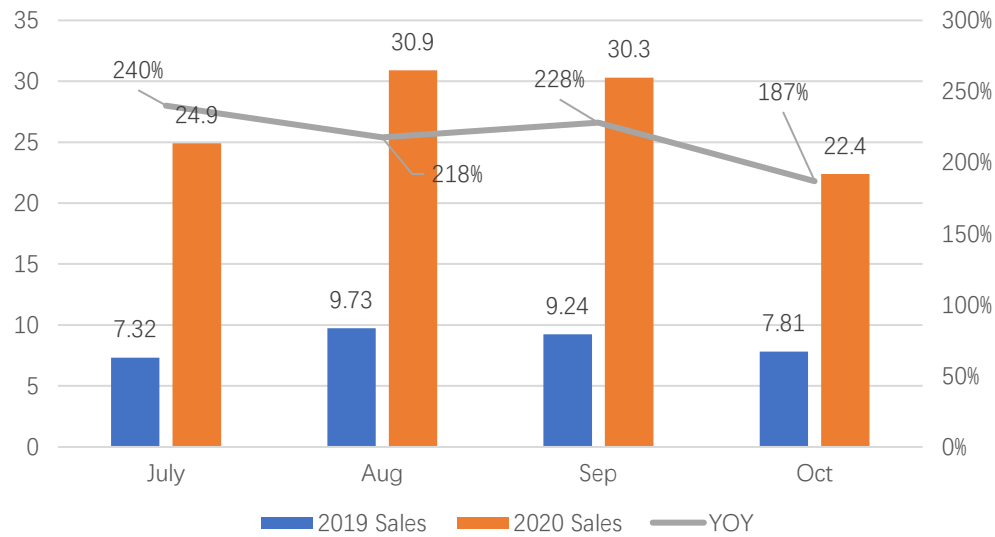
- **Singapore**

- From November 6 onwards, Singapore unilaterally lifted border restrictions on visitors from the mainland China. Nucleic acid test negative visitors without having to perform home quarantine (applicants need have 14-day stay in mainland China before entering Singapore).

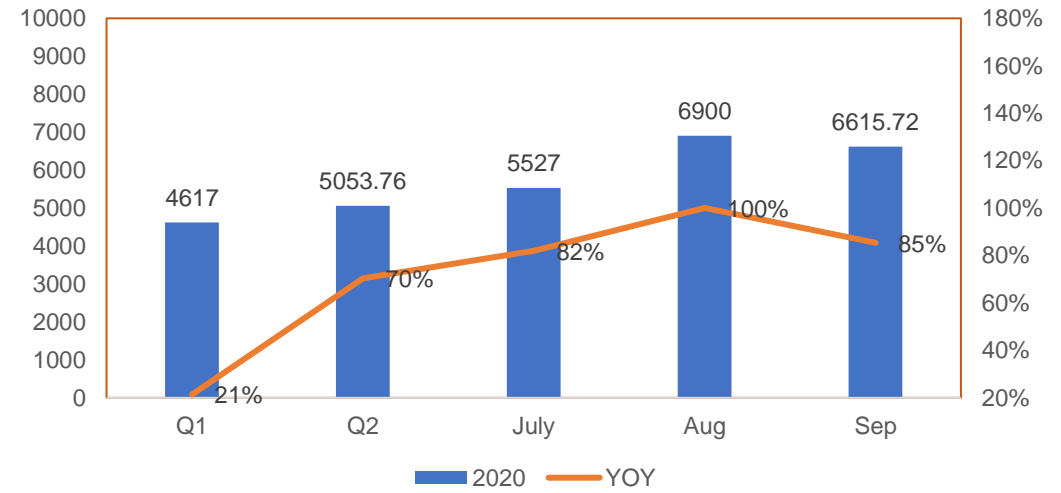
▶ Hainan - Offshore Duty-free Sales Growth

- From July 1 to October 31, the new duty-free policy for offshore duty-free in Hainan has been implemented for 4 months, still continue.
- Hainan Customs supervised the duty-free sales of offshore totaling 12.01 billion yuan, an increase of 214.1% YOY , 1.783 million visits, grew 58.8% YOY, the number of shopping items was 12,869,000, increased 139.7 % YOY.

