

CHINESE DUTY-FREE CONSUMPTION

DUTY FREE STORE

February. 2020

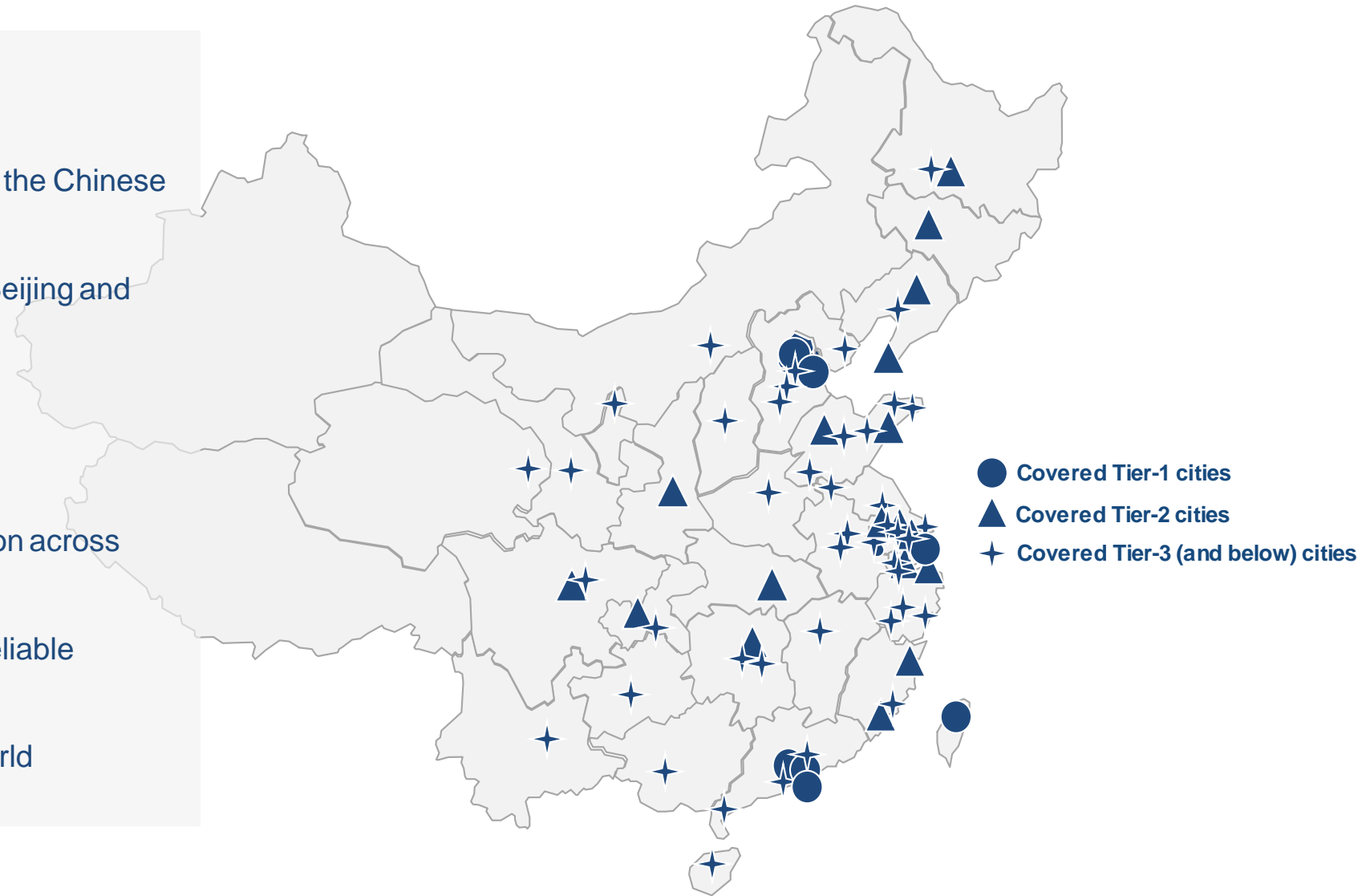
HONG KONG | BEIJING | SHANGHAI
www.daxueconsulting.com

Who we are

Your Market Research Company in China

We are **daxue consulting**:

- A market research firm specializing on the Chinese market since 2010
- With 3 offices in China: in Shanghai, Beijing and Hong Kong
- Employing 20+ full-time consultants
- Full, complete, national coverage
- Efficient and reliable fieldwork execution across China
- Using our expertise to draw precise, reliable recommendations
- With key accounts from around the world



The strengths of daxue consulting

6 crucial competitive advantages



1. Localized & Creative

- ✓ Working on each project making exchange and challenges, recruiting the brightest talents in **both local & international** (1:1), to ensure a **comprehensive & scientific logic thinking**.

3. All In-house Management

- ✓ Daxue Consulting **does not outsource its services**. **Deep understanding on the fieldwork** and the context within which data was collected.
- ✓ **Transparency** of sources and information

5. Innovative

- ✓ Using 50+ software
- ✓ Leveraging alternative data and open source intelligence
- ✓ Social listening

2. Responsive & Flexible

- ✓ **Result-oriented, regular reports** with our clients to make sure we align the expected objective.
- ✓ **Teams & proposal are tailor-made** depending on the project.
- ✓ **One client = one team**.

4. Actionable recommendations

- ✓ We **care about results** and design our research in order to be operational.
- ✓ We are **driven by metrics** such as customer acquisition costs, business plan KPIs, P&L optimization.

6. Professional

- ✓ **Our methodologies are rigorous and serious**, taking information from the best practice in the world of consulting and research.
- ✓ **Demanding on the results, detail-oriented, respectful towards our commitments**.
- ✓ **Corporate presentation**.

Our services

Experienced in answering to a wide variety of strategic business questions

ASSESSMENT



PERFORMANCE
EVALUATION



SOCIAL
LISTENING



DUE DILIGENCE

INSIGHTS



DECISION-MAKING
PROCESS



TARGET AUDIENCE
PROFILING



BRAND
POSITIONING

STRATEGY



BUSINESS
INTELLIGENCE



VALUE
PROPOSITION



ACTION
PLAN

INNOVATION



DIGITAL
STRATEGY



PRODUCT
LOCALIZATION



CONCEPT TESTING

350+ clients with 600+ projects for the past 7 years

Examples of references



A recognized expertise on the Chinese market

Regularly featured and quoted in global publications

Daxue latest quotations in recent publications

The New York Times

TECHINASIA

france
bleu

LE TEMPS

SBS NEWS

ASIA WEEKLY

FT FINANCIAL
TIMES

英文中国新闻
The China Post

REUTERS

GLOBAL
TIMES

SBS NEWS

theguardian

y
net
news.com

Le Monde

THE WALL STREET JOURNAL

LesEchos.fr

THOUGHTFUL
LINKS

CHINA
ECONOMIC REVIEW

SWI

LE TEMPS

TechNode

CONDÉ NAST

TECHINASIA

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CHINADAILY
中国日报

THE WALL STREET JOURNAL

ESSEC
BUSINESS SCHOOL

The New York Times

Guanghua School of Management
Peking University

Forbes

jns
corp | NEWS SERVICE

TECH.CO

Voci Globali

JDN
JOURNAL DU NET

L'OBS

Wine News
THE WINE MARKET'S MOST INFLUENTIAL NEWS SOURCE

france
bleu

gbtimes
Global Market's Local Source

South China
Morning Post

TECH
INSIDER

IT NEWS AFRICA
AFRICA'S TECHNOLOGY NEWS LEADER

THE JORDAN TIMES

Jing Daily

World
Trademark
Review

FINANCIAL REVIEW

ASIA WEEKLY

Contrepoints
le nivellement par le haut

The Street

Chef
d'Entreprise

CCI FRANCE CHINE
中国法国工商会

ISRAEL HAYOM
THIS IS WHAT IS AT STAKE

CHANNEL NEWSASIA

algemeiner | a

華美銀行
EAST WEST BANK

EAST WEST BANK

The Business Publisher
BOF

Los Angeles Times

StartupBRICS
L'Actu Tech & Startup des Emergents

EL PAÍS

Who we are

Your Digital Connection To Chinese Travelers

About GlobuyX

- 1st WeChat travel retail platform with related information and services for millions of Chinese outbound tourists
- Precise online traffic and efficient omni-channel to target international travel shoppers
- Digital solution provider for retailers and brands in travel retail industry

About Globuy

- 1st batch of social media platforms focusing on Travel Retail
- WeChat account Globuy – the most influential KOL for Chinese outbound tourists
- Creative social media solution provider for brands and retailers in travel retail industry



About GlobuyX – Travel Retail Platform



2,100,000+ Users

DAU 35,000 MAU 400,000



90 Duty Free Stores



2,230 Brands



381,451 Products



561 Coupons Worldwide



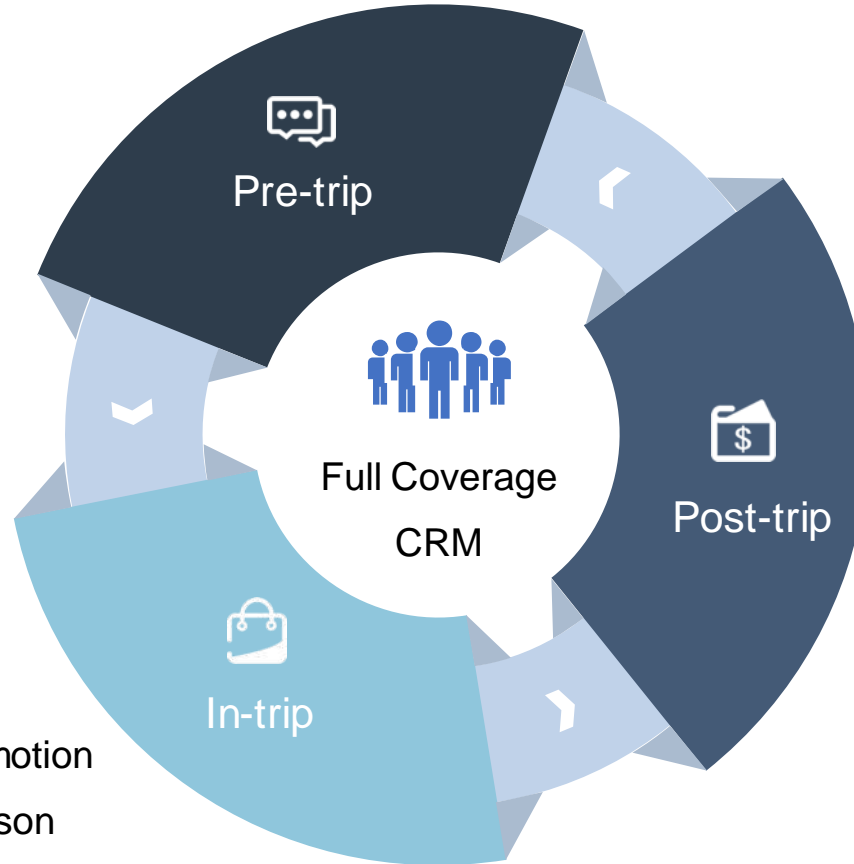
668 Professional Shopping Guide



25,003 UGC Discussion

Via WeChat MP/ H5/App

- Duty Free Store Info
- Shopping Guide
- Pre-order Online
- Product Search



- Buyer Review
- Credit Reward
- Pick Up at Airport

- Seasonal Promotion
- Price Comparison
- Wishlist Sharing
- Stock Check

About Globuy - Social Media Platforms



Hot Products Ranking



500,000 + Followers



News & Information



Duty Free Discovery



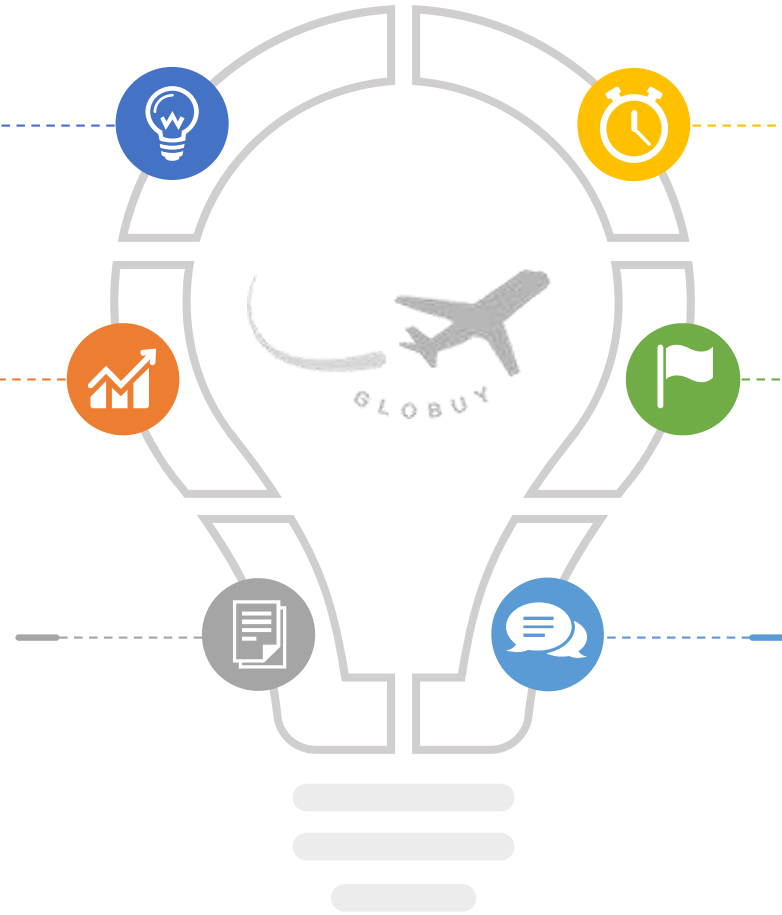
Sales & Event



Destination Travel Shopping Tips



Product Testing



Part of our clients and partners



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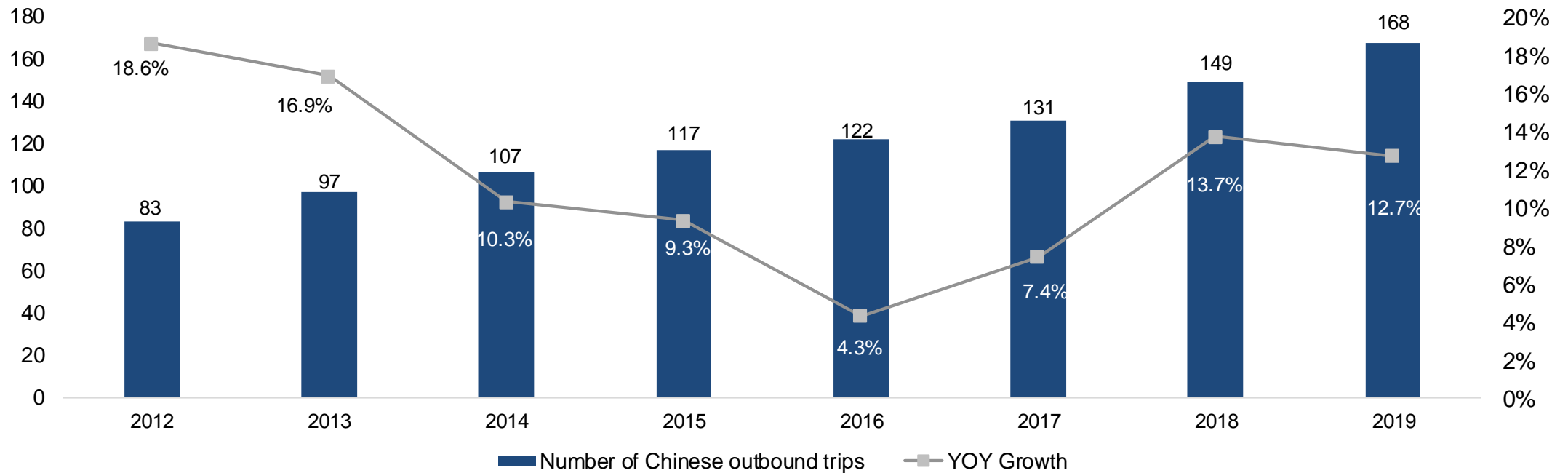
01

The World's Largest Outbound Travel Market

Rising outbound tourism in China

- China is the world's largest outbound travel market in both the number of outbound tourists and spending on outbound travel.
- Drivers of China's rising outbound travel market include rising incomes, relaxed travel visas, increased global awareness, easier access to travel information online, and more international airlines.

