

# Outlook for demand – selected data

Selected analysis from OC&C consumer surveys

Heathrow

November 2021



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**Channel shifts (from RPI)**

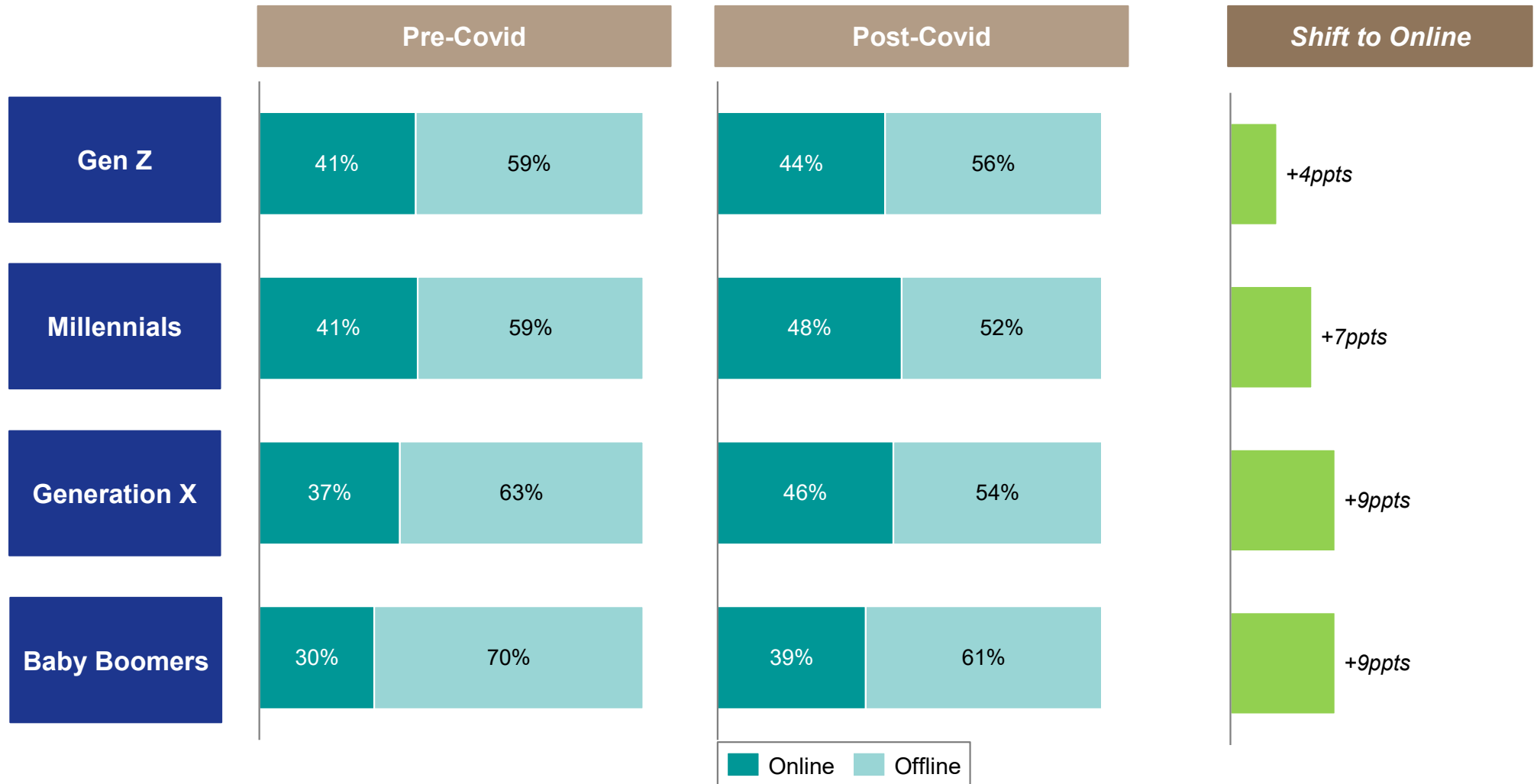
2

Impact of regional shifts in China on global luxury shopping



# There has been a generational shift online during Covid which will stick more with older generations, younger generations expect to return closer to the pre-Covid norm