The Sales Volume and Growth Rate of Hainan Offshore Duty-free (July - Oct, YOY - 2019 VS 2020)



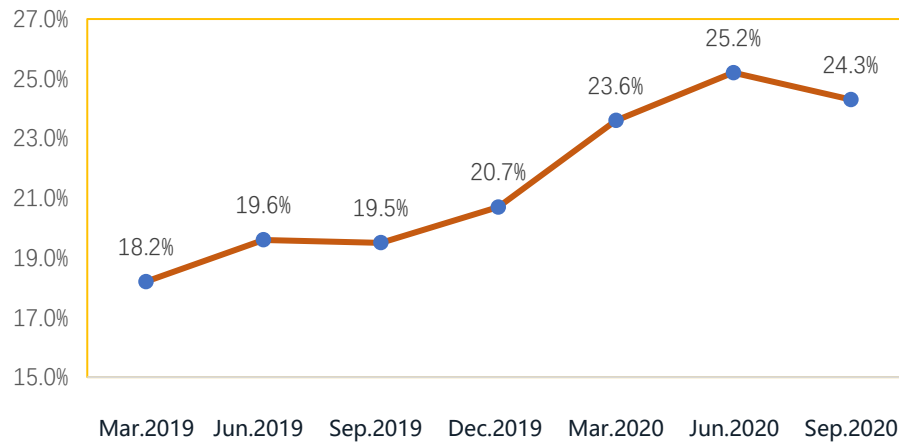
Individual Order Amount Change of Hainan Offshore Duty-free from Jan to Sep,2020 (CNY,%)



▶ Under the Epidemic - The Increasing Online Retail Sales and P&C Consumption

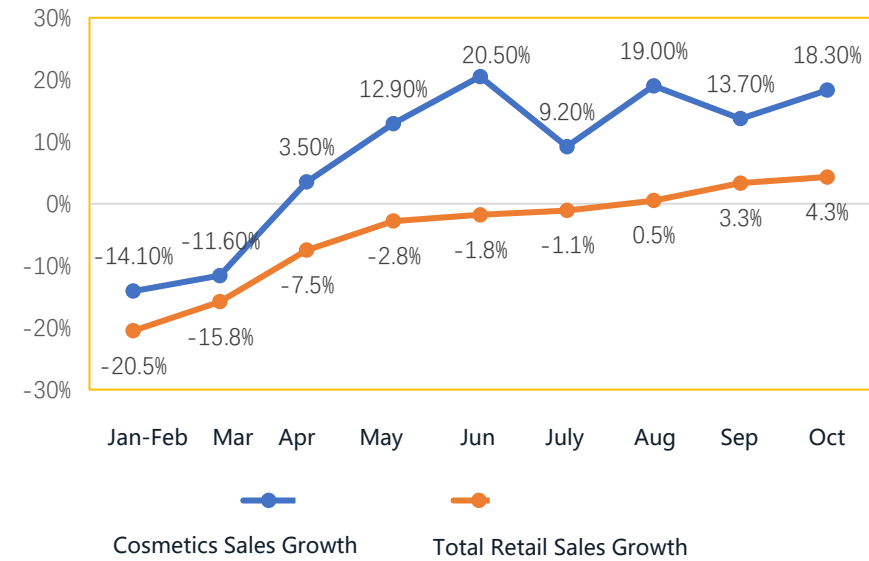
- From Jan to Oct, the total retail sales of consumer goods reached 31,190.1 billion CNY, raised by 4.3% YOY.
- Over the same period, the online retail sales of physical commodities reached 9.1 trillion CNY, accounting for 24.3% of the total sales, 4.8 % higher than the same period last year.
- Since the outbreak of Covid-19, the proportion of online retail sales has been increasing gradually.

2019-2020 The Proportion of Online Domestic Retail Sales



- The growth of P&C consumption is significantly faster than other category goods.
- Since April 2020, the YOY data of total P&C consumption has recovered to a positive growth.
- In October, the retail sales of cosmetics in China reached 28.1 billion RMB, by 18.3% year-on-year. That was 4.6% higher than last month, which nearly tripled the growth rate of the same period last year.

Growth Rate of the Total Retail Sales of Consumer Goods and Cosmetics - 2020 Jan.-Oct.



