

## THE CONNECTED VISITOR ECONOMY BULLETIN



January 2018

# THE FUTURE OF SHOPPING TOURISM

## TRENDS IN SHOPPING TOURISM

Shopping Tourism steers tourists to their destinations. The art of shopping while travelling is diverse. It includes duty free shopping in airports; purchasing luxury goods; visiting shopping malls, department stores and outlets; discovering local brands; and supporting local artisan business and locally sourced items. Shopping tourism for some may be a trip to Europe's Christmas markets; competing for Black Friday sales in the United States; or annual January sales in the UK.

Shopping motivates travel. In 2014, the World Tourism Organisation's (UNWTO) first 'Global Report on Shopping Tourism' identified shopping as a major influence on tourism trends globally.





There are three types of shopping tourists:

1. **The souvenir shopper:** This individual shops for mementos of their trip and/or gifts to take back to family and friends. They are looking for local items directly related to their destination.
2. **The journey shopper:** Some tourists shop as a primary activity during their trip and will purchase through their entire customer journey.
3. **The list shopper:** Finally, you have a small but important group of travellers who not only purchase for themselves but also for family and friends when travelling that arrive with a shopping list of goods to purchase.

## CHINA: A LEADER IN SHOPPING TOURISM



Over the past ten to fifteen years, China has laid the road for tourist spending. There is a correlation between Chinese tourism arrivals and an increase in retail revenue. As a result, many shopping destinations focus on this market, accepting Chinese payment methods, offering Asian cuisine, employing Chinese speaking staff and ensuring their product mix is attractive to the Chinese consumer. At peak travel times, such as Chinese New Year and Mid-Autumn Festival, many destinations and retailers market specifically for this audience.

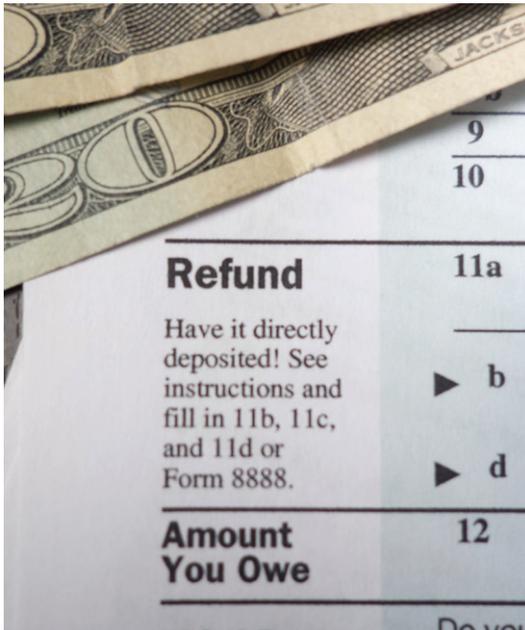
Destinations such as Europe, Hong Kong SAR, Japan, Korea (ROK), Thailand and USA among others reported year-on-year increases of 20-50 percent in tourist retail sales during this timeframe. Additionally, shopping tourism is on the rise among emerging and growing regional markets including Indonesia, India, the Philippines and Vietnam.

Retailers should caution: reliance on the Chinese market also results in a downward trend in sales when arrival numbers lag. Over the past 5 years destinations such as Hong Kong SAR, Japan and Korea (ROK) experienced the highs and lows of the Chinese market. A lesson learned for retailers is to spread risk and avoid reliance on a one-source market.

Strong growth in the retail relies on several trends. The first and most important is tourist arrivals from key source markets coupled with positive exchange rates and tax refund allowances. With more countries offering the service, tax refunds for tourists have become extremely important.



# TAX REFUNDS THAT WORK



Countries offering a sales tax refund service are more attractive tourist destinations. To boost tax refundable spending for tourists, governments and NTO's could promote these services to potential visitors and streamline the processes to ease the experience.