Number of Chinese outbound trips
(millions, 2012-2019)

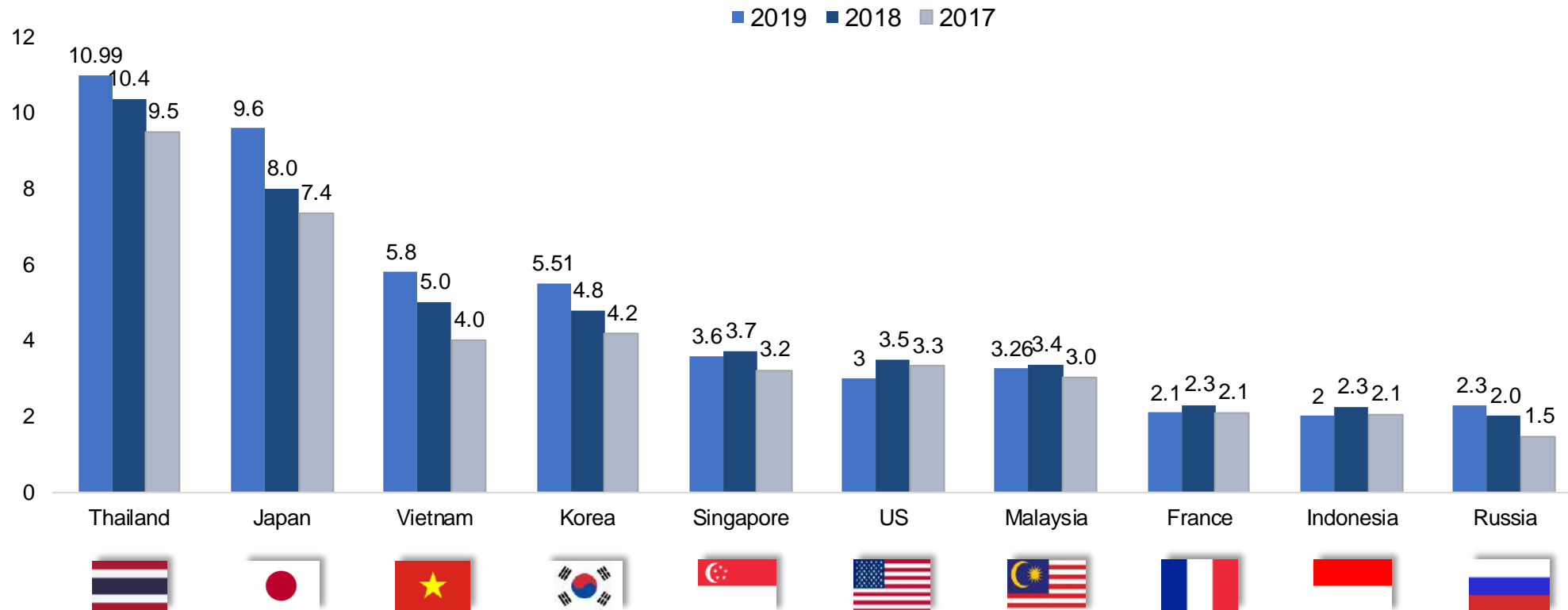


Source: <http://www.chyxx.com/industry/201905/741757.html>
asia.nikkei.com

Popular destinations of Chinese outbound tourism

- South-East Asian and East Asian countries are the first choice for Chinese outbound tourists.
- Tourists from lower-tier cities are traveling more each year, and opting for longer stays.
- Chinese tourists tend to prefer destinations that are geographically close to China and easily offer travel visas.

Number of Chinese tourists in Top 10 outbound destination
(million, 2017-2019)



Source: Analysys & National Tourism Administration in different countries

Key trends of Chinese outbound tourism

1

The number of outbound tourists continues to rise: The rapid growth of outbound tourists continues to drive duty free consumption, but the per capita single-consumption amount has not changed significantly.

2

More travelers from lower tier cities: Due to the opening of new airline routes and the general increase in consumption capacity, non-first-tier cities have become major growth engines.



5

Value shopping and experience: Chinese travelers are interested in both shopping and new experiences. Restaurants, museums and special performances are key projects for outbound travel.

3

The age distribution of tourists is dumbbell-shaped: The growth is concentrated on those born between 1950 - 1970, and 1990 - 2010.

4

Hot travel destinations remain unchanged: Chinese tourists still prefer neighboring areas and developed countries. Southeast Asian countries continue to be the most popular destinations

Outbound tourism expenses (1/2)

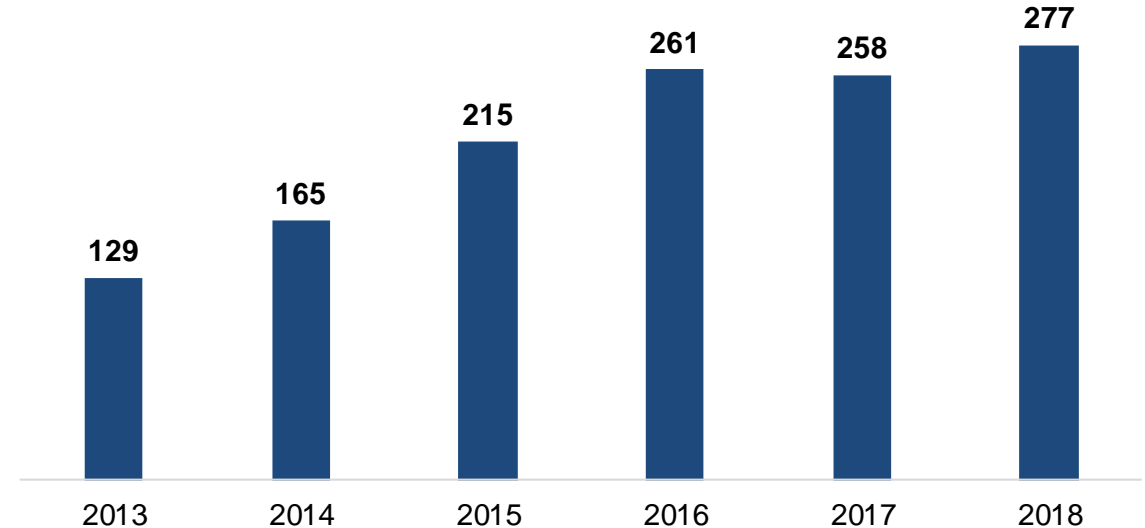
- Due to the rising purchasing power of the middle classes, Chinese consumers' spending on outbound tourism has been the world's No.1 for 7 years and the number is still increasing.
- Regardless of tourism destinations, Chinese tourists often spend a large part of total travel expense on cultural activities, accommodation, and shopping.

Top 2 travel spending by Chinese outbound tourists (2019)



Source: Nielsen, 2017 Chinese outbound tourism and consumption trends
 CDF, Embracing the Era of New Travel Retail in China
 McKinsey & Company
<https://www.e-unwto.org/doi/pdf/10.18111/9789284421152?download=true>
 China Internet Watch

Total expense on China's outbound tourism (billion USD, 2013-2018)

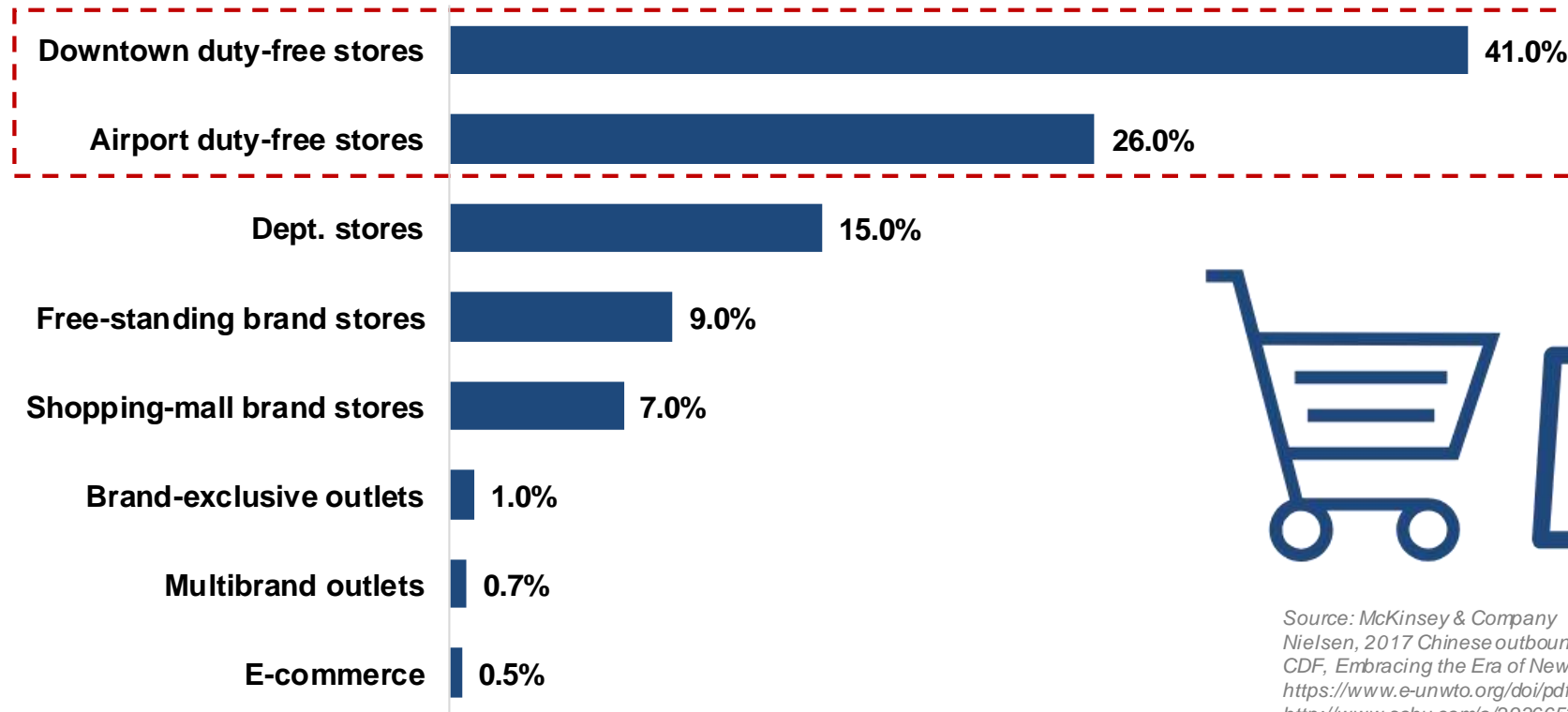


* The data reflected by UNWTO on international tourism receipts and expenditure for China is based on the balance of payments (BOP) travel credit and debit reported by the State Administration of Foreign Exchange (SAFE). There is a difference in the data used by UNWTO and those produced by the Ministry of Culture and Tourism (formerly the China National Tourism Administration) for 2014 and subsequent years.

Outbound tourism expenses (2/2)

- When asked about favorite shopping destinations during travel, more than 60% of Chinese outbound tourists prefer duty-free shops, as have assured quality at a cheaper price.
- Retailers around the world focus on Chinese customers because of their strong purchasing power. For example, in South Korea, Chinese tourists spent 83.4 billion RMB on duty-free goods in 2018, accounting for 73.4% of the total sales of duty-free stores in the nation.

