



Outlook for demand – selected data

Selected analysis from OC&C consumer surveys

Heathrow

November 2021



OC&C
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Channel shifts (from RPI)

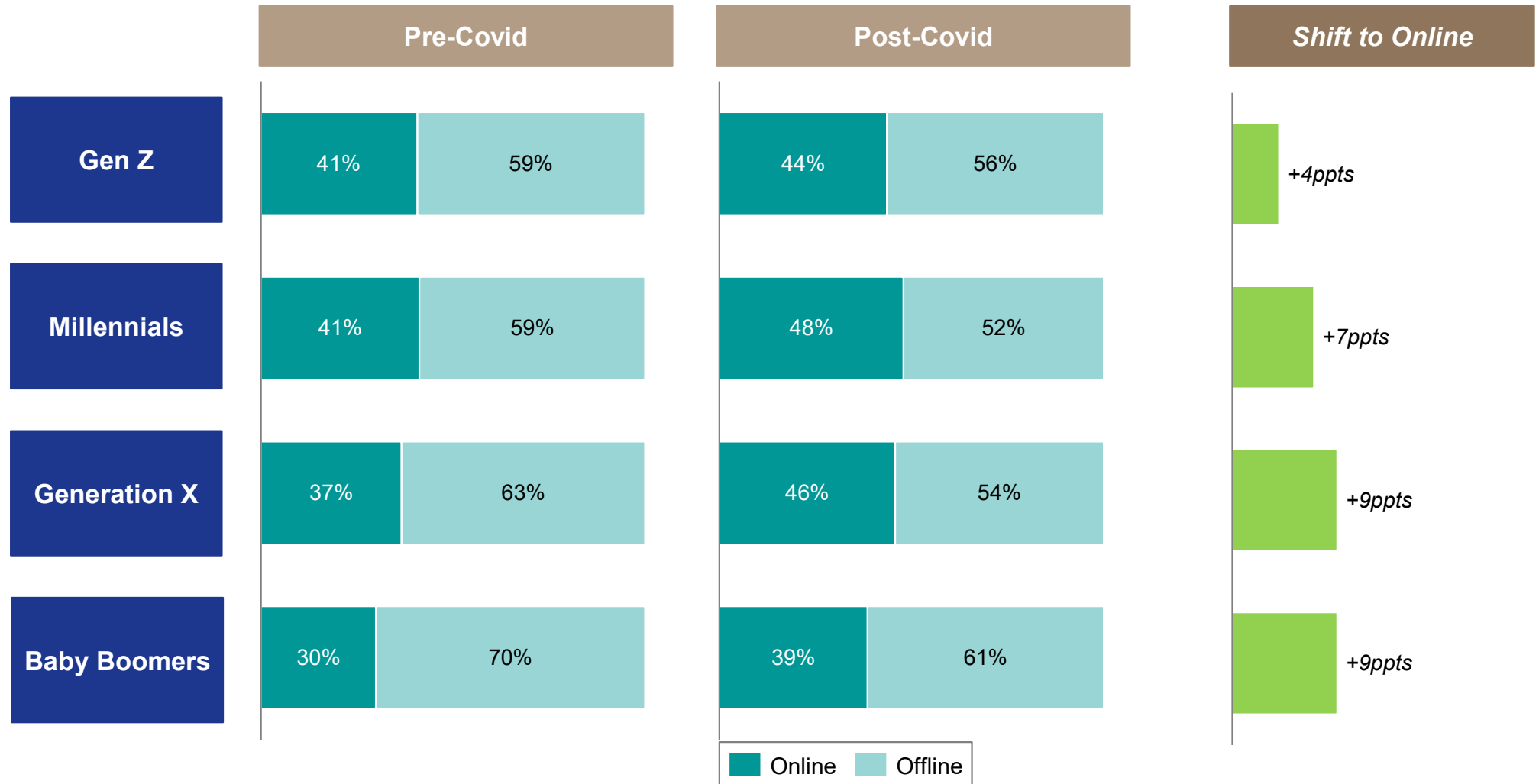
2