Tax refunds for tourists are commonly managed through government programmes or outsourced to major tax refund companies. These companies work with governments to process the tax refund back to the customer. They also coordinate closely with department stores and brands to streamline the process for customers at the point of sale.

Australia, Korea (ROK), Singapore and Thailand are good examples of tax refund systems that work. Some major shopping destinations such as Guam and Hong Kong SAR have no sales tax offering great customer value and no need to offer refunds.

# TRENDING NOW IN SHOPPING TOURISM



Tourist arrival trends are essential for maximising sales. Many retailers and shopping destinations are now utilising the data of ForwardKeys, to better understand market trends up to 6 months in advance. It allows more proactive retailers to adjust their plans, product types and styles.

Destinations seeking to develop shopping tourism should also consider ensuring availability of authentic products, as this is one major consideration for consumers making purchases.

A number of destinations have implemented certification systems to give tourists confidence they are shopping at approved retailers. In Korea (ROK), first class retailers are certified and provide support programmes such as souvenir contests and FESTA. FESTA offers visitors discounts to promote shopping tourism and boost the economy. In Hong Kong SAR, the Quality Tourism Scheme has implemented a retail section to ensure that consumers are offered clear and transparent pricing, product information and superb customer service.

Accepting as many forms of payment as possible, particularly from the Chinese market, Union Pay, Quick Pay, WeChat Pay and AliPay should all be standard operating procedure for retailers wishing to maximise spending by Chinese tourists.

The retail sector is particularly important to credit card companies as it provides incremental transactions, many of which are in foreign currency. Union Pay International recognised this and became an accepted payment mode globally.



Additional services including high-quality food and beverage options, personal shoppers, home delivery, transportation, VIP rooms and concierge services should also be a prime consideration when attracting the affluent consumer. For shopping destinations, it is also important to offer alternative sources of entertainment for members of the family or party who might not be directly interested in shopping. By offering something for everyone, primary shoppers will extend their time and leave with an improved experience.

Many destinations have worked extremely hard to ensure that shopping tourism is integrated fully into destination marketing campaigns highlighting the importance they place on the sector and how shopping is essential to the destination mix.



Best practice examples from the Asia Pacific region include:

### Guam

In 2012, the Guam Visitors Bureau (GVB) created the Shop Guam eFestival, a signature event including an interactive app featuring exciting activities, shopping incentives, dining offers, local events and cultural attractions.

Shop Guam has become an internationally renowned slogan for Guam. In 2016, the festival attracted 300,000 international visitors, generating more than US\$15 million in media value. A record number of merchants and international travel wholesalers participate in the programme in 2016.

Shop Guam highlights the impact of positioning a destination as a “shopping paradise” before customers travel. Exit studies by GVB show that up to 51 percent of arrivals travel for the specific reason of shopping. Traveller interest is reinforced with confidence that they are purchasing tax free authentic goods and have access to 24 hour shopping.



December 01, 2016 - February 04, 2017

SWEEPSTAKE

The Shop Guam Festival began in 2012 as a global social media campaign by Guam Visitors Bureau (GVB) that aimed to create an interactive shopping experience highlighting Guam as a modern, fashionable

Credit : SHOP GUAM Application

### Korea (ROK)

According to Hyundai Research Institute’s 2016-23 Report (July, 2016), the proportion of shopping tourists to total inbound tourists in Korea (ROK) rose from 36 percent in 2011 to 47 percent in 2015. In 2011, 2.637 million visitors travelled to Korea (ROK) with the goal to shop. In 2015, shopping visitors nearly doubled to 4.757 million. Total expenditures generated by shopping tourists were estimated to increase more than twofold from US\$4 billion in 2011 to almost US\$10 billion in 2015.

Data analysis shows that the economic benefit of shopping tourism to Korea (ROK) outweighs general tourism. With around 240,000 people employed in the retail sector in 2015, shopping tourism is generating jobs, a significant rise of merely 90,000 people in 2011.