Stated Spend Mix (Online v Offline) by Generation<sup>1</sup>



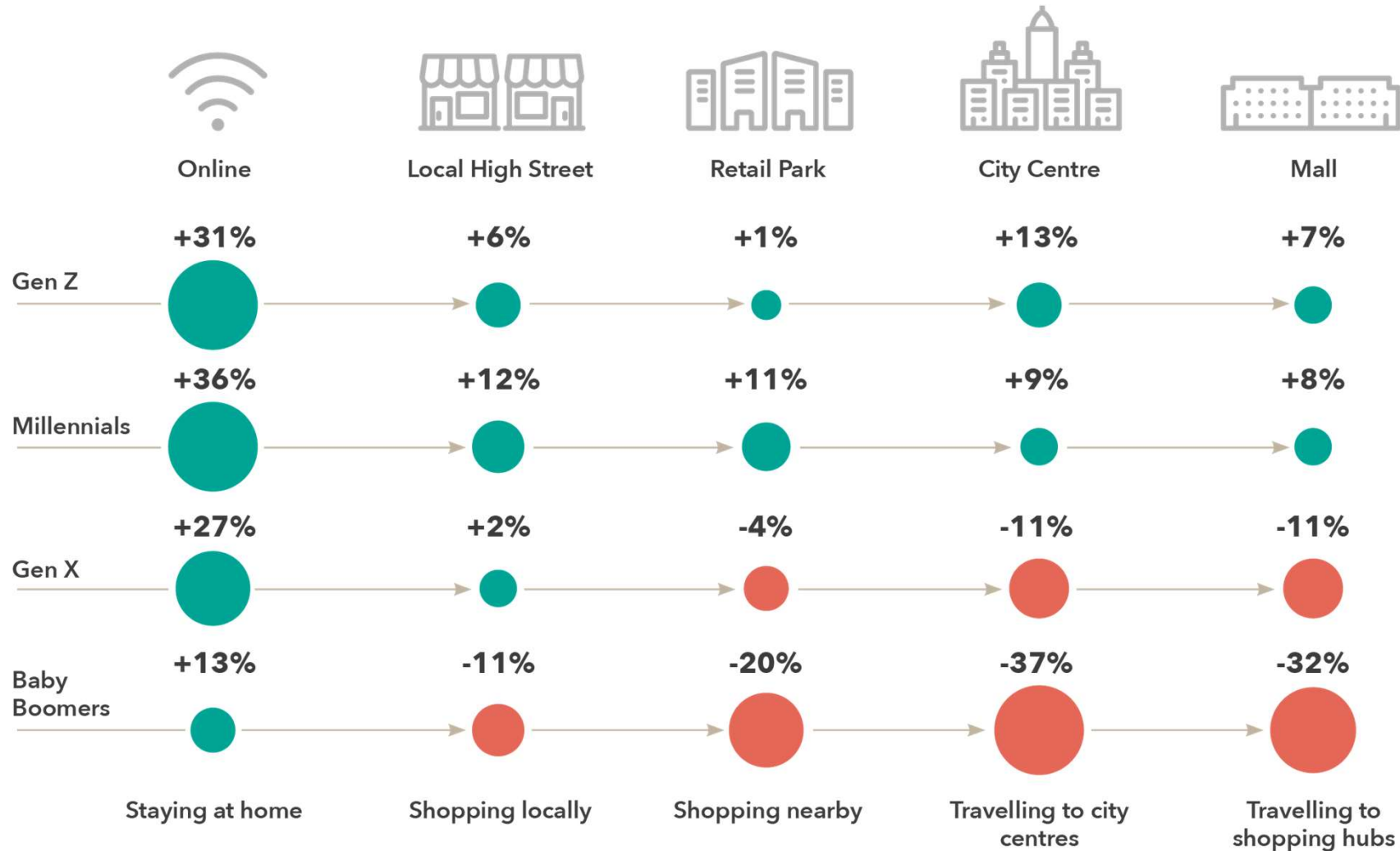
Source: OC&C Retail Proposition Index 2021, OC&C analysis





