

TFWA China Reborn webinar brings positivity and optimism

Along with valuable information relevant to their business, listeners to TFWA's China Reborn webinar will get three things: a sense that the travel retail world will indeed recover from this pandemic, an understanding of the channel's ever-growing focus on the country and its traveling citizens, and excitement about the possibilities that abound both within China and outside its borders.

The online event began with a sobering introduction by host TFWA Managing Director John Rimmer and then TFWA President Alain Maingreud. It is true that 2020 has been devastating for many around the world. As Rimmer pointed out, hundreds of thousands have lost their lives, and many times that have lost their livelihoods. In our industry there are certainly many who lost both livelihoods and businesses.

After a banner year virtually across the board in 2019, all industry projections have been given a swift kick downwards, with US-based Boeing, which tends to be "more optimistic" than European counterpart Airbus, stating it will likely be at least five years before things get back on the previous trajectory, according to Maingreud.

But amidst all this doom and gloom — which is far from unreasonable — lies an ever-brightening light, and that is China.

Hainan super-recovery

Beginning with the way the country took control of the spread of the virus, China has been a series of success stories. Understanding the importance of travel and shopping to the Chinese people and also to the economy, the Chinese government created a new duty free policy regarding popular domestic tourist destination, Hainan, allowing for more categories such as alcohol and electronics, and also tripling the shopping allowance to a whopping US\$14,000 per person.

In the four months leading up to October 31st of this year there were over 1.7 million shopping transactions in Hainan, with US\$1.81 billion in sales. This is close to 60% higher than in 2019. This helped to make China Duty Free Group, the main travel retailer in the country, the top global retailer for H1 of 2020.

The CDF mall in Hainan has become the location for high-profile live and digitally interactive events with brands such as Ray Ban and Shiseido. As China Duty Free has done so well, Maingreud suggests it is imperative that retailers create a more engaging and exciting environment: "We must adapt, not refresh."

It is for these and more reasons that TFWA's Asia Pacific Conference and Trade Show will take place next year in Hainan as opposed to Singapore. The event will have a strong digital presence in addition to taking place live, because it will likely still be difficult for many people to travel. Additionally, the event has been created to be adaptable for any situation.

Chinese love luxury

A huge part of the success was due to the leadership at CDFG, including the company's President Charles Chen, who has been with CDFG for over 30 years.

Chen says the company's business development is based on two words: "Innovation" and "cooperation." This has been demonstrated by CDFG's very popular livestream events and interactive digital presence, and by how the company leveraged its relationships to create events such as "Watches and Wonders."

But Chen also notes that the Chinese have great enthusiasm for luxury shopping. In 2019, Chinese nationals purchased 40% of luxury goods sold globally, and that number is expected to climb to 50% by 2025. He shared photos and videos of sizable lineups of shoppers waiting to get into CDFG stores.

During questions from listeners, Chen stated that "the Chinese market is big enough to share." He said the market is not a competition, and he is "always open to new licence operators." During an interview at the recent Virtual Travel Retail Expo, Chen implied he was also open to partnerships.

The human model

Lagardère CEO North Asia, Eudes Fabre, also says "the cake is large, and growing." He says there is plenty of room to expand and create value for everyone.

Fabre found the return of air travel in the country "breathtaking." Some of the company's locations barely even saw a drop in traffic, though this is truer of the bigger airports. He adds that some of Lagardère's locations are already outperforming 2019. He expects there will be some localized dampening but in general there continues to be rapid recovery and a great appetite for shopping.

As with virtually everyone in the industry these days, Fabre agrees that digital growth is essential, and that this has been a bit of a watershed moment in the industry in that regard. But he says the digital evolution's place is as part of the human model of retail, not to replace it. He calls his philosophy "people-powered ecommerce." The personal connection is imperative, as is customer engagement.

Throughout the pandemic, people have needed a different model because they could not shop the usual way. Fabre gives great credit to his team for their innovation during February and March, leveraging their two-million-strong database through social media and livestream events, in addition to logistical and delivery changes. As China first and then the rest of the world move out of the pandemic, there are certain aspects of these innovations that will continue because shoppers now expect them, or just because they work well.

But Fabre says while China is undoubtedly a land of opportunity, especially for luxury brands, getting in is not easy. He says quality and image building are all important. As for travel retail, he says focus on the shopper experience to bring in new customers, otherwise you're just cannibalizing other channels.

Millions of touchpoints

Angel Zhao, who serves two major roles as President of Alibaba Global Business Group and Vice President of Alibaba Group, reiterated the value of the Chinese national as a luxury goods shopper.

Zhao's presentation showed how easy it can be to reach shoppers all the way through their journey. She says there is a digital transformation taking place in travel retail; when Alipay began growing into travel retail three years ago the channel had little digital depth; while the focus has been turning more and more in that direction, this year has brought the focus far more to the online shopping world.

Zhao says the most important thing is to reach the shopper as early as possible, and according to her,

partnering with Alipay makes this simple. Starting with booking a ticket, Zhao shows us a dozen touchpoints where the traveler can be reached throughout his or her entire journey.

Because the system makes every transaction easy and because Alipay offers so many possibilities for its membership depending on which tier the member has chosen, partners have access to millions of people on multiple occasions.