Credit : <http://vkc.or.kr>





Credit : <https://www.thailandshoppingdining.com/>

## Thailand

In Thailand, shopping tourism is also very important. The Tourism Authority Thailand (TAT) promotes all retail activities from the large shopping malls to the small and medium-sized local stores through the Amazing Thailand Grand sales campaign.

Bangkok is one of the leading cities when it comes to high quality department stores offering exceptional experience as well as all international brands. In 2016 Thailand's shopping industry generated around THB3.42 billion. Of this, over THB2.77 billion was associated with tourist spending.

These numbers are not only tied to shopping in Bangkok. In Thailand, shopping is putting some emerging Thai destinations and brands on the map. In 2017, the Thailand Shopping and Dining paradise campaign promoted lesser-known areas such as Mae Sot in Tak province, Mueang district in Khon Kaen province, Aranyaprathet district in Sa Kaeo province and Hat Yai district in Songkhla province all participated.

Outside of Asia there many examples of how to leverage shopping tourism to drive tourist arrivals and boost spending:



## New York City

Home to 8.4 million people, New York City is host to over 53 million visitors annually. There are nearly 12,000 retail establishments among the city's businesses, employing over one in ten of the working adults in New York. The city boasts famous department stores, unique shopping districts, small boutiques, century old establishments rooted in the city's history, and new pop-up ventures that may only last a season. Shopping is an integral and essential part of the city and is central to marketing campaigns targeting international visitors.

Over 10 million international visitors choose NYC as their top US destination. Shopping is the single most popular activity among all types of visitors. NYC & Company, the city's official tourism marketing organisation, estimates that almost 25 cents out of every US dollar spent by visitors in NYC is spent on shopping.

For retailers, particularly international luxury and premium brands, tourist sales are critical to their business, often accounting for more than 50 percent of total sales.