▶ Option under Covid-19 -- E-commerce

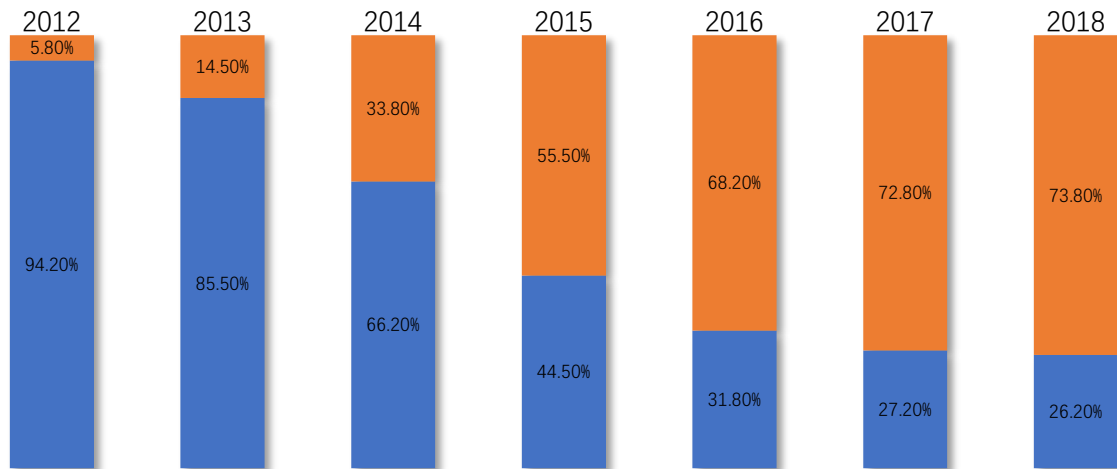
China Tourism Group Duty Free Corporation Limited

- In April, Sunrise Beijing and Sunrise Shanghai Home-delivery Service was launched.
- According to 2019 annual report, the company has established a new retail business division, accelerate key airports' online pre-order business. Cities as Beijing, Shanghai, Hangzhou, Hainan, Xi 'an, Guangzhou have formed offline and online shop integration.

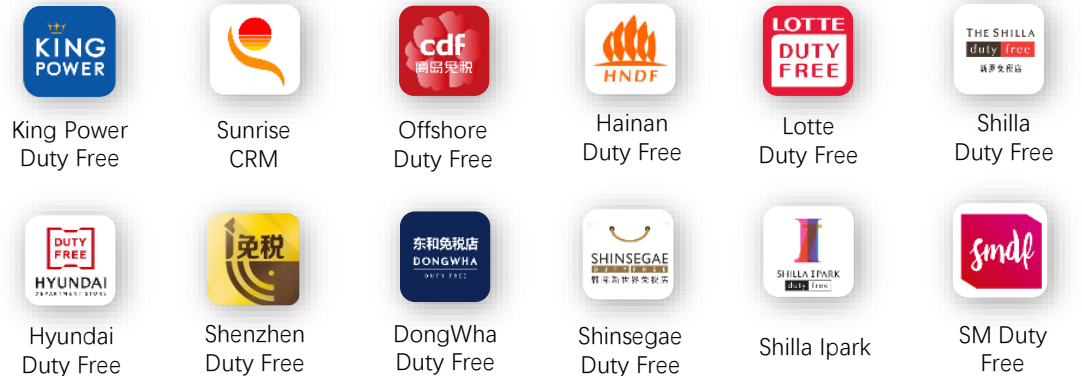
The Proportion of Chinese Online Shopping Terminals

Data source:
"iresearch consulting"