Impact of regional shifts in China on
global luxury shopping



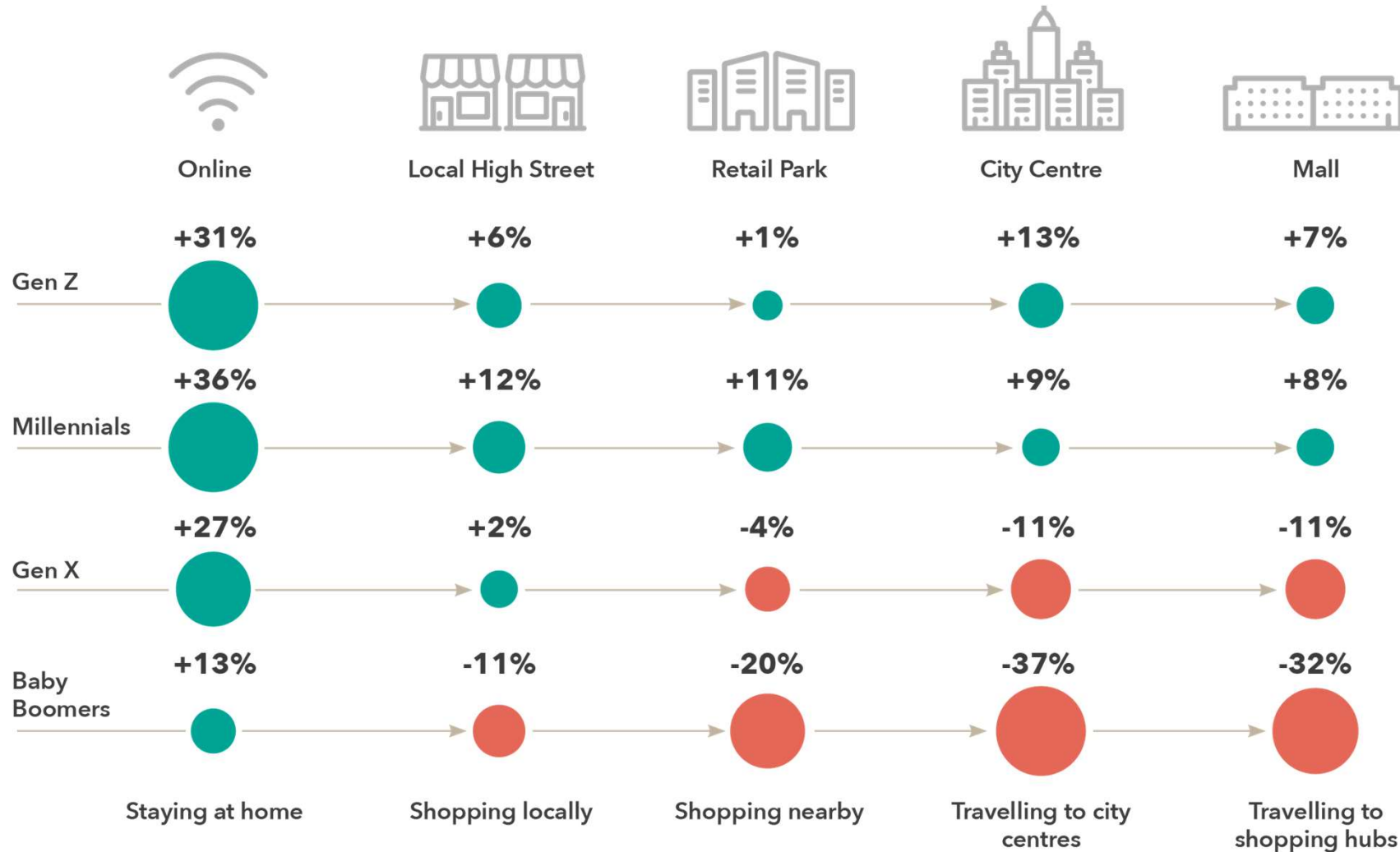
There has been a generational shift online during Covid which will stick more with older generations, younger generations expect to return closer to the pre-Covid norm

