

China Travel Retail: Growth opportunities and changing demands

Four hundred delegates attended the first day of TFWA's fourth China's Century Conference held at the Grand Hyatt in Sanya Haitang Bay.



The conference was opened by TFWA President, Alain Maingraud (pictured above), who paid tribute to his predecessor Erik Juul-Mortensen for his 19 years at the helm of TFWA, and his never ending enthusiasm for championing the interests of the 500 plus member companies.

The overriding theme of the conference was the growth in the Chinese market not just through an increase in travelers but also in innovation. Maingraud mentioned that the number of patent applications in China in 2017 accounted for over 40% of applications worldwide and at 1.83 million was more than twice its nearest competitor, the USA. While the growth of GDP of China may have slowed it is still growing from a larger base. To accommodate its travelers, China needs staggering 216 new airports by 2035. Furthermore, Andrew Ford, President APTRA (pictured below), commented that Chinese travelers will spend almost double other nationalities and that increasingly they are visiting areas outside of Asia Pacific.



Two representatives from the official co-host, Hainan Department of Commerce and Finance, Lei Yao, Deputy Director of Department of Commerce (pictured below) and Huiping Wang, Director, Hainan Department of Finance (pictured second pic below) both spoke of the explosive growth of duty free retail in Hainan, the prototype for China's duty free policies since 2011. Already the four duty free stores established on the island and two further duty free stores will open in November.





Charles Chen, President (below) of the country's leading travel retailer, China Duty Free Group, commented that the outbound travel market is maintaining a high growth with 150 million outbound tourists in 2018, but that the Chinese are now spending more money on experiences and not just shopping. The challenge for duty free companies is to offer more targeted and personalized services to the changing customer demand and improve the penetration rate. He spoke of the rapid growth in his company as it celebrated its 40th anniversary. As the largest travel retailer in China, the company continues to expand its downtown network with store openings in places such as Hong Kong, Macau and Beijing. He warned retailers about becoming reliant on diagou shoppers for sales and counseled retailers to look at better ways of targeting customers.



Two regional airport operators discussed their impressive growth plans. Hangzhou International Airport, Deputy General Manager David Jes, told delegates that airport duty free spending at his airport is ranked fourth in China. A new terminal 4 is in its final stages of construction to be ready for 2022 Asian games and when completed will catapult Hangzhou Airport into the second largest hub in China with a total retail space of 44,352 square meters.

Heinrich Gabel, Deputy General Manager, COO, CCO, Xi'an Xianyan Airport, discussed the expansion plans at his airport. By 2023 it will have an extra three runways and more leisure, retail and entertainment areas with a focus on state of the art technology to reduce passenger stress. And if this wasn't enough, a fifth terminal is in the pipeline albeit a long time off!

Understanding the changing tastes of the Chinese consumer was another hot topic of the conference with Kevin Guo (pictured below), General Manager of online travel agency CTrip, highlighting the online connectivity of the millennial traveler who likes to share experiences, while Stephanie Yu (pictured below in second image), International Business Development Director, WeChat Pay, talked to the growth of the online platform and its importance to traveling Chinese shoppers.





The afternoon speakers, Research Director, Stephen Hillam of NPD Travel Retail; Cartier International Travel Retail Director, Cécile Naour; Mirko Wang (pictured below), Mirko Wang (pictured below in second image) CEO of shopping comparison app Jessica's Secret; and Robert Lee, (pictured below in third images) Chairman of China National Service Corporation (CNSC) all expanded on the importance of the younger Chinese shopper, their changing buying habits and their reliance on online channels when deciding on duty free purchases. Lee added that it is important to diversify to satisfy the new demand of the younger generation who seek a wider range of products.