■ PC-end ■ Mobile-end

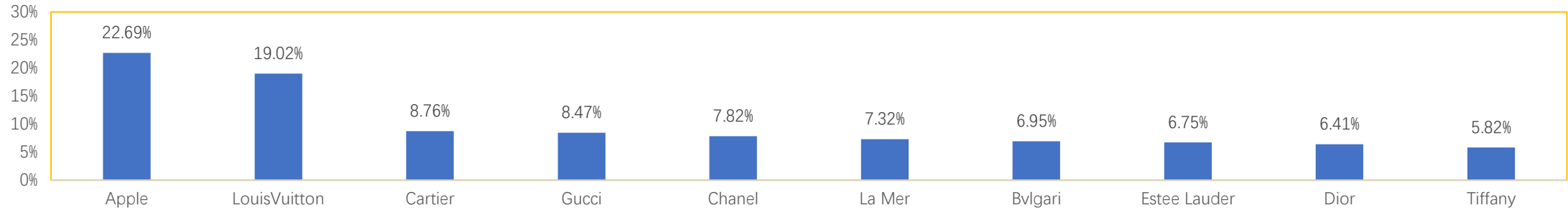


Travel Retailers on APP



▶ Travel Retail under Data-intensive Perspective

TOP10 Favorite Brands of Jessica's Secret Users



Top 10 Popular Skin Care Products

Trade name	September ranking	August ranking	change
La Mer The Treatment Lotion	1	1	0
Advanced Night Repair Synchronized Recovery Complex II	2	2	0
Clarins Double Serum Complete Age Control Concentrate Duo	3	5	↑up,2
Lancôme Advanced Génifique Youth Activating Duo	4	6	↑up,2
Estée Lauder Advanced Night Repair Synchronized Multi-Recovery Complex II Duo	5	16	↑up,11
Estée Lauder Advanced Night Repair Synchronized Multi-Recovery Complex II	6	3	↓down,3
Chanel La Mousse Anti-Pollution Cleansing Cream-to-Foam	7	10	↑up,3
La Mer Crème de la Mer	8	15	↑up,7
Clé de Peau Beauté Correcting Cream Veil	9	13	↑up,4
Clarins Double Serum Complete Age Control Concentrate	10	8	↓down,2

- There was little change in the search volume ranking on Skin Care category. Top 10 in September are still in top 20 in August.
- The biggest increase was Estée Lauder Advanced Night Repair Synchronized Multi-Recovery Complex II Duo, which climbed up by 11.

Top 10 Fragrance Products

Trade name	September ranking	August ranking	change
Jo Malone London Wild Bluebell Cologne edp	1	2	↑up,1
Byredo Rose of No Man's Land edp	2	1	↓down,1
YSL Black Opium edp	3	3	0
Chanel Bleu de Chanel edt	4	4	0
Tom Ford Oud Wood edp	5	6	↑up,1
Chanel Gabrielle edp	6	13	↑up,7
Chance Eau Tendre edt	7	7	0
Diptyque Philosykos edt	8	27	↑up,19
Tom Ford Rose Prick edp	9	15	↑up,6
Chanel Coco Mademoiselle edp	10	9	↓down,1

- In the fragrance category, Jo Malone London Wild Bluebell Cologne edp, Byredo Rose of No Man's Land edp and YSL Black Opium edp have been on top 3 since March 2020 but in different spot each month.
- The greatest improvement in September were **Diptyque Philosykos edt**, which climbed up by 19 spots.

▶ Travel Retail under Data-intensive Perspective

- For makeup products, most items ranked top 10 in September ranked in the top 20 in August.
- Among them, the items with the largest increase in popularity are *Lancome Absolue Fluid Foundation Shade #100* and *Estee Lauder Futurist Aqua Brilliance #1C1*, have risen 12 and 11 places, respectively.

Top 10 Popular Makeup Products

SKU	Ranking in Sep	Ranking in Aug	Change
Giorgio Armani Lip Maestro Lip Stain #405	1	1	0
Giorgio Armani Designer Lift Foundation #3	2	4	↑up,2
Tom Ford Lip Color #80	3	2	↓down,1
Giorgio Armani My Armani to Go Essence-in-Foundation Cushion Foundation #2	4	3	↓down,1
Tom Ford Eye Color Quad Eyeshadow Palette #04	5	5	0
YSL Rouge Pur Couture The Slim Matte Lipstick Rouge Paradoxe #21	6	7	↑up,1
Lancome Absolue Fluid Foundation Shade #100	7	19	↑up,12
Nars Light Reflecting Setting Powder	8	8	0
Giorgio Armani Power Fabric Foundation #2	9	9	0
Estee Lauder Futurist Aqua Brilliance #1C1	10	21	↑up,11

- In September, the search ranking of the bags wasn't as stable as in the previous months (Table 3-5), but compared with other categories, the change in the ranking can still be identified as small.
- Among the most popular bags listed, the item with the largest increase in popularity is *LV Nano Speedy*, have risen 8 places.