# As this digital shift takes hold, Boomers and Gen X much more likely to stay home; Gen Z and Millennials expect to come out to play

Expectations In Spending in 2022 vs Pre Covid by Channel<sup>1</sup> (Difference, Spend More – Spend Less, %pts)



1. Looking forward to 2022 and thinking about your shopping behaviour in the future, where do you sit on these sliding scales?

Source: OC&C Retail Proposition Index 2021, OC&C analysis







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1

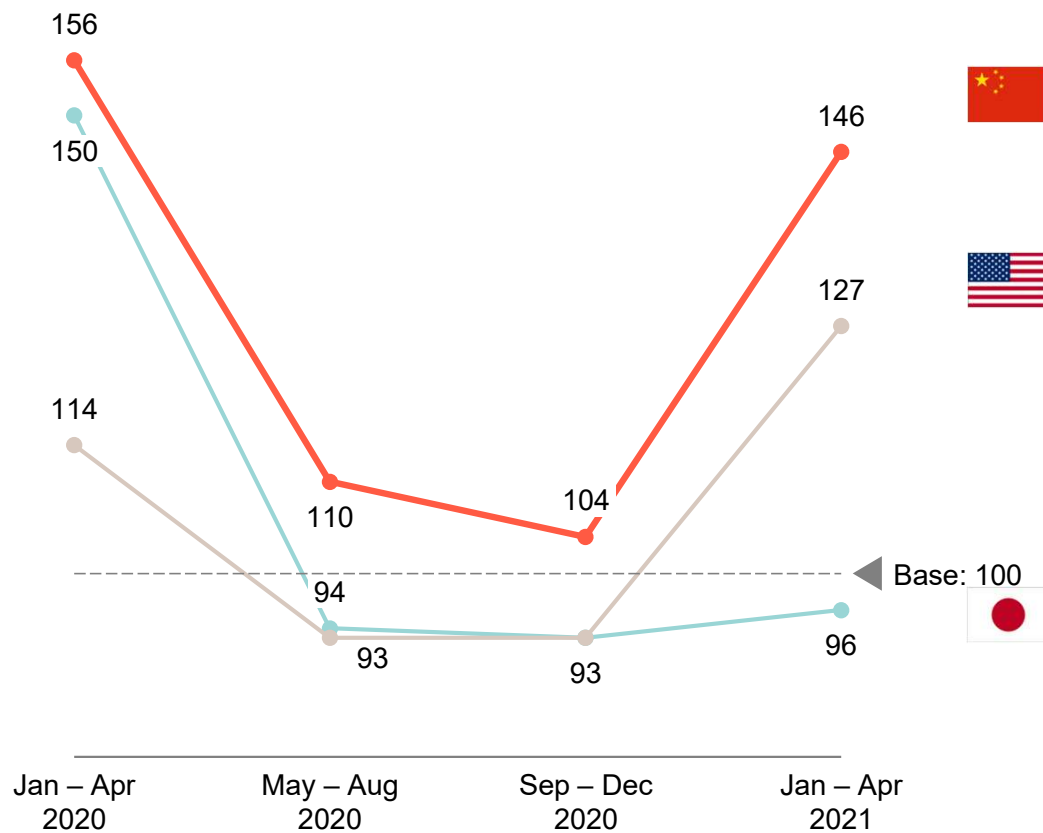
Channel shifts (from RPI)

2

**Impact of regional shifts in China on global luxury shopping**

# There is pent up demand for international travel among Chinese consumers, retail therapy in luxury shopping destinations is on the cards