Shopping channels used by Chinese outbound tourists
(2017)

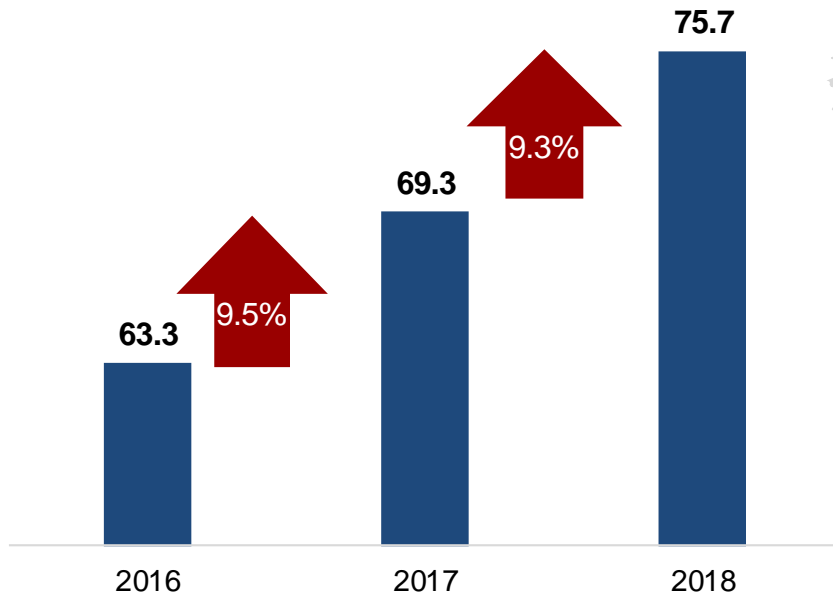


Source: McKinsey & Company
Nielsen, 2017 Chinese outbound tourism and consumption trends
CDF, Embracing the Era of New Travel Retail in China
<https://www.e-unwto.org/doi/pdf/10.18111/9789284421152?download=true>
http://www.sohu.com/a/293665310_100033830

Global duty-free sales

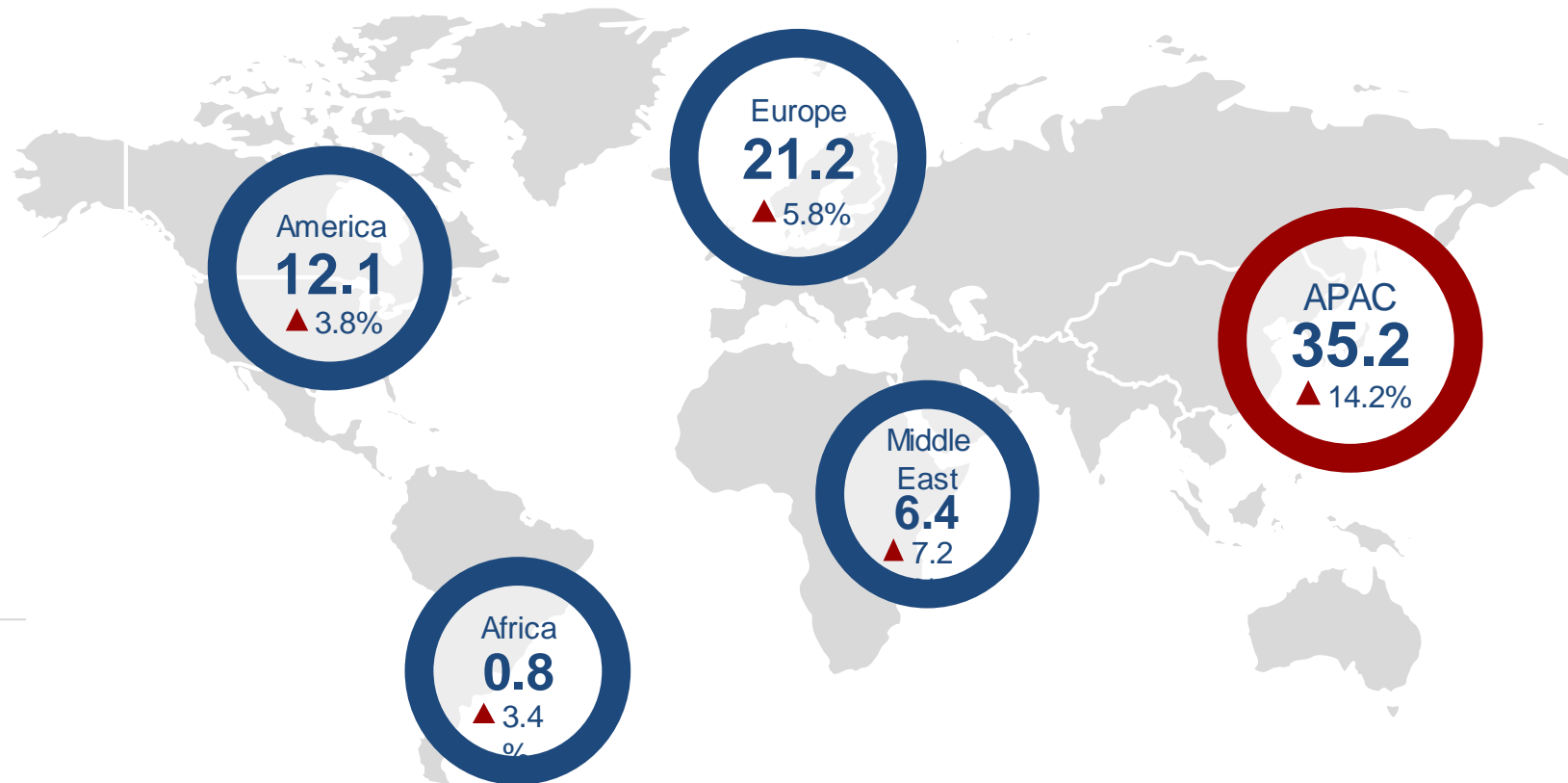
- The Asia Pacific region drives most the global growth of duty free sales. Due to an increasing number of travelers and rising spend per person.
- In emerging countries such as India and China, middle-class consumers have the spending capacity to promote the growth of the duty-free industry in the global market.

Global duty-free sales evolution
(billion USD, 2016-2018)



Source: Tax Free World Association, Generation research

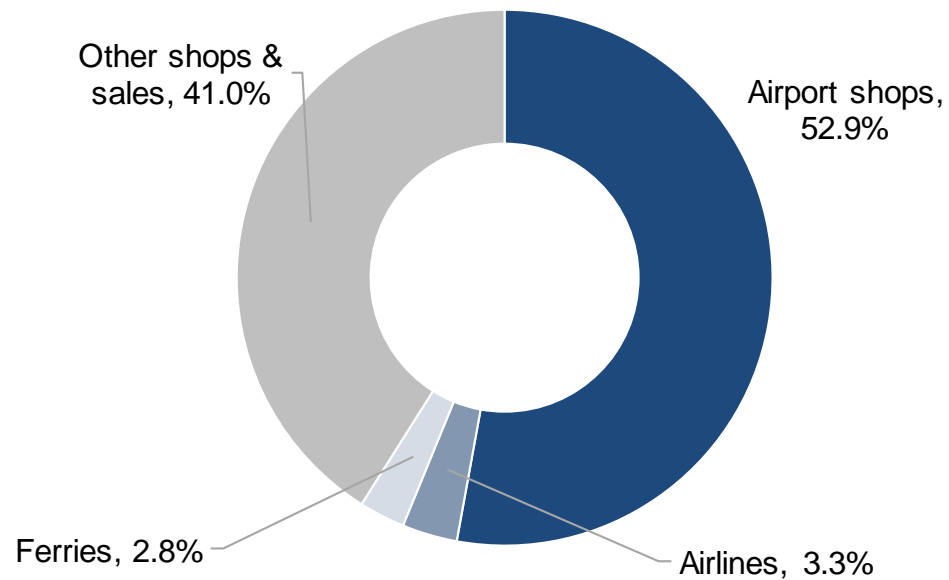
Duty-free sales revenue and growth rate by regions
(billion USD, 2018)



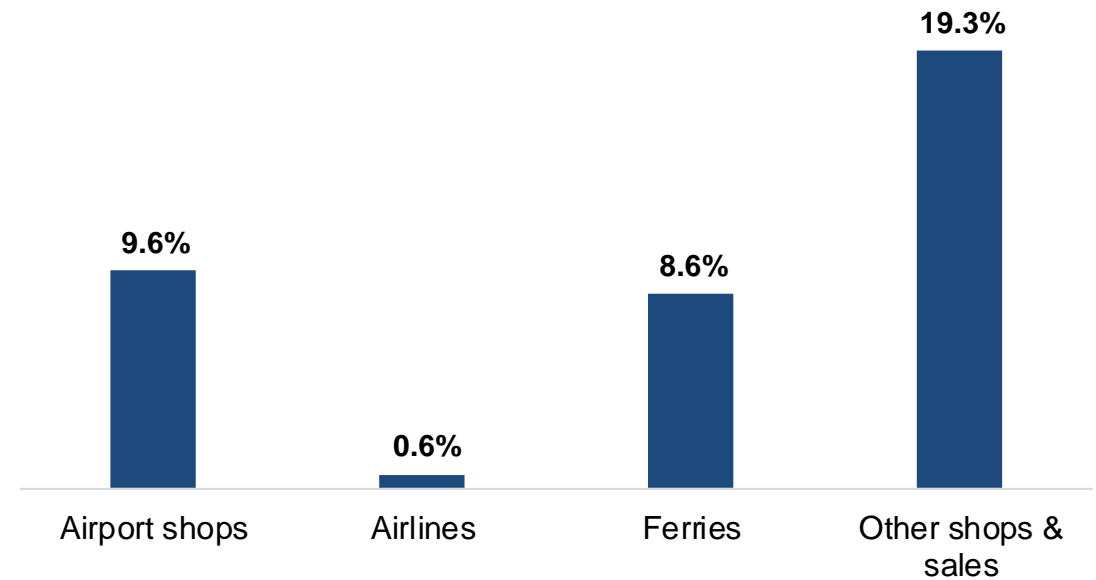
Global duty-free sales in different channels

- Airport shops account for the largest amount of global sales. Due to the high volume of passengers, good maintenance and having a wide variety of brands and products.
- Downtown shops and border shops had realized significant increase in sales with the continuous expansion of shops in urban areas.

Duty-free & travel retail worldwide sales by channel (2017-2018)



Duty-free & travel retail worldwide sales growth by channel (2017-2018)



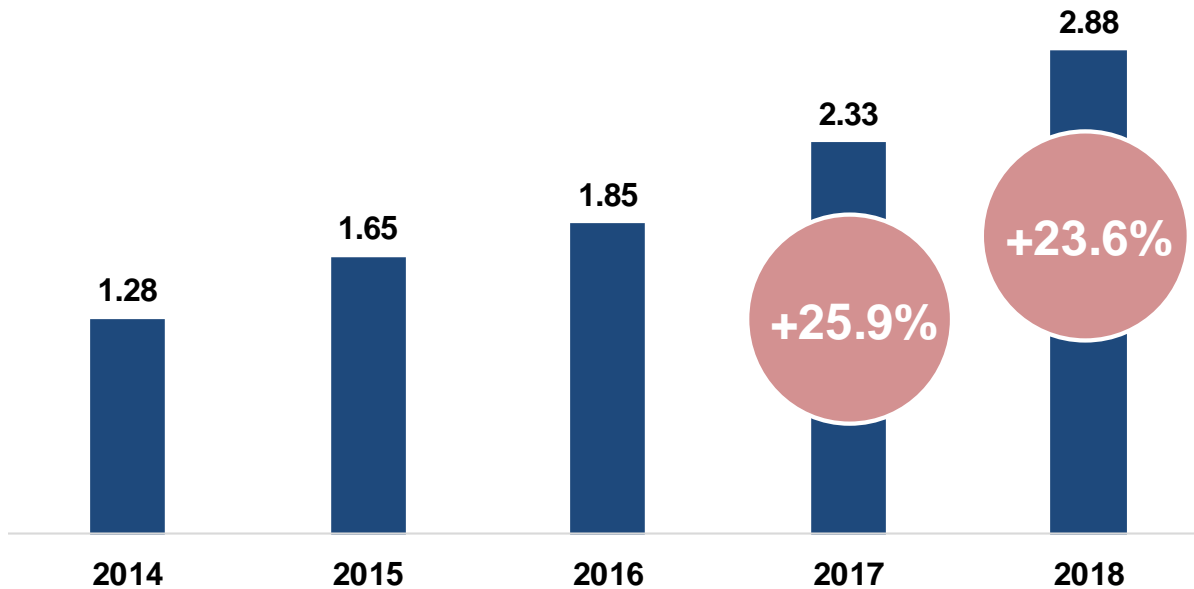
* "Other shops & sales" includes: Downtown shops, Border shops, Diplomatic & Military, Cruise ships and Low tax areas

Source: Statista

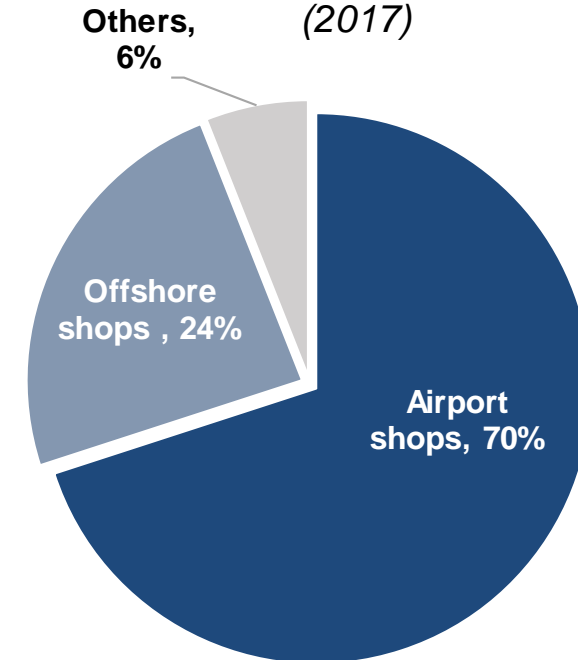
Inbound duty-free market in China

- Due to policy support in recent years, China's inbound duty-free shopping is now competing with South Korea's dominant position.
- Offshore duty-free shops grew quickly during the last few years with the relaxation of restrictions and the increased number of product categories.

Number of inbound duty-free consumers in China (million, 2014-2018)



Inbound duty-free sales, share by channel (2017)



* "Other shops & sales" includes: Downtown shops, Border shops and port shops

Source: <http://www.chyxx.com/industry/201812/699450.html>

COVID-19 hits the Chinese tourism industry (1/2)

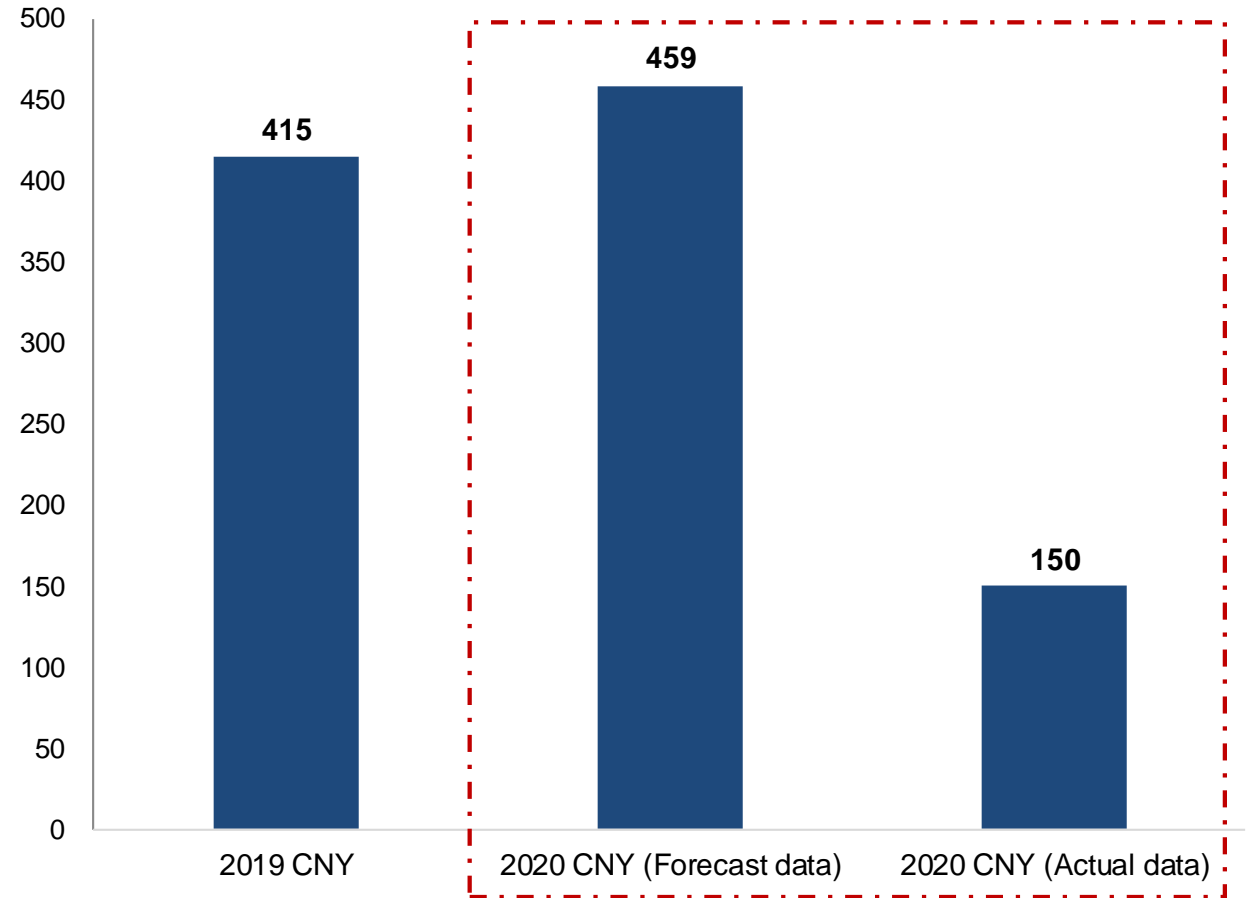
The Chinese New Year period is the annual travel peak because most people have work off and either travel to see family or go on vacation.