Top 10 Popular Bags

SKU	Ranking in Sep	Ranking in Aug	Change
LV Néonoé Rose Poudre	1	1	0
LV Nano Speedy	2	10	↑up,8
Dior Book Tote Oblique Bag	3	9	↑up,6
Chanel Lambskin Gold-Tone Metal Black Mini Flap Bag	4	5	↑up,1
Gucci Online Exclusive 1955 Horsebit Bag GG Supreme, Brown	5	8	↑up,3
LV Mini Dauphine	6	2	↓down,4
LV Multi Pochette Accessoires Digital Exclusive Prelaunch, Kaki	7	3	↓down,4
LV Pochette Accessoires	8	4	↓down,4
Gucci GG Marmont Small Matelassé Shoulder Bag, Black Leather	9	7	↓down,2
Chanel's Gabrielle Small Hobo Bag, aged calfskin, smooth calfskin & black metal, black	10	14	↑up,4

▶ Travel Retail under Data-intensive Perspective

- In September, the search rankings of duty free shops on Jessica's Secret App changed slightly, the top 5 popular duty free shops remaining unchanged, and they are all located in mainland China.
- The overall ranking of overseas duty free shops further declined, while the ranking of domestic duty free shops rose slightly.
- The 8th and 9th of the list are occupied by Shilla Ipark and DFS Macao, respectively. It is notable that, DFS Macao rose from the 17th to the 8th, possibly thanks to the recent cancelation of entry quarantine for tourists from mainland China visiting Macao.

(Silla Ipark and DFS's CH Macau store are the new duty free stores in the list, therefore they are not included in the table at present.)

TOP 10 Shops on Jessica's Secret " APP in 2019

	State	Shop
1	China	Sunrise Shanghai
2	China	Sunrise Beijing
3	Thailand	King Power
4	CH HongKong	DFS Hong Kong
5	Japan	KIX Osaka
6	Korea	Lotte Seoul
7	China	CDFG Sanya
8	TaiWan	Everrich
9	Korea	Shilla Seoul
10	Singapore	Ishop Changi

Search Ranking Change of Popular Shops by "Jessica's Secret" Users

Shop	Sep-20	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20
Sunrise Shanghai	1	1	1	1	1	1	1
CDFG Sanya	2	2	2	2	2	2	4
CDGF Haikou	3	3	3	4	5	3	7
CDFG Guangzhou	4	4	4	6	11	10	13
Sunrise Beijing	5	5	5	3	3	4	9
King Power	6	7	7	9	8	8	3
Lotte Seoul	7	6	6	5	6	6	10
Heathrow	10	8	8	14	16	39	14
CDFG Hangzhou	13	16	16	15	14	23	37
Shinsegae Myeong Dong	14	10	10	11	9	12	15
DFS Hong Kong	15	13	9	7	4	5	5
Shilla Seoul	18	12	13	12	12	11	8
KIX Osaka	19	18	11	8	7	7	6
CDFG Xian	20	22	18	17	18	14	24
Hong Kong Airport	23	26	28	21	20	25	23
Ishop Changi	25	24	23	31	22	32	20
Everrich	35	36	14	10	10	9	12

▶ Post-Covid Era -- Survival - Shop Promo Comparison

- On 26 October, the discounted products in Retailer A totaled over 16,000, in which many are included in more than one activity.
- As shown in the table, lowest discounts are seen for Brand A,B,C,D,G,I, with the optimal discount of 50%.
- In terms of number of items discounted, Brand A,B,C ranked top 3, with 355, 284 and 243 discounted products, respectively.

- The main promotions in Retailer B in October include “Special price for the Holiday”, “Buy 3 for 15% off, Buy 5 and get 20%”, “Discounts for the category”(such as 10% off for all watches and wines), “Special offer for the brand” and discounts for designated products.
- Specifically, the promotion “Buy 3 for 15% off, Buy 5 and get 20%” covered more items than any other promotion, with over 3,000 items included.