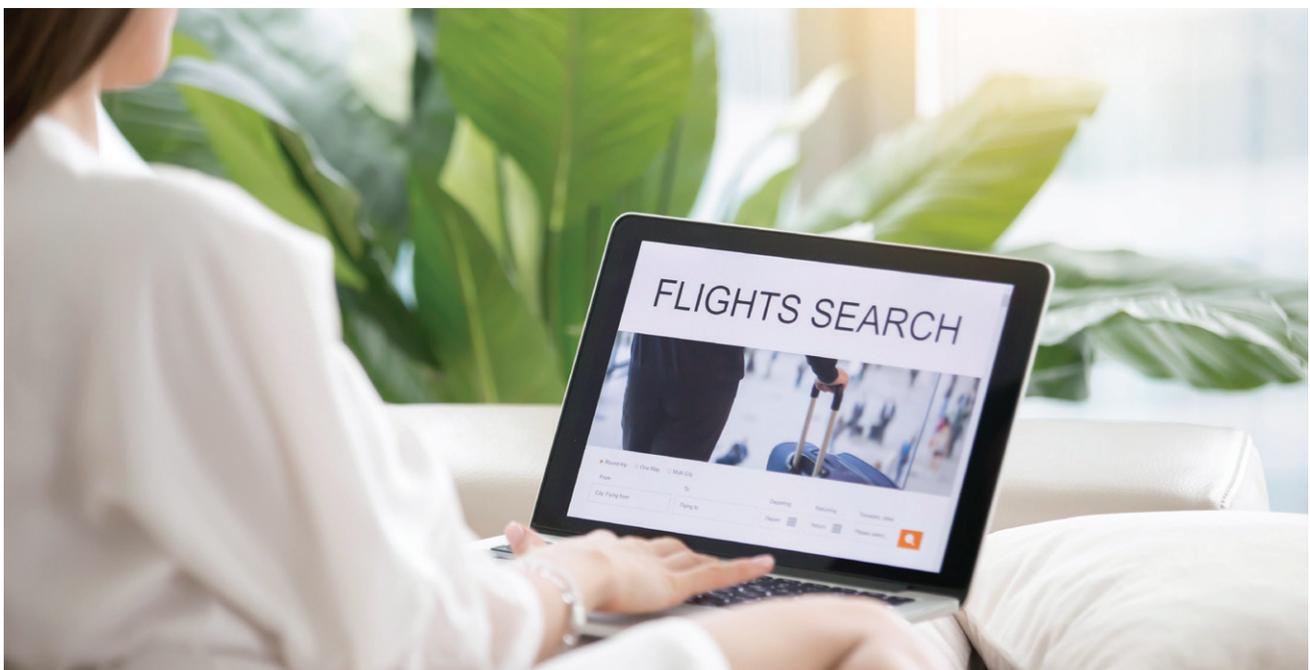




## London

Five minutes on the Visit London website will reveal the array of shopping options in this city ranging from the 101 best shops, department stores, vintage fashion, bookshops, luxury shops and the top markets to visit. The site highlights not-to-miss shopping areas including the West End, Covent Garden, Knightsbridge and Camden town.

The New West End company was created to best represent the interest of over 600 retailers, hoteliers, restaurant operators and property owners to drive marketing, advocacy, inward investment and transformation projects. Bringing together 600 different businesses with different priorities and needs is a major undertaking. Other cities could learn from this example as it is a best practice in this field.



Shopping tourism is an opportunity for destinations and retailers not to be missed. With high market competition, it is critical for destinations and retailers to position themselves clearly as a shopping destination and tourist friendly for their entire customer journey, starting with their research, to planning and booking.

Shopping tourists are extremely detailed in their planning and the reality is that if they have not planned to visit a specific retail destination before departing on their trip, it is extremely unlikely they will visit.

Brand awareness, marketing and public resources in key source markets is critical. Over the past five to ten years, there has been a surge in the number of department stores, outlet malls and other shopping destinations. As this industry continues to grow, companies are ramping up their efforts to be visible at trade shows, growing their marketing teams, and building their partnerships with airlines, tour operators, online and offline travel agencies and financial service companies.

It is anticipated that these trends will continue in coming years. Marketing methods will become more sophisticated as retailers build a deeper understanding and connect further to the tourism industry. Some shopping destinations are demonstrating forward-thinking by joining travel associations such as PATA, WTTC and UNWTO as well as partnering with travel companies such as Virtuoso.



Many retailers are now employing tourism experts or consultants within their marketing, public relations and digital teams to better understand the consumer journey and travel choices. There are also improvements on geo-targeting potential consumers before and during their trip. There are even personalised messaging options available for customers while visiting their destinations.

It is now equally important that the tourism industry begins to understand the retail business and the opportunities to serve customer demand and to drive financial rewards. Retailers no longer need to finance tour operators to attract customers. Retailers today demand relevant and high-spending customers to create a win/win partnership.

## ABOUT THE AUTHOR

Ian Stazicker is Founder and Managing Director of Nelian Consultancy based in Hong Kong SAR. With over 25 years in the international tourism industry, he offers a wealth of knowledge and extensive network in key tourism markets having lived in Europe, China and the USA.

With a background in various senior commercial roles in tourism and the luxury retail sector he has an in-depth knowledge around the intersection between these two industries and the opportunities for the tourism industry in maximising the opportunities around travel retail.

Having worked for Value Retail who operate 11 of the most successful luxury outlet malls in the world, including Bicester Village in the UK, he led their global tourism programme and is therefore uniquely positioned to understand this niche market.

The success of luxury retail and shopping destinations is primarily driven by China, Asia Pacific and Middle Eastern regions. Stazicker's business leverages source market understanding to work with luxury department stores, brands, shopping districts and high-end outlet malls to drive long-haul, regional and domestic tourists, delivering the relevant messaging to the key audiences via an extensive range of tourism and digital partners.

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