But since the coronavirus outbreak started in Wuhan, tourist and hospitality industries have been hit hard in China.

The damage to the Chinese tourism industry is equivalent to a loss of 1 trillion RMB GDP.

Many travel enterprises estimated the ongoing shutdown costs the industry about ¥ 17.8 billion every day.

Number of Chinese domestic trips
(million, 2019 and 2020 Chinese New Year)



Source: Tai Media APP
Sina Finance

COVID-19 hits the Chinese tourism industry (2/2)

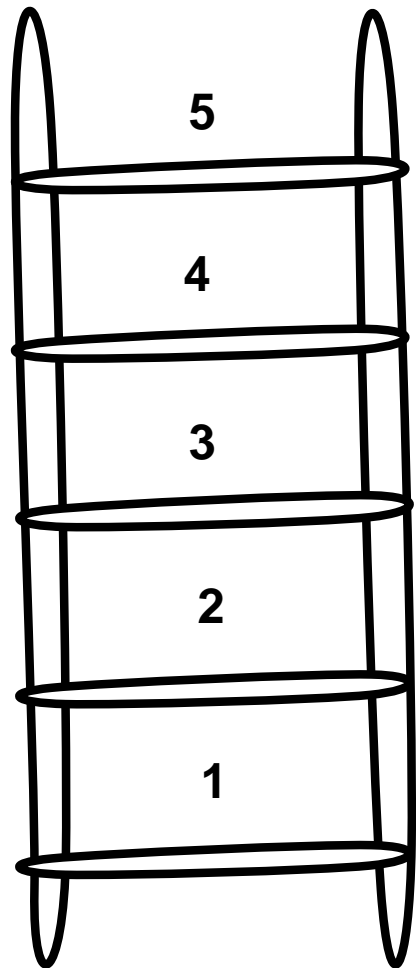
- As recent research shows, COVID-19 shares 80% of its genome with SARS. Although, COVID-19 might be less deadly than SARS, the cost of coronavirus could be higher than SARS. Compared to SARS, it spreads more easily and is hard to be detective. Unlike SARS, patients with COVID-19 might not experience fevers and headaches, which makes it difficult to diagnose and control.
- Hard work is needed to fix the tourism crisis to help the hard-hit tourism industry and tourism driven industries. Travel cancellations flared up after the Coronavirus outbreak. The cash flow of airlines, agents, hotels and online travel platforms are deteriorating.

Forecasting of Chinese domestic and inbound tourism core indicators (2019-2020)

Indicators	Predictors	2019	2020	Decreased trips and revenue	Coronavirus cost
Number of Chinese domestic trips (billion)		6,015	4.5-4.8	1.2-1.5	1.7-2.6
Chinese domestic tourism revenue (trillion RMB)		5.69	4.67-4.84	0.85-1	1.3-1.5
Number of inbound overseas tourists (million)		144	90-100	43-50	40-50
Inbound tourism revenue (billion dollar)		130	91-97.5	32.5-39	35-40
Total domestic and inbound tourism revenue (trillion RMB)		6.6	5.43-5.65	0.9-1.2	1.6-1.8

Source: Sohu Finance
Business Insider Australia

Top outbound destinations: travel restrictions to Chinese



Strictness Level



Vietnam, Singapore, U.S., Russia:
banned all foreign nationals from entering who had been in China



Malaysia:
imposed travel restrictions for Chinese visitors from Hubei, Zhejiang and Jiangsu provinces



Japan:
banned foreign nationals who have visited Hubei and Zhejiang Provinces within 14 days of arrival in Japan, or who have a Chinese passport issued by these provinces, except under special circumstances for the time being



Indonesia:
suspended visa-free and visa-on-arrival provisions for Chinese citizens and has imposed a requirement for flight crews to undergo a medical inspection upon arrival



Thailand, Korea, France:
increased thermal health screening at their international airports

By February 2, 2020, 71 countries issued travel restriction to Chinese visitors.

Source: <http://m.hao123.com/news/shoubaiDetail/9179820677607795666>

Huge losses for these destinations that rely a lot on Chinese outbound tourism

Stands to lose **\$3.4 billion** in tourism revenue if the virus outbreak lasts to summer

Thailand



Estimates to lose **\$1.29 billion** revenue for tourism in the first quarter of 2020

Japan



Tourists arrival estimated to **fall by up to 30%** in 2020

Singapore



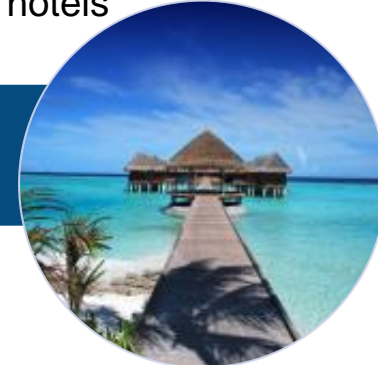
75% decrease in mainland tourists for the first four days of the Chinese Lunar New Year

Macau



Expects a 30% drop in tourist arrivals which leads to a **\$540 million** in loss of revenue for hotels

Maldives



Popular outbound countries for Chinese tourists have seen 30% - 75% drop in arrivals since the COVID-19 outbreak.

*Source: Press reports; McKinsey Global Institute
Pengpai News*

Summary of COVID-19 impact on tourism



The short-term impact on tourism enterprises

- The impact of tourism companies is more on **business and revenue**, but corporate & personnel management are still under control.
- At present, the operating activities of China's tourism industry have basically stagnated, which will have a great impact on the tourism industry in the short term, including sudden decline of business volume and a significant drop in revenue.



The long-term impact on tourism enterprises

- China's tourism industry has reached a critical point of transformation, which means that **finding new business & new growth opportunities** will become a strategic priority task.
- Secondly, reducing the cost of enterprise management and adjusting the product / market strategy are also issues that enterprises must focus on.



Expected recovery in tourism consumer demand

- After the COVID-19 epidemic, the long-term travel demand that has been suppressed will rapidly increase, which will lead to a retaliatory rebound in tourism consumption.
- However, the haze brought by the epidemic has not completely subsided even when it's gone, people will consciously reduce aggregative activity, which requires a certain recovery period.



Epidemic spreads globally, recovery cycle lengthens

- Recently, the epidemic has spread globally and will further **curb** people's desire to leave the country.
- The outbound tourism market recovery **cycle will be extended again**. When the epidemic is under global control, Japan will remain the top destination for outbound travel.

Source: TravelDaily

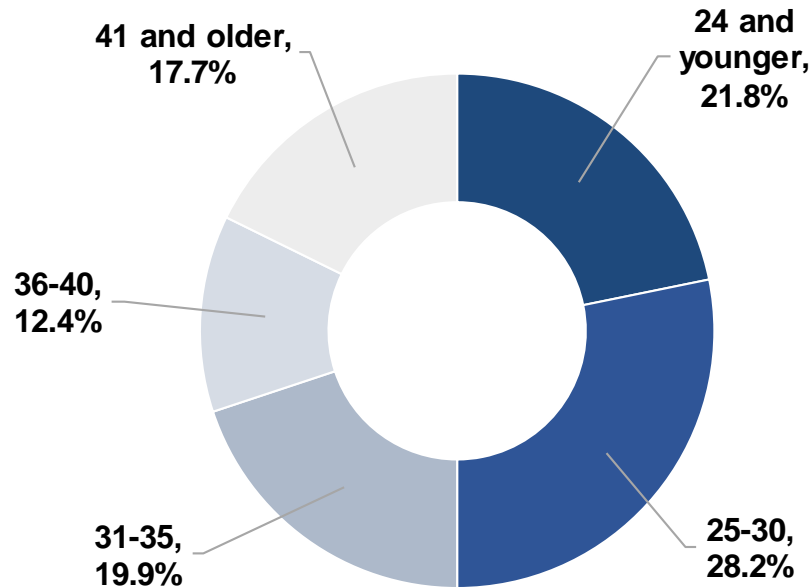
02

Key Characteristics of Chinese Outbound Tourists

Chinese outbound tourists demographics (1/2)

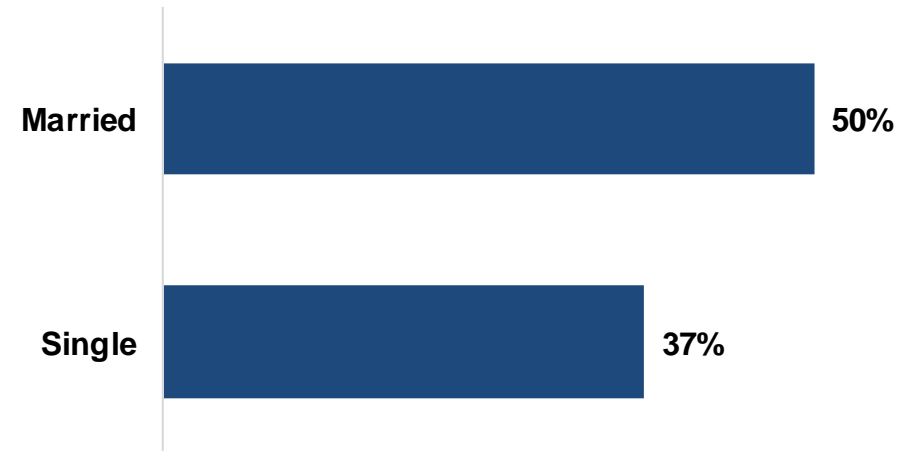
- Those born in the 90s and 80s make the majority of overseas tourists. They are, on average, highly influenced by social media and they usually plan carefully to find value-for-money trips and shopping.
- These Chinese tourists pay attention to both quality and price, they like customized activities and products offered by local stores.
- 25% of married Chinese outbound tourists have children.

The age distribution of Chinese outbound tourists (2018)



Source: Analysys & National Tourism Administration in different countries
China Tourism Academy, iiMedia Research

The marital status of Chinese outbound tourists (2018)

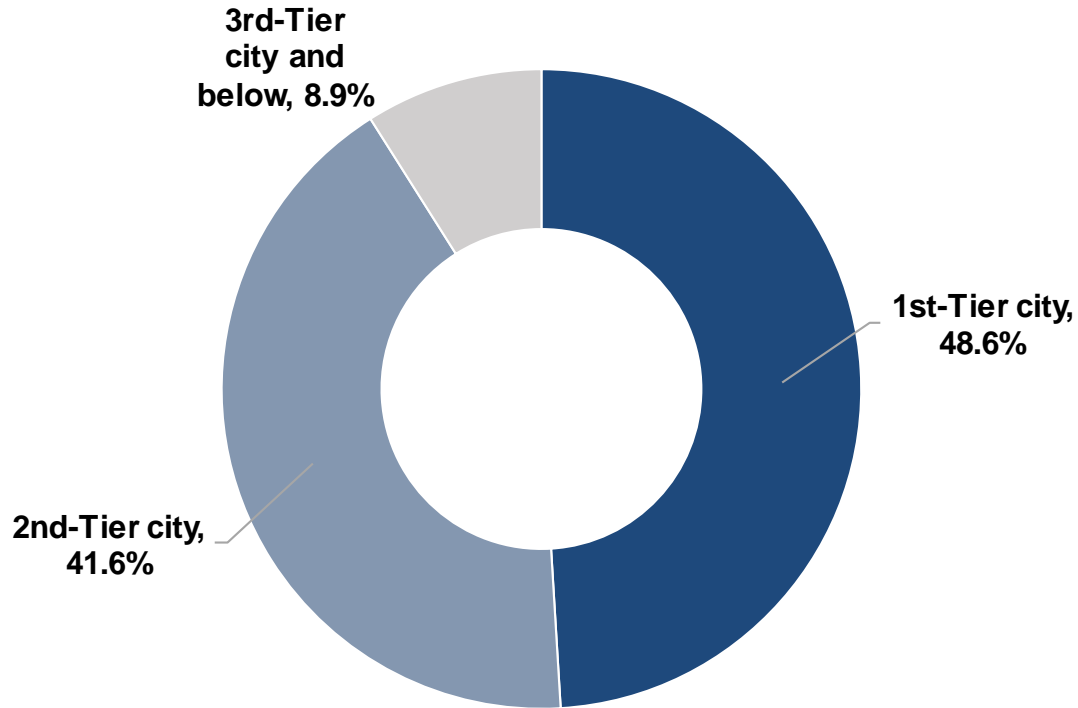


* The data is extracted from in-app user information, the remaining part are users who didn't offer the information.