Retailer A Popular Brands' Promo Details (26 Oct,2020)

Brand	No. of Discounted Items	Discount
Brand A	355	5%~50%
Brand B	284	5%~50%
Brand C	243	5%~50%
Brand D	174	5%~50%
Brand E	169	5%~33%
Brand F	155	5%~33%
Brand G	153	5%~50%
Brand H	149	5%~37%
Brand I	141	5%~50%
Brand J	121	5%~50%
Brand K	118	5%~30%
Brand L	103	5%~37%
Brand M	63	5%~30%
Brand N	46	5%~15%
Brand O	32	5%~37%

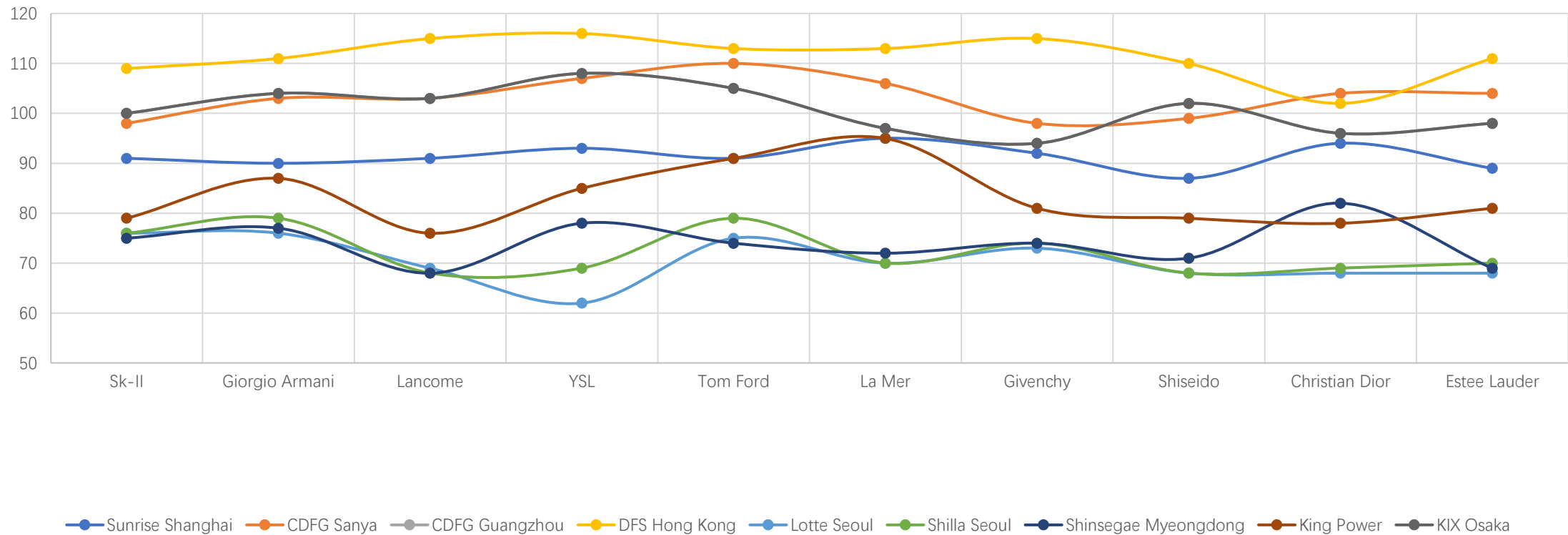
Retailer B Popular Brands' Promo Details (30 Oct,2020)

Brand	No. of Discounted Items	Discount
Brand E	207	15%~29%
Brand D	178	15%~30%
Brand G	175	15%~30%
Brand C	145	15%~30%
Brand L	122	15%~20%
Brand H	112	20%~30%
Brand K	106	15%~20%
Brand I	104	15%~50%
Brand F	103	15%~20%
Brand M	75	15%~20%
Brand N	65	15%~29%
Brand J	48	15%~20%
Brand B	37	15%~20%
Brand O	25	15%~20%
Brand A	13	15%~30%

▶ Data sharing - Outbound Purchase

- According to Jessica Standard Shop product price index, calculate the corresponding index of each shop. If the overall price of products in the shop is higher than average price (benchmark index-100), the index will be higher; On the contrary, the overall price is lower then the index of shop will be below 100.

Jessica Brand Simple Index -
Price Index Comparison of Various Brands in Different Shops



THANKS

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