Willingness for Outbound Travel post COVID by Country<sup>1,2</sup>  
Jan 2020 – Apr 2021



International Destination Preference Post COVID

Category	Example Cities	Trajectory
Nearby Getaways	Hong Kong SAR	↓
	Macau SAR	
	Singapore	
Long Haul Luxury Shopping Destinations	London	↑
	Paris	
	Milan	
Beach & Nature Destinations	Bali	→
	Queenstown	
	Honolulu	
Exotic Destinations	Hanoi	↓
	Siem Reap	
	Cairo	

1. The "Travel Barometer" reflects the dominant sentiment expressed by a market. Base 100, 2015.

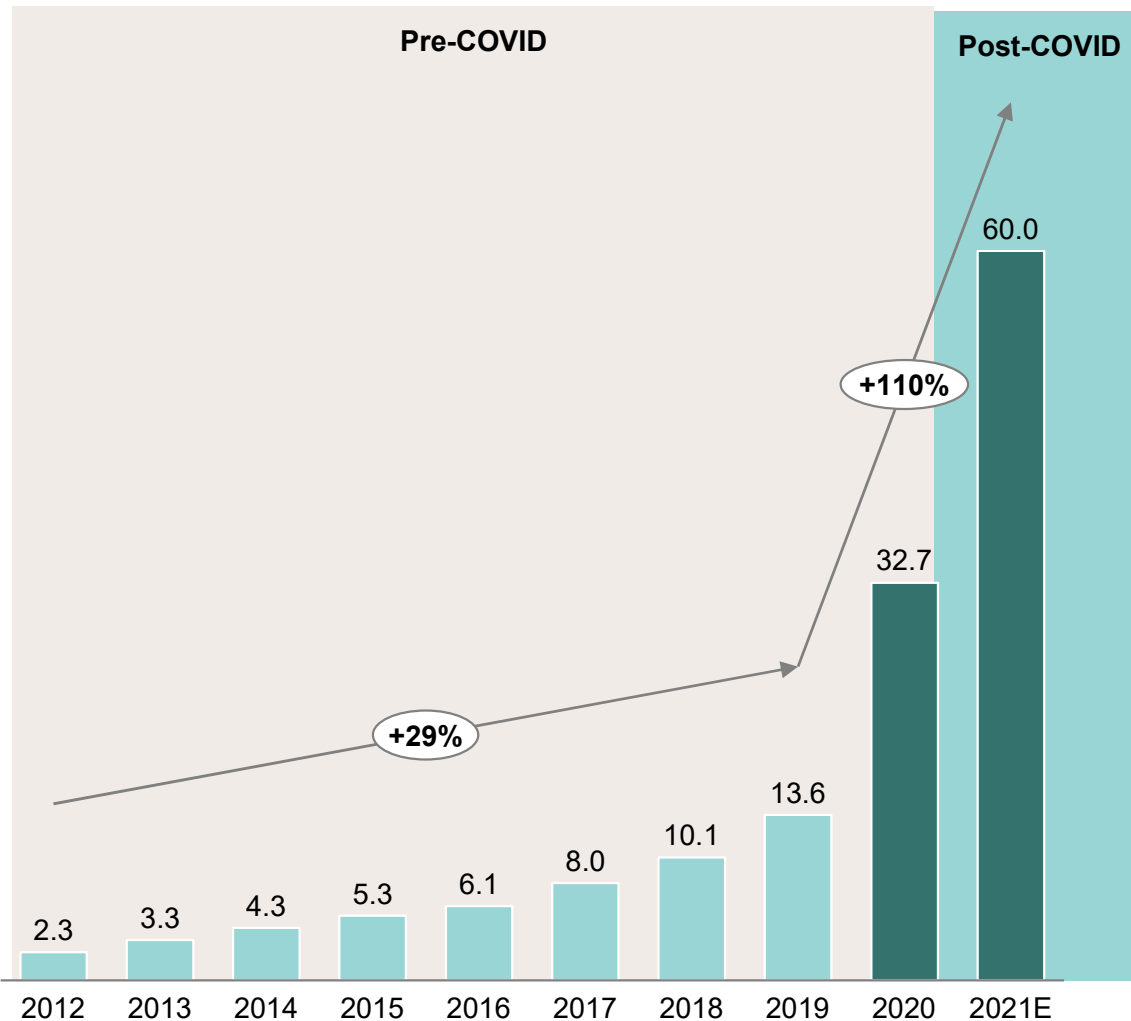
2. The index is tied to a base of 100; values above 100 indicate net positive attitude towards outbound travel while values below 100 indicate net negative attitude