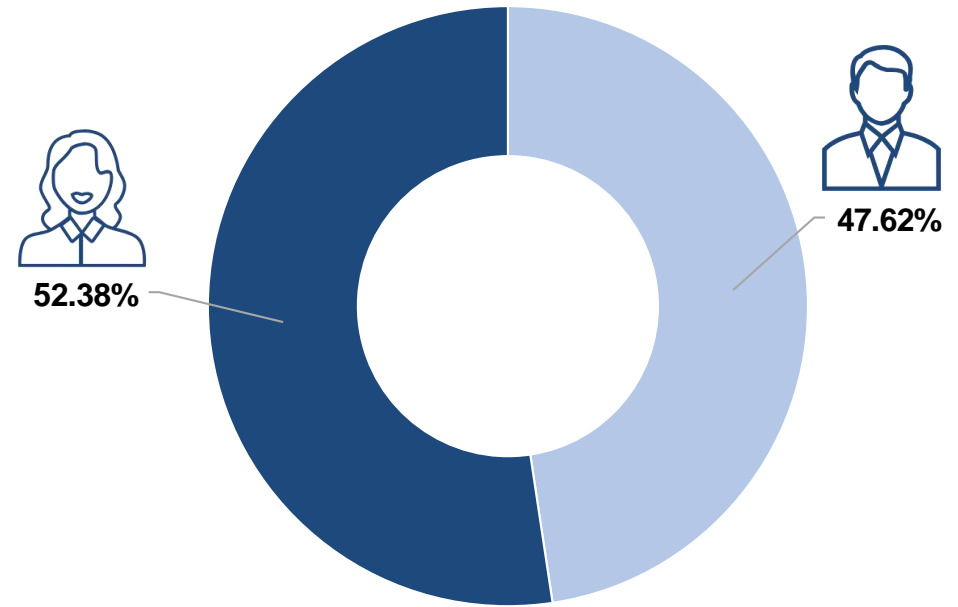
Chinese outbound tourists demographics (2/2)

- Most Chinese outbound tourists come from tier-1 and tier-2 cities (provincial capital cities), over half are female.
- Most are also upper middle-income citizens who are willing to spend money while traveling to seek high-quality experiences.

Where Chinese outbound tourists live (2018)



The gender distribution of Chinese outbound tourists (2018)



Source: Analysys & National Tourism Administration in different countries
China Tourism Academy, iiMedia Research

The most popular duty-free goods for Chinese tourists



Skincare products



Make-up products



Perfume



Fashion accessories



Bags

Popular duty-free goods

- Skincare and beauty products are the most popular goods in duty-free shops.
- Women are the most important consumers, since the top selling products are women's products.
- In addition, Chinese tourists tend to buy famous wine and wristwatch brands.

Chinese tourists tend to search before shopping

- Many Chinese tourists research duty-free products before purchase by reviewing online recommendations, Q&A platforms (such as Zhihu), reading comments on social media and online travel forums.
- Even after they arrive at their destinations, Chinese travelers will continue to research about duty-free goods.

Offering content on Chinese platforms for promotion

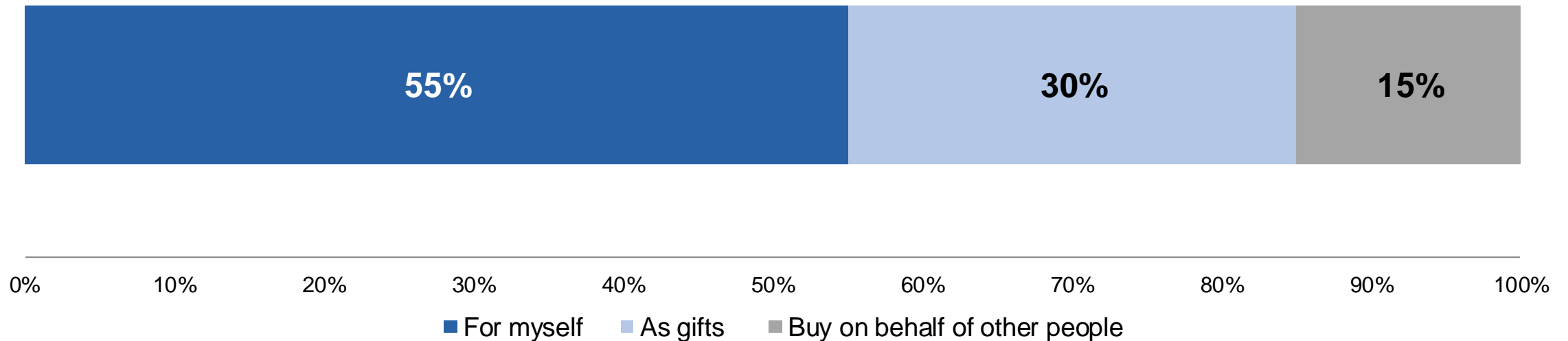
- Brands can reach Chinese tourists by launching their own Chinese websites and apps. This allows consumers to shop any time, any where, at their convenience.
- Brands and duty-free shops need to provide services and increase the advertising investments on these related platforms.

Source: GlobuyX mini-program

Purposes of buying duty-free goods

- When visiting duty-free stores, Chinese tourists often purchase duty-free goods for themselves or as gifts.
- A small percentage of Chinese tourists buy duty-free goods on behalf of others, such as Daigou, which is someone who buys goods from foreign markets and sells them back to consumers in mainland China.
- Many duty-free consumption behaviors among Chinese tourists are planned spending rather than impulse spending, they make plans based on the info from guides and comments on Chinese social media and travel websites.

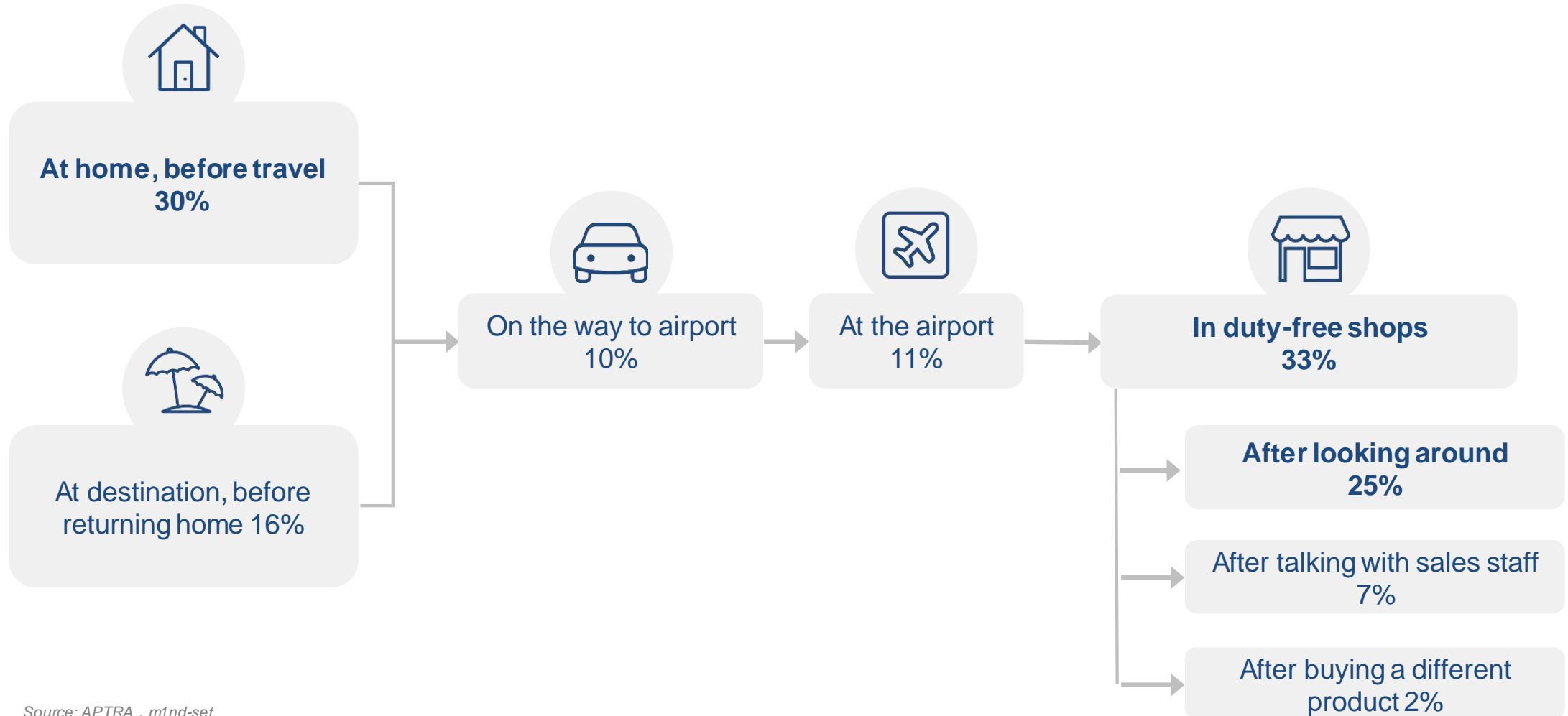
The purposes of Chinese duty-free purchasing



Source: APTRA , m1nd-set

Moment of decision of Chinese tourists' duty-free spending

Chinese outbound tourists usually either think about purchasing duty-free goods before leaving or in duty-free shops. Therefore, it's important to optimize touch point with Chinese consumers and make a unique in-store shopping experience.



Source: APTRA , m1nd-set

Payment methods of Chinese overseas tourists

- The payment methods of Chinese tourists vary by age and travel destinations.
- More cashless payments (bank cards and mobile) are used by China's tourists during overseas trips.
- Duty-free shops can optimize payment methods by using WeChat pay and Alipay to cater to Chinese tourists.

36%
Bank card payment



- The post-70s and 80s Chinese tourists tend to use bank card payment during trips.
- Chinese tourists use bank cards more frequently in developed regions where credit cards are used more commonly, such as the USA.

30%
Cash payment



- Cash payment is used by all the generations of Chinese overseas travelers. It's still an important payment method.
- In some places where have strong local cash economy, such as Thailand, Chinese travelers prefer cash payment.

34%
Mobile payment



- For post-90s Chinese tourists, mobile payments make up a big proportion of their payment methods.
- At destinations where tourists can easily connect to mainland China's banking system, such as Hong Kong, Chinese tourists prefer mobile payment since it is convenient and a better way to keep track of spending.

Source: Nielsen, 2019 Chinese outbound tourism and consumption trends

More sophisticated travelers

Key Characteristics



Price sensitive and research before shopping



Personalized, seek unique products and experience



Rely on social media channels to share their experiences

Duty-free shops and brands should:

- Identify target group, push precise content to attract target audience.
- Tighten supervision over e-commerce online sales channels to preserve brand image.
- Strengthen brand publicity and exposure on popular Chinese social media and online travel forums, so that Chinese tourists can understand their brands and products in advance.
- Provide a seamless Omni-channel shopping experience and holistic service to allow consumers to shop any time, any where, at their convenience.

Source: CDFG.com



03

How Can Brands Reach Chinese Outbound Tourists

Offer content that adapts to Chinese consumers



Guide and articles of shopping in Duty-Free Shops (released by Globuy WeChat account)



China outbound tourists generally choose to read travel recommendations before trips, and the most convenient way is to use popular media platforms that specialize in tourism and shopping, such as Weibo, WeChat public accounts, Mafengwo, etc.

We-media platforms



Those platforms normally provide accurate content by precisely targeting groups to permeate. Naturally, major brands choose to cooperate with these platforms to get them mention their products in articles in order to gain a high degree of attention.

Source: GlobuyX mini-program

Interact with consumers by delivering targeting brand campaigns



Haikou airport held its first duty-free shopping festival from 18th Jun to 9th Jul 2019, aiming at strengthening online-offline linkage. Many brands attended to bring awareness.



As competition intensifies among brands, companies nowadays innovate and differentiate themselves by **delivering customer-centric campaigns** and experiences that give their target audience a compelling reason to become customers.

Source: https://www.sohu.com/a/303254554_120059718



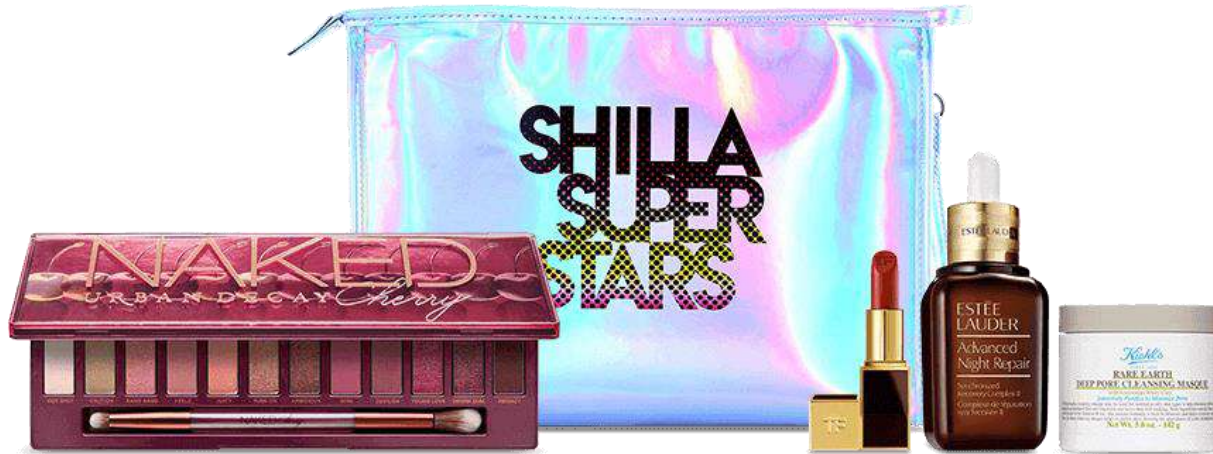
As for duty-free brands, participating in similar duty-free shopping festivals can better interact with consumers and increase brand recognition in this field.



For Chinese consumers, this kind of offline events make them have easy access to some foreign luxury brands that are not easily available in mainland China.

Provide more duty-free exclusives (1/2)

Create exclusive products for duty-free markets.



Duty-free exclusive package in Singapore
Changi Airport duty-free store



Duty-free
exclusives offered
by Foreo in 2019
Christmas

- Since Chinese outbound travelers purchase ahead of the Chinese New Year period and other holidays, travel retail exclusives are key purchase drivers at those time period.
- Also, “uniqueness of products or services” is one of the most impactful factors among duty-free shoppers. For example, Foreo offered Christmas exclusives with special packages that can only be purchased in duty-free stores during the 2019 Christmas, and it had testers in duty-free shops, which can sway consumers who have not made a purchasing decision yet.

Source: GlobuyX mini-program

Provide more duty-free exclusives (2/2)

Increase duty-free competitiveness and differentiation against the domestic market.



Special selection Moutai in duty-free market

Travel retail is different from traditional retail spaces in many ways.

Brands have managed to capitalize on the differences to tap into a very lucrative market. As travel retail is expected to grow steadily in the next few years, brands count on some of their success in airports to trickle down to their traditional stores, and possibly help open new, profitable markets.

- **Exclusive Products:** Many brands offer “travel retail exclusive”, special products which are only available in duty-free shops, this way can entice them to purchase now, knowing the product will not be available back home.
- **Chinese brands:** Duty-free stores offer some famous Chinese brands with lower price, compare with domestic stores, like Moutai. Because of the export tax rebate policy (exported goods pay less tax), Moutai in duty-free shops is much cheaper than the same product in domestic shops, which attracted many Chinese overseas tourists who like Baijiu (白酒).