Stated Spend Mix (Online v Offline) by Generation¹



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 Channel¹ (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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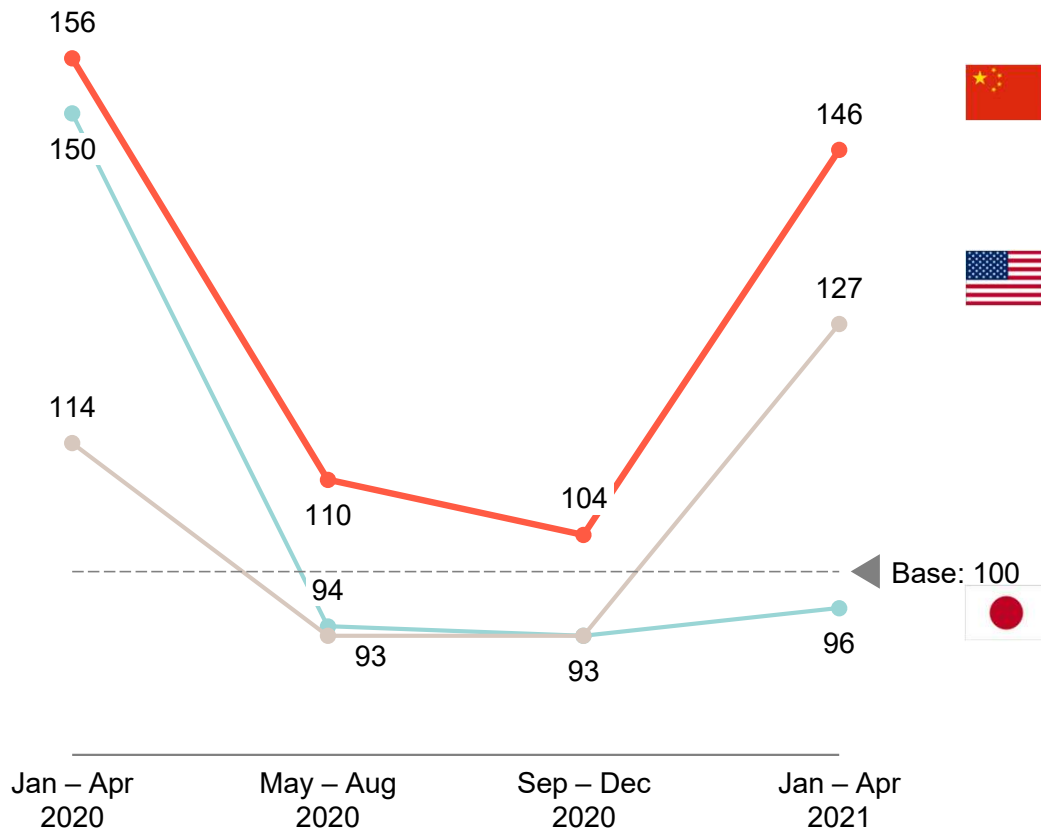
Channel shifts (from RPI)

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^{1,2}
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	

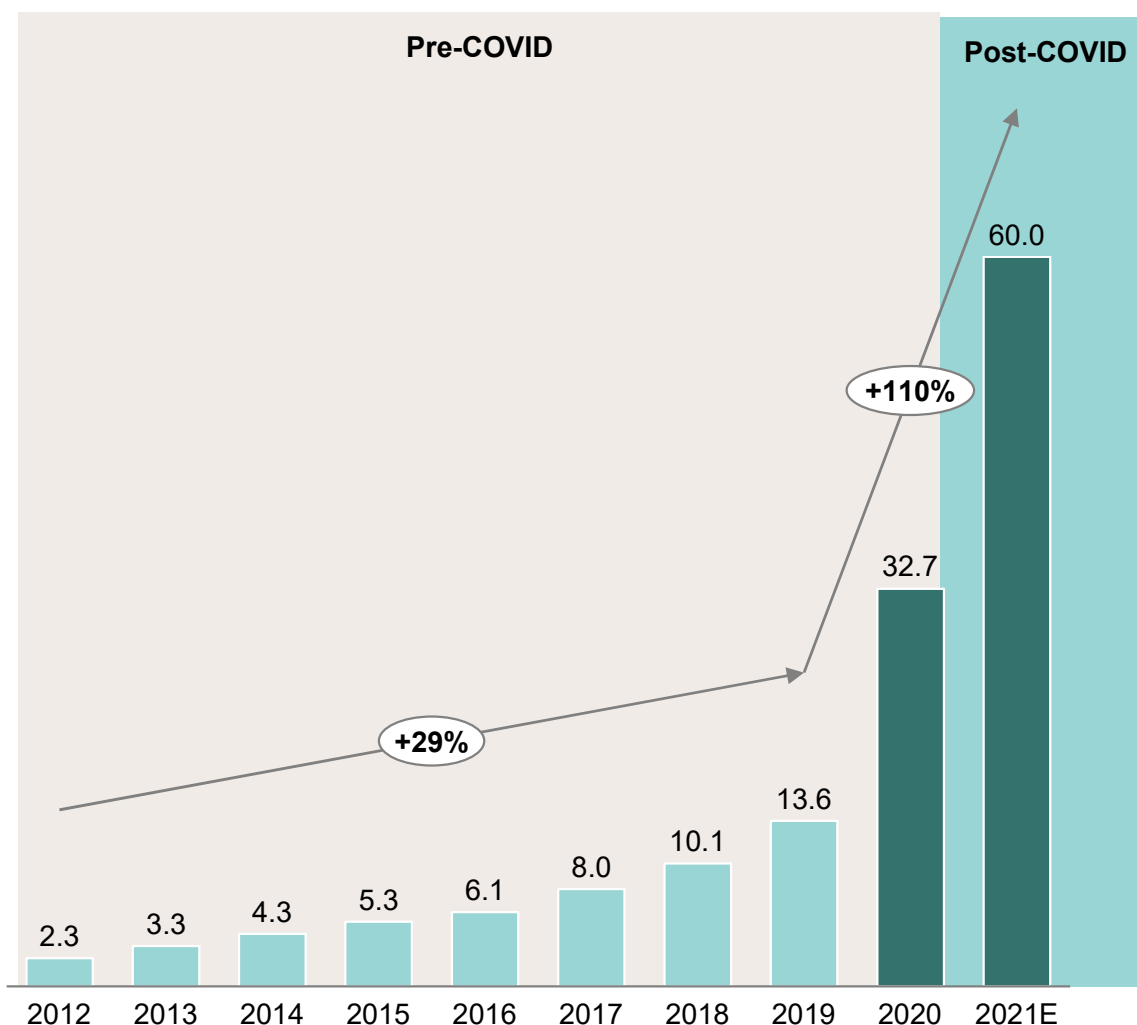
1. The "Travel Barometer" reflects the dominant sentiment expressed by a market. Base 100, 2015.