Source: European Travel Commission, Dragon Trail, Desktop research, OC&C analysis



# In the longer run, part of the demand for travel and shopping will gravitate to domestic destinations – Hainan has already seen explosive growth

Hainan Duty Free Market Size  
Bn RMB, CAGR %, 2012-2021E



Hainan has seen exponential growth in duty free sales in 2021...

**248%** YoY duty free sales during 2021 Labour Day Holiday (RMB c.993mn)

**c.80%** growth in the number of luxury brands in Hainan in the past 6 years

...moreover, the overall Hainan tourism market has outpaced pre-COVID level

**43%** total traveller growth during 2021 Labour Day Holiday compared to 2019 (c.3m travellers)

**73%** increase in tourism revenue during 2021 Labour Day Holiday compared to 2019 (RMB c.4.1bn)

Source: TF Securities, People.cn, Desktop research, OC&C analysis



# ...and players across the tourism industry have been looking to expand presence in the market post COVID

## New Entrants into Hainan post COVID

Non-Exhaustive

### Travel Retail Operators

**1** *From 2020 to early 2021, we have seen major domestic travel retail retailers entering Hainan...*

- Being the single operator previously, the Hainan duty free market has historically been dominated by CDFG

**2** *...with international players also looking to tap into the market*

- However, with the entry of other domestic travel retail giants such as CNSC – competition is expected to intensify particularly in Haikou
- International operators have partnered with domestic groups to capitalise on continuing demand esp. given operations in the rest of the world have suffered
- As a result, by the end of 2021, Hainan is expected to have 10 duty free complexes








### Luxury Groups

**1** *Luxury groups are introducing new brands in China via Hainan...*

- New brands are entering China through Hainan's travel retail channels, e.g.
  - L'Oreal will introduce Valentino Beauty in '21 exclusively in Hainan
  - Shiseido's THE GINZA is also to be sold outside of Japan for the first time

**2** *...while major luxury groups are expanding its presence in Hainan*

- Luxury groups launch new product line and stores to strengthen presence:
  - Martell opened its first ever travel retail boutique in Hainan
  - Kering partnered with CDFG to launch 'Blue & Beyond' product line








### Hotel Groups


**1** *Apart from retailers, Hainan has also become a launchpad for luxury hotels looking to make a debut in China...*

- US eco-luxe hotel brand 1Hotels has opened its first resort in Asia at Haitang Bay – which offers vast green space and natural farm for eco-conscious luxury travellers

**2** *...while major hotel groups also bring in familiar faces*

- Fairmont has launched its first flagship resort in Greater China in 2020 – situating 8-minute away from duty free shopping complex and other natural attractions





# This will likely result in Chinese consumers allocating a good proportion of their historically international luxury spend to Hainan