Cooperate with mobile e-commerce to reach traveling consumers

By cooperating with a mobile e-commerce platform like GlobuyX, Duty-free brands can settle in mobile e-commerce to expand their promotion channels and connect with Chinese consumers.

Duty-free brands offer products pre-orders on GlobuyX mini-program



Duty-free brands exposure advertising and promotion activities on GlobuyX mini-program

- Globuy launched a mini-program that allows duty-free brands to exposure advertisements, duty-free goods discovery and pre-orders, WeChat menu links and exclusive benefits.
- Through this kind of cooperation, brands 1) Reinforced their awareness and branding, 2) Achieved the purpose of communicating brand events and products with consumers, 3) Increased footprint and exposure online & offline, 4) Ultimately created consumption desire along with sales.

Source: GlobuyX mini-program

Applying QR codes to increase purchasing chance

Beauty and skincare brands put QR codes inside taxicabs for tourists to see.



L'Oreal was the first company to place QR codes to get more sales during the New York Fashion Week, which is a popular time to visit for Chinese tourists.

After scanning, these QR codes teach users how to use Lancôme and Yves Saint Laurent products. It also allows consumers to directly purchase products on the mobile site. Also, they could share the experience with friends and followers on social media.

- L'Oreal saw a 7% increase in sales thanks to QR codes.
- QR codes are an effective way to target Chinese tourists, because Chinese people are familiar with them.

Source: <http://qrcodetracking.com/qr-codes-that-worked-loreal/>

KOL Marketing

The role of KOLs cannot be underestimated.



KOL fan meeting at Sanya Duty-Free's night, August 2019

- With the strong development of KOLs in China, consumers will now hold a wait-and-see attitude and buy products after KOLs. Therefore, some high-end duty-free brands choose to cooperate with KOL to increase their sales.
- According to Weibo data, the number of discussions on the Sanya Duty-Free's Night in reached 30,000 times, and the number of likes exceeded 5,000.
- During Sanya's Duty-Free Night, they successfully attracted a large number of fans by holding meet-and-greets with fans for major KOLs, including cosmetics, fashion, etc. When KOLs interacted with fans (take pictures, signature, etc.), they also recommended products to them. Because of their trust in KOL, fans naturally pay more attention to recommended products, and all major brands have set up counters in the event site, which is very convenient for fans to purchase.

Source: <https://s.weibo.com/weibo?q=%23%E4%B8%89%E4%BA%9A%E5%85%8D%E7%A8%8E%E4%B9%8B%E5%A4%9C%23&from=default>

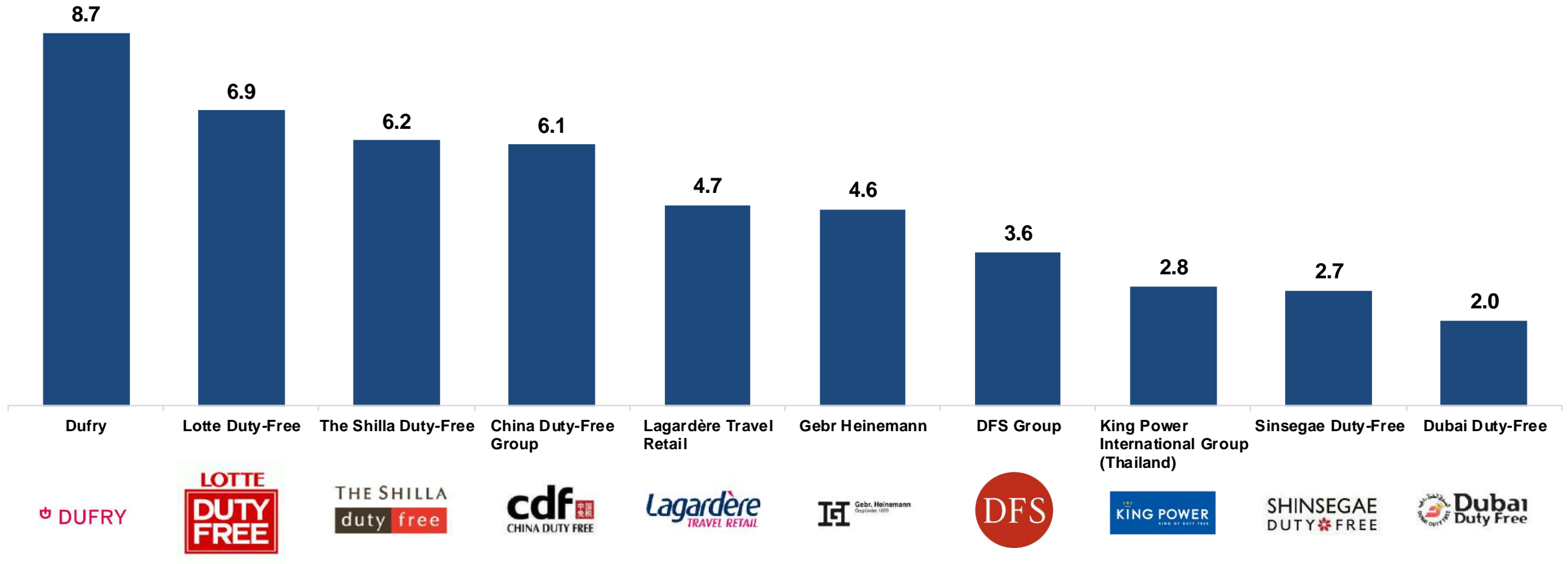
04

How Duty-Free Shops Can Attract More Chinese Outbound Tourists

Global competitive landscape of travel retailers

The global duty-free and travel retail market is highly fragmented, and the market is dominated by non-Chinese brands.

Top 10 best-selling travel retailers in the world by turnovers
(in USD billion, 2018)

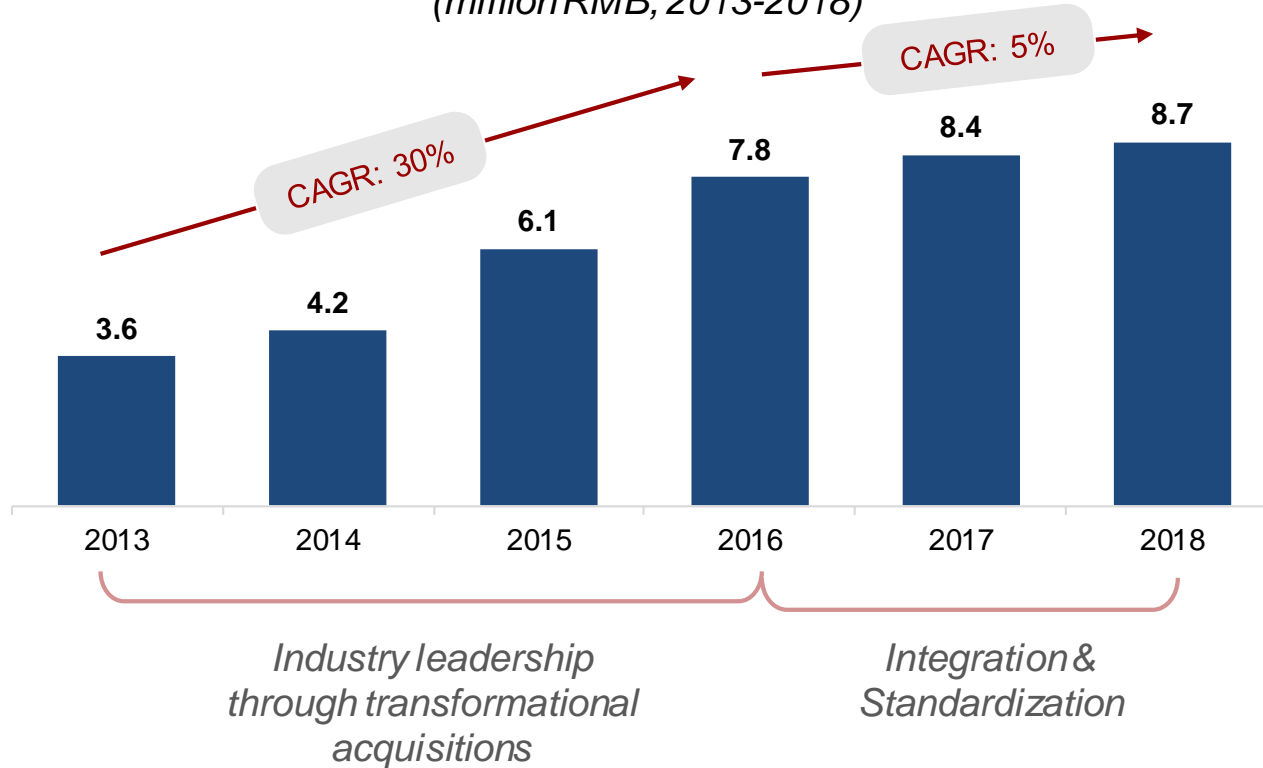


Source: Moodie Davitt report

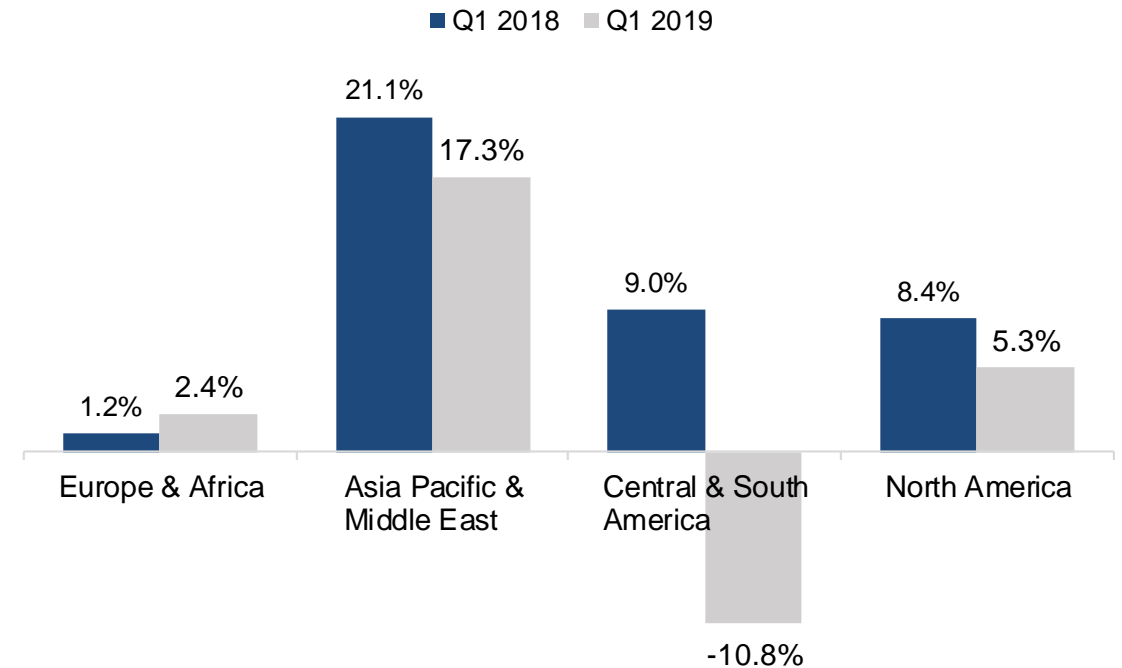
Business overview of Dufry

Dufry AG, from Switzerland, is the world's largest duty-free retailer with over 2,300 shops in 65 countries.

Turnover evaluation
(million RMB, 2013-2018)



Organic growth by division
(Q1 2018 vs Q1 2019)



The combination of organic growth and M&A enabled continuous high growth of Dufry.

With more focus on the strategic development in Asia Pacific, sustained growth can be seen in this region.

Source: The Global Travel Retailer 2019
<https://www.dufry.com/sites/default/files/document/2019-04/Dufry%20Corporate%20Brochure%202019.pdf>

Dufry's digitalization strategy

Use new technologies & innovations to connect with potential consumers.



Dufry aims to be present at every stage of the whole customer Journey. By using digital and technology innovation, it is enabled to improve consumers' shopping experience and provide personal tailored services.

Red by Dufry loyalty program (App launched by Dufry)



- Travel loyalty program combining shopping and travel benefits.
- After one year of membership, average purchase frequency increased 80% and the average spending increased 131%, comparing to the data collected one year before the membership.
- The app successfully increased touch points on multichannel scenarios.

New generation stores – Store digitalization



- Dufry has virtual lipstick testing technology in the store, customers can change the color with a tap of the screen, and the digital screens allow stores to adapt messaging, offers and promotions to different traveler profiles.
- The strategy engages customers during in-store shopping experiences.

Source: <https://www.dufry.com/sites/default/files/document/2019-04/Dufry%20Corporate%20Brochure%202019.pdf>

How Dufry makes duty-free shopping convenient

- In order to stimulate consumption in duty-free shops, Dufry provided special offers to Chinese consumers.
- Dufry brings convenience to Chinese outbound tourists by expanding payment channels to reduce barriers of shopping.

➤ Strategic cooperation with China Merchants Bank (CMB)

Dufry cooperated with CMB to offer special benefits to card owners.

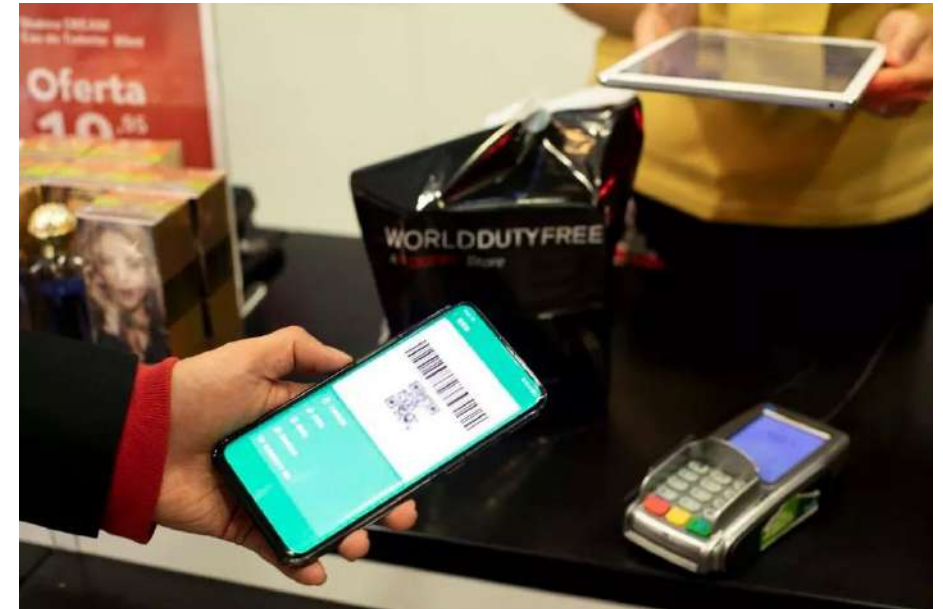


Between December 2016 and June 2017, if you spend at least USD in a single transaction and pay with your CMB Visa credit card, you get an instant 10% discount.