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)

...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 retailers entering Hainan...*

cdf

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

CNSC
中服免税

- However, with the entry of other domestic travel retail giants such as CNSC – competition is expected to intensify particularly in Haikou

海旅免税
HTDF

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

DFS

- International operators have partnered with domestic groups to capitalise on continuing demand esp. given operations in the rest of the world have suffered

DUFY

Lagardère

- 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...*

V

- New brands are entering China through Hainan's travel retail channels, e.g.

- L'Oreal will introduce Valentino Beauty in '21 exclusively in Hainan

THE GINZA
SHISEIDO

- 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*

MARTELL
FOUNDED IN 1765

- Luxury groups launch new product line and stores to strengthen presence:

- Martell opened its first ever travel retail boutique in Hainan

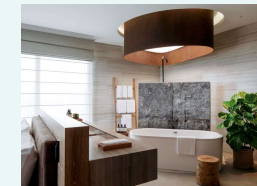
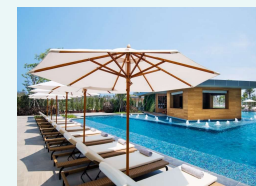
KERING

- 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



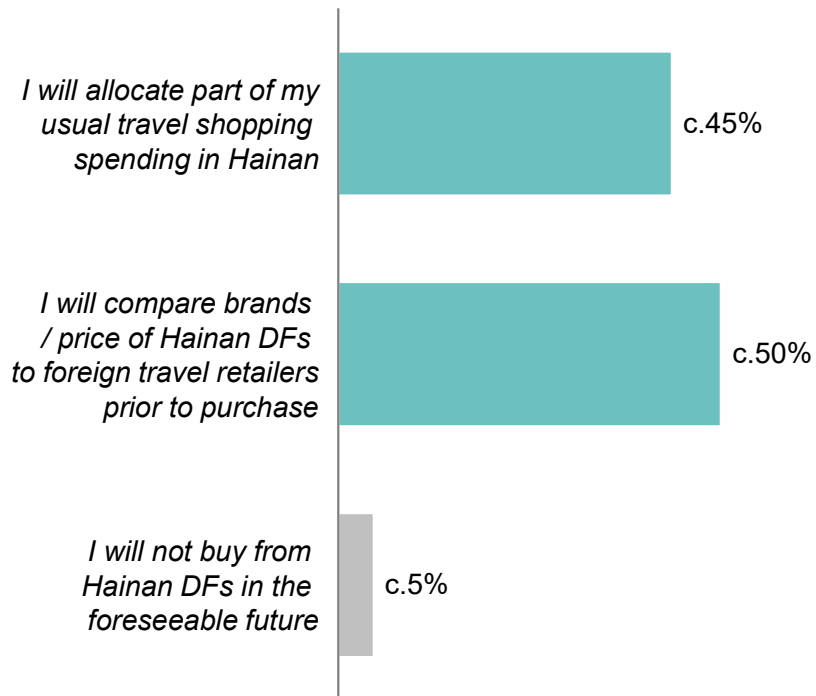
This will likely result in Chinese consumers allocating a good proportion of their historically international luxury spend to Hainan

Evolving Chinese Traveller Shopping Preferences

Indicative

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

Impact of Hainan Duty Free on Post COVID Shopping Budget¹
n=161, Mid 2021



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

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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