## Evolving Chinese Traveller Shopping Preferences

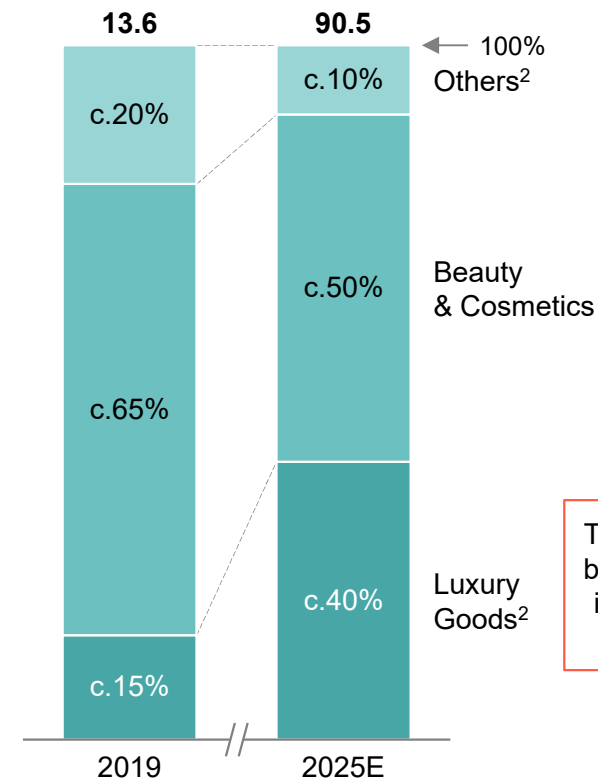
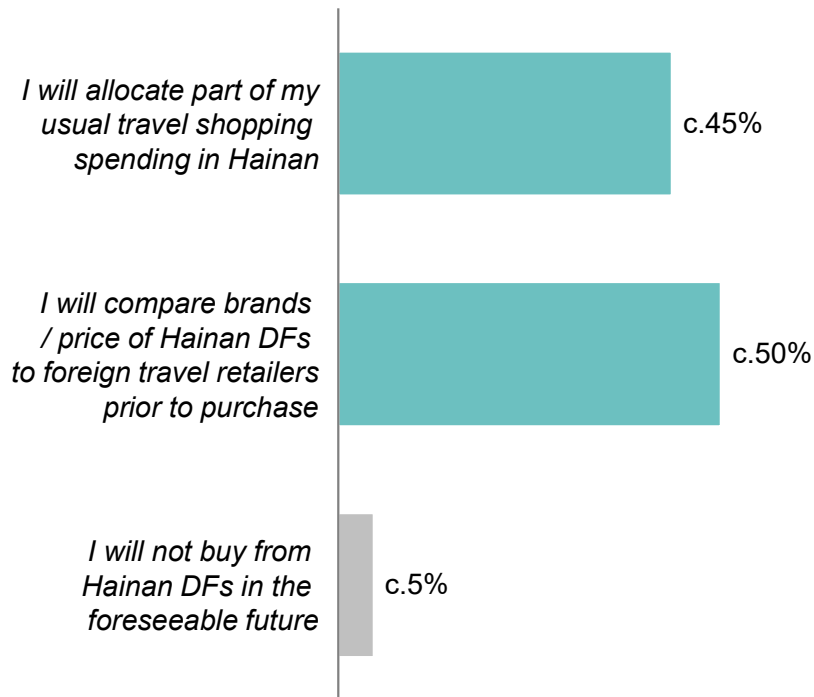
Indicative

*With the emergence of the Hainan market, Chinese consumers' preference to purchase overseas is likely to evolve...*

*...in particular, luxury goods sales is projected to see strong growth in a market that is historically dominated by beauty*

Impact of Hainan Duty Free on Post COVID Shopping Budget<sup>1</sup>  
n=161, Mid 2021

Hainan Duty Free Sales by Category  
Bn RMB, %, 2019-25E



The number of luxury brands in Hainan has increased by c.80% in the past 6 years

1. 'Will Hainan duty free stores affect your outbound travel shopping spend in the next 3 years?'

2. Luxury Goods refers to luxury fashion & accessories, as well as watches & jewellery; while others refers to for example consumer electronics, tobacco, etc.

Source: OC&C experience, UBS, Bernstein Research, OC&C analysis



「 Thank you! 」



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