Source: flyertea.com

➤ Allowing WeChat payment

Dufry provided WeChat payment service in the duty-free shop at Madrid-Barajas airport.



Source: Aena airports

Dufry's pre-order service for Chinese consumers

Building connection between online and offline to improve shopping experience.

- Dufry's "reserve & collect" website allows consumers to pre-order duty-free goods online, then pick up and pay for Hong Kong's offline stores. The website had 5,570 visits in November 2019.
- The service adopted Chinese consumers' demands for convenience and preferential price.



Time



Exclusivity



Discount

The pre-order service effectively saves Chinese consumers' time for selecting duty-free goods.

Consumers can easily browse airport exclusives that cannot be purchased on local market.

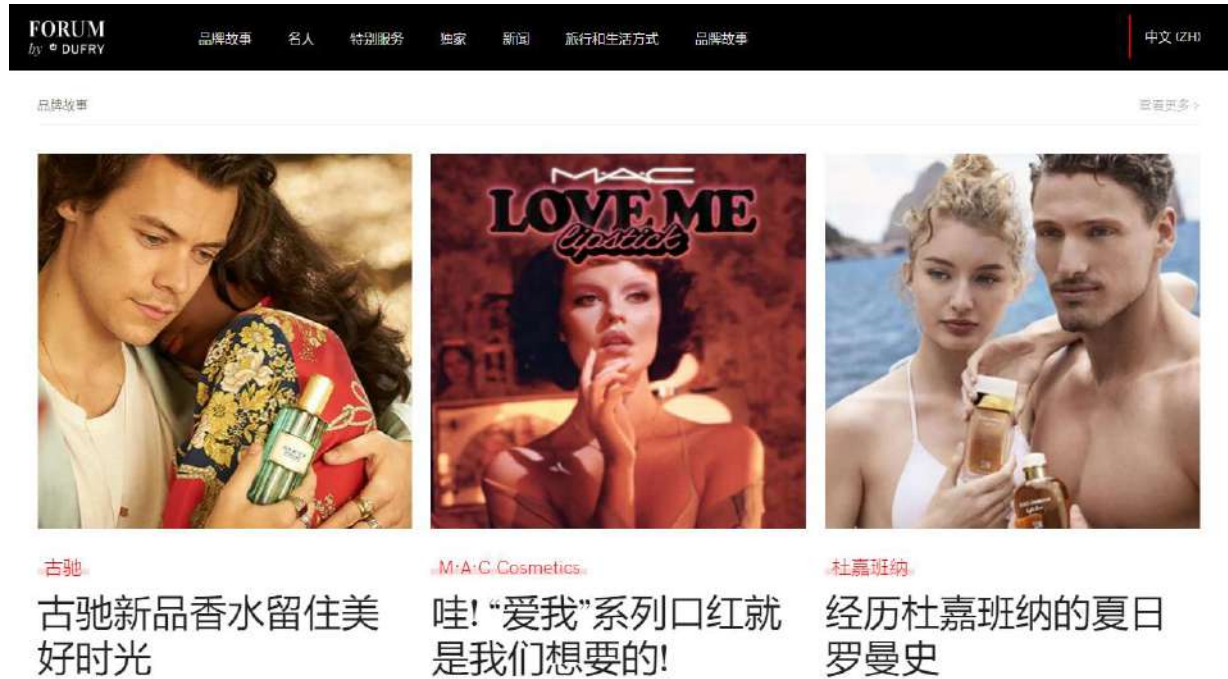
Consumers can have special offers and extra discount benefits at check-out.

Source: SimilarWeb
<https://hongkong.shopdutyfree.com/ch/>



Forum by Dufry: Connecting with potential consumers

The Chinese version of Dufry forum established the connection between Dufry brand and Chinese consumers.



Forum provides info about:

- Brand Stories
- Cool Services
- What's New
- Brand Explorer
- Celebrities
- Exclusives
- Travel & Lifestyle

- The forum has stories from bloggers, influencers and brands in Chinese. For example, they shared articles about how to take care of your skin on the plane with two or three related products. The articles have elements of “beauty”, “youth” and “romance”, they try to deliver the charm of anyone who wants to buy these products.
- Forum by Dufry is an innovative platform with active vitality, targeting a unique audience. It connects famous brands with the platform’s community to provide them with references for shopping. Especially with Chinese consumers keening to adopt various purchasing strategies, it is undoubtedly more competitive.

Source: <https://forum.shopdutyfree.com/zh>

Chinese consumers' discussion about Dufry

Questions on Zhihu

- The most common question about Dufry on Zhihu is a discrimination controversy that took place at the duty-free shops at London Heathrow Airport which angers Chinese consumers.
- Brands should be careful about this kind of sensitive issues since they would have a detrimental effect on sales from the Chinese consumers.

Q:

如何看待伦敦希斯罗（希思罗）机场（LHR）免税店差别对待中国游客？

2月10日，一位博主在微博po文英国伦敦希思罗机场免税店差别对待中国游客，刻意隐瞒优惠信息，甚至将中国游客消费优惠门槛提升到其他国家10倍的价格。



What do you think about the discrimination towards Chinese shoppers at the duty-free shop (World duty-free) at London Heathrow Airport?

A Chinese blogger described the bad treatment he received in the duty-free shop at Heathrow Airport. What are your opinions about this issue?

638K
Views

A:

天！太气愤了！

人肯买，其实这些都正常，但是渐渐的你就会发现他们完全是在把中国人当傻子一样再对待，经常是如果业绩不好的时候，如果对面出现了一群中国人，马上会有外国员工小声跟身边的同事说到：Chinese, Chinese, they are Chinese. 两眼放光。如果对方只是看了一眼没买的话，他们态度马上一百八十度转变开始骂骂咧咧。而且更是会刻意隐瞒各种优惠信息，做到不问不说，问了也不说的态度，还甚至把中国游客消费优惠门槛提升到其他国家10倍的价格。就像上面那篇微博说的一样。当然我上面所说的这些全是在希思罗机场发生的事，并不是英国每一个机场都这样的，就目前来说，我认为盖特威克机场对中国人的态度就远远好过于希思罗。



I'm very angry about it! The staff in this shop treated Chinese consumers like fools. They concealed discount offers intentionally, and even raised the discounts to 10 times more than the price for other countries. But not every airport in the UK does similar things. As I know, the staff at Gatwick Airport treat Chinese consumers much better than those at Heathrow Airport.

1.2K
Likes



Zhihu

Zhihu is the first Q&A website in China, and has transitioned to a social media sharing platform gathering more than 100 million answers on various topics. The platform is especially relevant to reach higher-, well-educated social classes.

Chinese consumers' perception of Dufry

Weibo posts

- Most positive perceptions are about the convenient brought by Dufry's pre-order service.
- Almost all negative comments about Dufry are related to the discrimination issue at Heathrow airport.



Positive

Dufry的购物网站还能看到各种大品牌的新品信息。当然，看上了新品，肯定要入手买买买的呢，可以直接把喜欢的产品添加到购物车，在出国的时候在Dufry直接提货，节省了慢慢选购的时间，即使在机场候机的时间不多，也不用担心没时间买到喜欢的东西了。

Likes: 330

Comments: 113

Shares: 535

- This post described the convenience and time-saving proximity for shopping on Dufry. The author praises Dufry for updating new product info in a timely manner.
- Outbound tourists sometimes do not have much time to spend in the airport, so pre-order can bring them great benefits.



Negative



每日经济新闻

【伦敦希斯罗机场免税店被曝涉嫌歧视中国人 瑞士零售商、机场紧急致歉】2月11日，有自称在伦敦希斯罗机场T2免税店打零工的中国留学生爆料称，Dufry免税店在价格上区别对待中国消费者，要求中国客人必须付1000英镑才能领取优惠券，而外国人只需付79英镑。对此，瑞士零售商、机场紧急致歉。 [展开全文](#)

Likes: 172

Comments: 150

Shares: 77

- This negative post is about how Dufry asked Chinese tourists to spend 10 times price of other countries' tourists to get couponed.
- Although Chinese tourists have strong purchasing power, they still can recognize their positions promptly if it involves the country and discrimination. Large duty-free platforms like Dufry should not discriminate against Chinese consumers.



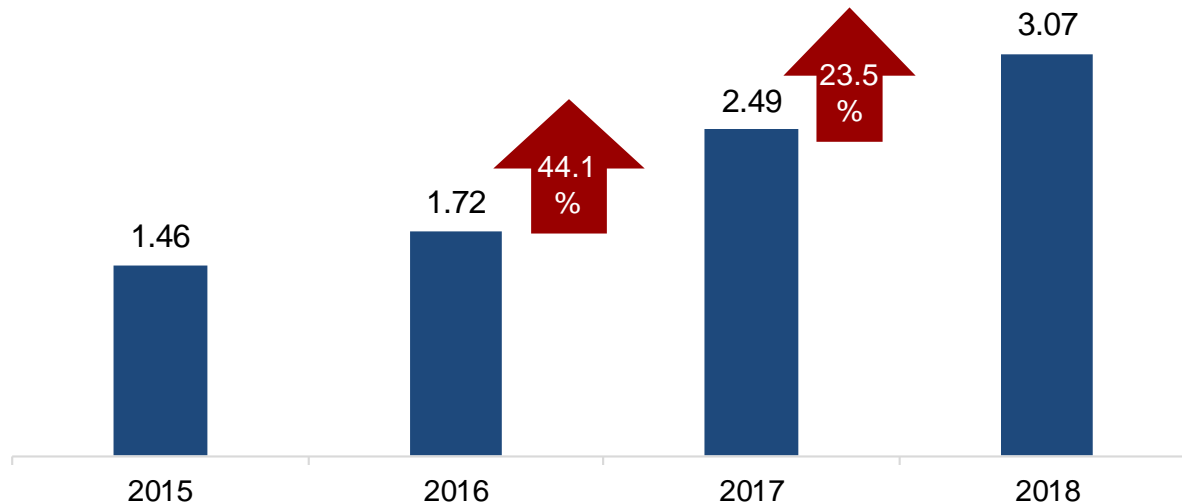
Weibo

Weibo is China's biggest social media network that was launched in 2009. Over the past years, it has transformed from a Chinese equivalent of Twitter to a comprehensive platform.

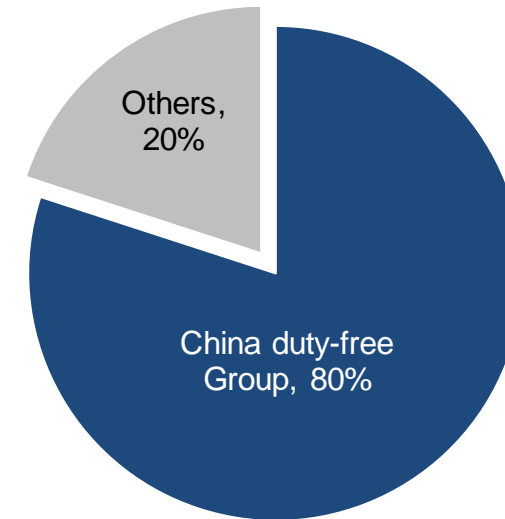
Overview of the China duty-free Group (CDFG)(中国免税集团)

- As a state owned duty-free company, China duty-free Group (CDFG) has realized high-speed development in recent years with powerful support from the Chinese government .
- As a leading duty-free company in China, the growth of the CDFG can represent the raising Chinese duty-free market. The company has started to step into the global market, although it focuses on China's domestic market.

Net profit belongs to parent company owner
(in RMB billion, 2015-2018)



Estimated market share of China domestic duty-free market
(2018)

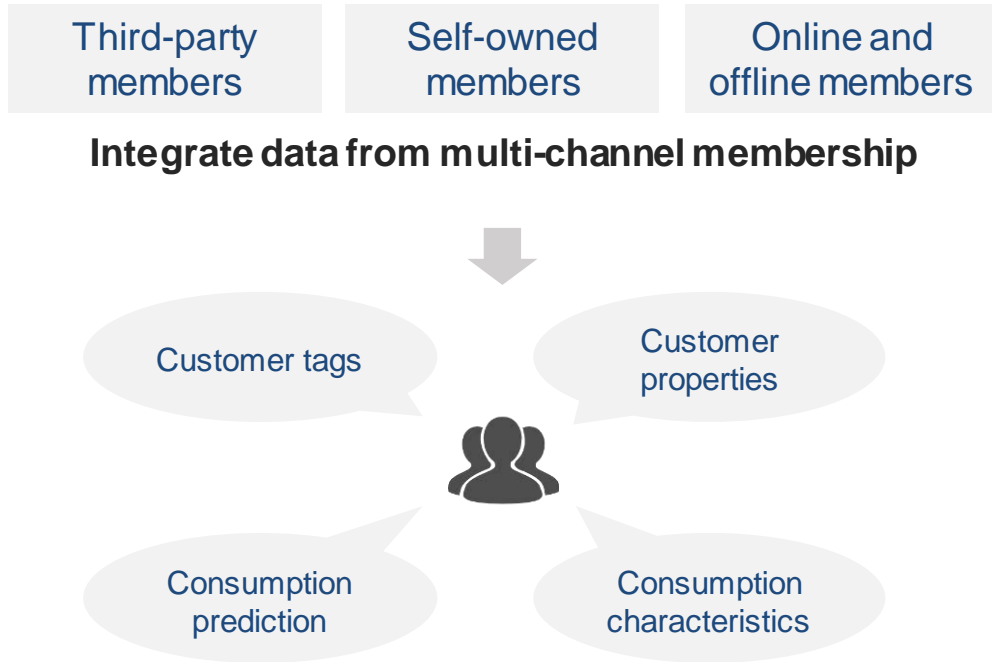


Source: <http://www.citigroup.net/Invest/Regular.asp?flag=2&key1=&key2=>
<http://www.chyxx.com/industry/201909/780148.html>

CDFG's new travel retail strategy

Utilize digital technology to enhance connection with consumers.

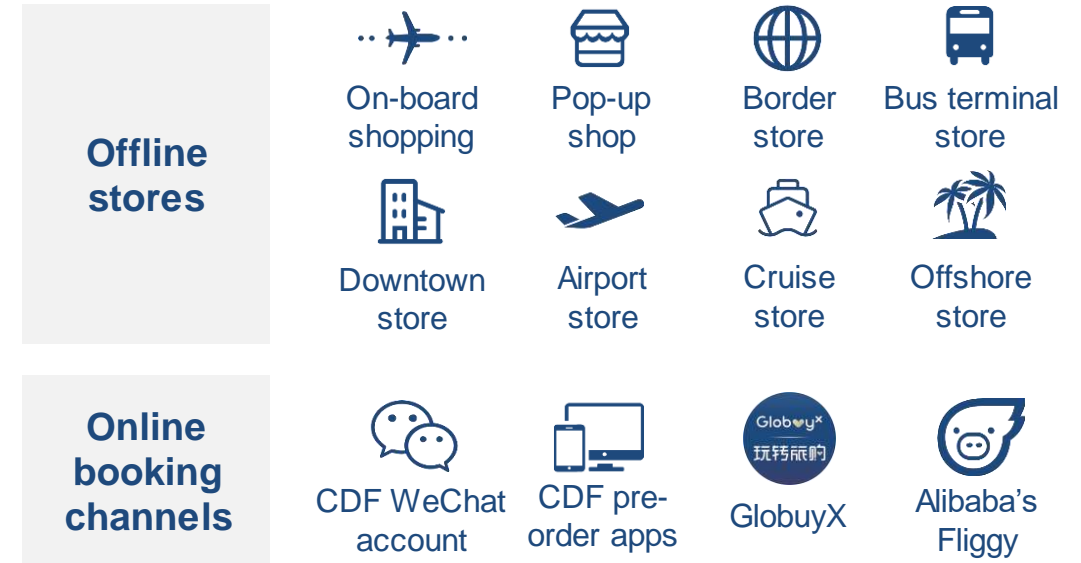
Membership big data platform



Create consumer persona

- In 2018, CDFG built a membership big data platform that helped the company have better understanding on their customers.
- Then, personalized service can be offered to ensure better shopping experience.

Develop in Omni-scenarios



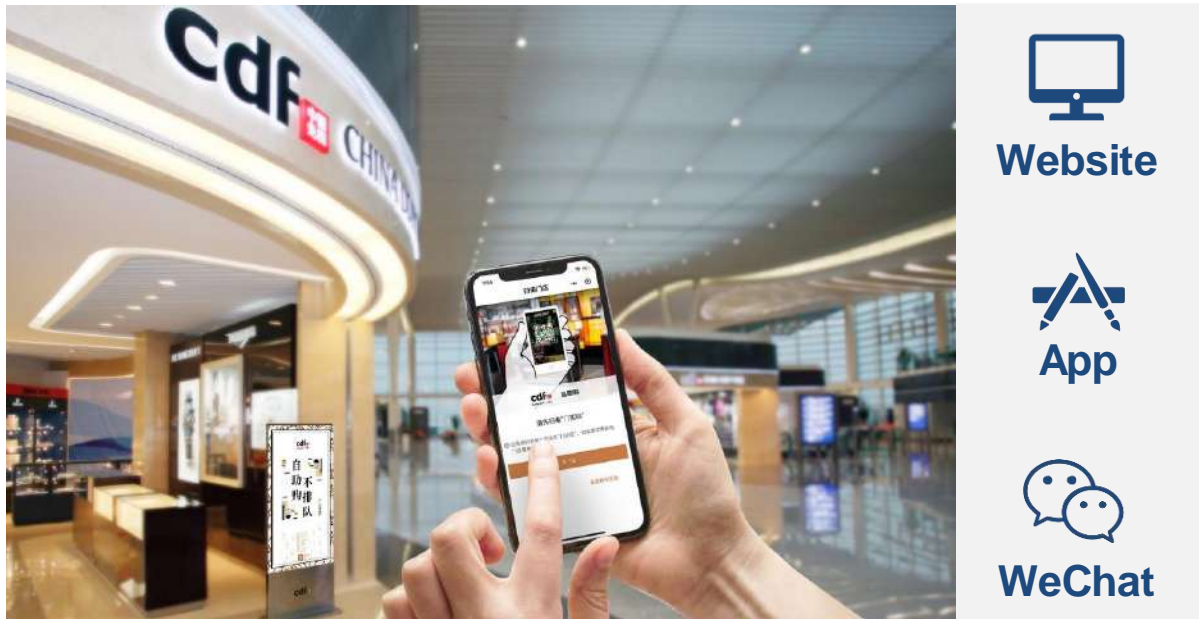
By applying new retail concepts on travel retail and duty-free shops, CDFG can integrate offline and online scenarios to ensure presence at all consumer touch points.

Source: <https://www.tfa.com/sites/tfa.com/files/2019-03/Charles%20Chen%20Eng.pdf>

CDFG's online shopping scenarios

- The online reservation platform enables more engagement in both offline and online shopping scenarios by offering novelty interaction methods.
- Multi-channel presence makes the CDFG easily keep in touch with their consumers and provides great convenience to buyers as well.

Reservation available on both PC and mobile



- The reservation service is enabled with WeChat account, mini-program, mobile APP, mobile WAP site and PC site. It allows consumers to buy their goods any time, any where. It effectively enhances the shopping experience by reducing inconvenience.
- In-store shopping experience has also improved. CDFG provides holistic services, such as airport limousine service, VIP lounge, personalized travel planning and priority check out service.

Source: <http://www.CDFG.com.cn/govnews/10203.html>
<https://trinityforum.events/wp-content/uploads/2018/11/Charles-Speech-CDFG-TrinityForum2018.pdf>

CDFG's strategic cooperation with Alibaba



- In November 2018, CDFG officially built strategic partnership with Alibaba Group to expand the retail market in China.
- The cooperation focuses on areas including e-commerce, big data and logistics, aiming at establishing a new tourism ecosystem.
- The partnership allowed CDFG to use Alibaba's digital tools and e-commerce platforms to optimize offline duty-free shopping and improve its logistic efficiency.

Offline & online integration



Fliggy 飞猪

An online travel agent platform owned by Alibaba.



Alipay 支付宝

A third-party mobile and online payment platform.

Cooperation intent

- According to the agreement, consumers can use Alipay in CDFG's offline duty-free stores.
- As one of the merchants on 'Fliggy buy' (the global shopping channel on Fliggy), CDFG can provide its products and content to attract Chinese consumers.

Purpose

- Fliggy can help CDFG reach more tourists in China.
- Powerful support from Alibaba group ensure CDFG better performance on digitalization and have access to more consumers' information.

Logistics network



Cainiao logistics 菜鸟物流

A global parcel tracking platform of Alibaba Group

Cooperation intent

- Both sides work together to explore opportunities on supply chain in China and other countries.

Purpose

- Cainiao can help CDFG to realize wider logistics network cover.
- Improve logistics and apply digital technology on supply chain management.

Source: <http://www.CDFG.com.cn/govnews/10202.html>

CDFG's social media strategy

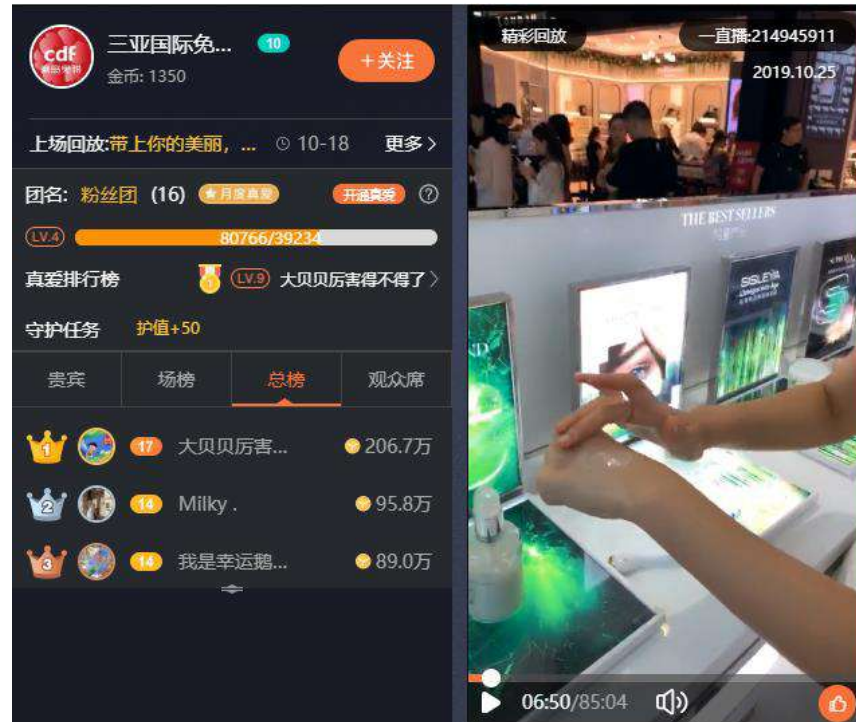
Use social media and live-stream to improve brand awareness and consumer engagement.



CDFG's Weibo post about Sanya Duty-free Night (三亚免税之夜) event



- Almost 3,000 shares and 1,500 comments on this post.
- This post attracted the attention of Chinese consumers by leveraging the power of several well-known fashion and cosmetics KOLs who participated the event, such as @bags包先生



CDFG's live-stream promotion about its Sanya duty-free shops on Weibo.

3.67 million Views

- In addition to KOL collaborations, CDFG also leveraged live-stream promotions.
- The live-stream focused on skincare and cosmetics demonstrations. Also, it picked some popular brands to introduce price, size, discount, etc. by interviewing salespeople. Many Chinese consumers favor this kind of videos that share in-store experience.
- Audience members who share the video can have a chance by lucky draw to receive Guerlain's perfume for free. This attracted much attention from Chinese customers and received 3.67 million views on social media.

Chinese consumers' discussion about CDFG

Questions on Zhihu

- Most questions about CDFG on Zhihu are related to the Sunrise duty-free shop and Sanya downtown duty-free shop. This shows that they are very popular domestic duty-free shops among Chinese consumers.
- Many questions centered around products' quality, price, and the convenience of shopping.

Q: 在日上免税店有哪些好用的性价比高的化妆品可以买?

Is there any recommendation on high quality cosmetics with reasonable price which are available in Sunrise duty-free store?

A: 我之前去过几次上海的日上免税店，价格的话，确实有优势。一些欧美的品牌，比如雅诗兰黛，科颜氏、兰蔻、YSL等等，都和国外买差不多的，比国内专柜便宜很多的。

I've been to the Sunrise duty-free shop in Shanghai, it does have advantage on price. For some brands from the west, they cost the same as in overseas market.

三亚机场免税店淡季提货时间快吗?

How long will it take to pick-up in duty-free shop at Sanya airport during the slow season?

我前天提的货，免税店机场的提货柜台基本上没有人排队

I picked the goods few days ago, there was almost nobody in line at checkout.



Zhihu

Zhihu is the first Q&A website in China, and has transitioned to a social media sharing platform gathering more than 100 million answers on various topics. The platform is especially relevant to reach higher-, well-educated social classes.

Chinese consumers' perception of CDFG

Weibo posts

- Most positive perceptions are about the competitive price and various coupons offered by CDFG shops.
- Many consumers complained about receiving poor service in the store.



Positive

一支口红就能和所谓便宜的国外专柜差出好几十块钱啊！（后续再加一些价格对比）好了，我的哀嚎到此为止，希望你们不要走我的老路，好好研究图里的打骨折商品好吗，毕竟这些大概是全球最低了啊！
And我还要提一嘴，东西便宜也就算了，他们国庆节还准备搞一大波优惠活动：光是新人注册会员就能得一张单笔满500立减50优惠券，这等于一上来就打了9折啊朋友们！！你以为优惠就只有这个了？不！这次积分还能当钱花！2000积分直接能在买满2000块的时候当100块抵扣呢！😁

Likes : 1,171

Comments : 756

Shares : 788

- This netizen says the low price in CDFG surprised her and recommended shopping in CDGF stores.
- Posts that shared positive shopping experiences received additional positive attention. It is certain that CDGF has captured Chinese consumers' yearning for coupons.



Negative

巧克力竹的羊

我觉得几点：1、三亚免税店品牌、品种真心少；2、规模小；3、服务员服务差；4、娇韵诗的爽肤水包装差，太简单了！反正我也不懂化妆品，也不知道有没有被忽悠！我的个人总结是以后凡是哪家店的服务员摆黑脸，不耐烦的就不要在她那买东西，走人！有钱还怕没地方花吗！

2013年01月20日 17:14 来自 iPhone客户端

Likes : 2

Comments : 6

Shares : 2

- This review described a consumer's poor shopping experience in CDFG's duty-free shop in Sanya, mainly focused on less brands, bad services and poor packing.
- These kinds of posts and comments are very rare, which means negative experiences do not happen that often in CDFG's shops.



Weibo

Weibo is China's biggest social media network that was launched in 2009. Over the past years, it has transformed from a Chinese equivalent of Twitter to a comprehensive platform.

The upgraded strategies of duty-free retailers



Turning to digital technology

As in the case with many other industries, digitalization offers great opportunity to the duty-free and travel retail industry. It is a key element in major travel retailers' current business strategy.

For duty-free retailers, digital technologies are tools that can:

- Build a travel retail ecosystem. By working closely with brands, airports, airlines, etc., data can be integrated to obtain a complete view of the customer journey and buying behaviors. Therefore, duty-free shops and travel retailers are enabled to provide superior customer experience and establish loyalty programs.
- Ensure an omni-channel presence in the whole customer journey. By integrating online and offline channels, travel retailers are able to further increase personalized communication with customers at home, during their whole journey, and when they are at the airport.



Attracting Chinese buyers

- The key dynamic is rising of the Chinese traveling shoppers. They usually learn duty-free products from shopping related content and other people's comments on Chinese social media platforms.
- Understanding and adapting to the needs of Chinese tourists is critical. Chinese consumers have different shopping habits from other countries' tourists. Duty-free retailers should have content and promotion activities that precisely target different types of Chinese consumers.

Source: https://www.wavestone.com/app/uploads/2017/01/Wavestone_CGS_TravelRetail_EN.pdf; <https://www.luxury-highlights.com/article/travel-retail-in-21st-century-chinese-millennials-digital/>

05

Key Takeaways

Key Takeaways

I.

China's travelers are increasingly sophisticated

The Chinese millennials (born in the 80s and 90s) are sophisticated, price sensitive, and usually search on social media and travel websites before tourism and purchase. They seek high value, unique and exclusive products during their trips.

II.

Experience is as important as price

Chinese overseas travelers value unique experiences. Innovative store design, engaging customer service, targeting emotional connections and flexible payment methods can bring better shopping experience to Chinese duty-free consumers.

III.

Reach consumers ahead of time and optimize convenience

Most Chinese tourists plan their duty-free purchases ahead of time. Brands and duty-free shops promote products by allowing pre-ordering, remote fulfillment and mobile payments to help Chinese consumers move purchases from being impulse to planned, and reduce 'inconvenience' as a barrier of shopping.

IV.

Attracting Chinese consumers by exclusive deals

Many Chinese tourists want to buy products they cannot find in China. Duty-free stores can drive demand by having a greater array of limited-edition products, value packs, and duty-free exclusives.



WeChat



An overall travel retail platform for Chinese outbound tourists

To get the most popular and updated duty free news



Contact us
biz@tripurx.com



WeChat



To get weekly China market insights, follow our WeChat account



LinkedIn

<https://www.linkedin.com/company/daxue-consulting>



Newsletter

<https://daxueconsulting.com/newsletter-2/>