

All eyes on China Duty Free

In April of this year as the pandemic was at peak disruption around the rest of the world, China had already brought its COVID-19 cases under control, and the country was just beginning to return to normal. At that time, during our interview with China Duty Free Group (CDFG) President Charles Chen, he stated that Hainan would be the first place to show recovery in China; he has certainly proven to be correct.

“All stores in Hainan Island are now open,” confirmed Chen in April. “Definitely Hainan will be the forefront of recovery for our business. Optimistically we can say that in the third quarter of 2020 for Chinese people it’s very typical to travel abroad if the COVID-19 can be controlled by other countries at that time. Hainan is one place where Chinese will be traveling within the country.” Because travel outside the country has been almost totally curtailed, Hainan has become an especially popular spot for Chinese travelers.



Duty free shops take on the responsibility of explaining the new tax exemption policy to consumers who plan to depart the island

New off-shore tax free policy

Hainan has benefitted not just because Chinese domestic travel has continued along with international borders mostly remaining closed. Additionally, a new offshore duty free policy that began on July 1 of this year, which allows tax free sales to Chinese nationals in the offshore province of Hainan.

According to Chen, this new policy has been “positive and effective.” China Duty Free has been able to add new duty free categories such as mobile phones and liquors. This has resulted in double- and even triple-digit growth this summer, at a time when most travel retailers are in large double-digit decline.

The numbers show reasons for Chen’s enthusiasm. He says: “According to the data released on October 9 from General Administration of Customs, in the first mid-Autumn and National holiday after new offshore duty free policy, the sales of offshore duty free products is RMB 1.04 billion, the number of customers is 146.8k and the number of units is 998.9k, while the year-on-year growths are 148.7%, 43.9% and 97.2% respectively. We will try our best to provide better shopping experience, and attract more customers to Hainan through those activities.”

New offerings keep consumers excited

“With the new offshore duty free policy implemented, Hainan offshore duty free market released a strong upward trend,” says Chen. “We are actively introducing premium brands and categories, such as phones and liquor, which are very popular among Chinese customers. Additionally, the high unit price goods sales are also increasing very well. The second annual festival of CDFG Hainan offshore duty free had a Grand Opening on September 26, and we held the “Watches & Wonders” event in Sanya on September 29. At this event we presented the latest masterpieces of 11 international famous brands such as A. Lange, Baume & Mercier and Cartier.”

Reacting to the consumer demand for watches, the “Watches & Wonders” event is a further reflection of the company’s strategy of resource sharing, offering mutually complementary advantages and synergy between strong market players like FHH and CDFG as long-term partners, says Chen. “We hope to show Chinese consumers the long history of brand watches, exquisite design and extraordinary technology as well as provide a great duty free shopping experience, so this cooperation came into being. I am fully confident that with our joint efforts and FHH’s support, this cooperation will offer a gala for watch and jewelry lovers in China.”

The desire for a better life

Throughout this time, reaching consumers and helping to ensure they want to shop has continued to be a priority for CDFG. The company tackled this on many fronts, including ensuring the offer stayed new and exciting.

“The outbreak of COVID-19 has led the entire world into many uncertainties, which resulted in decline of consumer enthusiasm and desire to spend. Yet in China the desire to spend has been released as we see in Hainan market,” says Chen. And he does not see this trend stopping anytime soon. “The Chinese consumer has increasing desire for and pursuit of a better life, and this will not be fundamentally changed. The enthusiasm for shopping will always continue. What one needs to do is strengthen cooperation with brand owners and give consumers more duty free options of the best quality, and with great value for money.”

Reaching Millennials and Gen Z through livestream

Chen says it was clear during the crisis that it would be important to create an environment where it would become easier to buy. This included increased online services, and then as an extension,

livestreaming. “We all know that the duty free business differs from tax-included business, so our live broadcast content mainly focuses on brand promotion and business promotion,” he says. “We can see that many CDFG stores and their staff have respectively launched their livestreaming platforms, such as Sanya International Duty Free Shopping Complex and CDFG stores in Haikou, Beijing, Shanghai and Guangzhou, as a few examples.



Livestreaming has become a powerful tool for marketers during the pandemic, as video clips and livestreaming efficiently reach out to Millennials and Generation Z, says Chen. “We are actively going with the tide and seizing these new trends on the consumer market,” he says. “Amidst the epidemic crisis, we have upgraded the official content platform of CDFG from text and graphics to video, which has been well received and praised highly. Besides, collaboration with external channel partners has allowed us to generate higher traffic on prominent content platforms, attracting more consumers through livestreaming and building up customer loyalty.”

Cooperation across all levels

Chen says the keys to recovery in this challenging time are cooperation and innovation. Cooperation can be seen in two different senses: first, in cooperation on a societal level in doing what is necessary to control the virus, and second, cooperation on a business level, with stakeholders helping each other. “Cooperation is the only place leading to solution.”

In the case of CDFG, Chen has been very grateful to its brand partners, who have offered “incredible trust and support.” He says discussions with global partners has been constant, how to maximize safety, consumer interest and sales through the close cooperation.

Chen also suggests that CDFG is looking to cooperate with other retailers on a global level. He says after 40 years of reforms, it is a new era for China and China Duty Free. He has put out a call to the industry as a whole to create a future of mutual cooperation together, constructing a bright future for the duty free industry both within China and worldwide. “Whoever loses China also loses the future,” he says.

He extends his best wishes to all in soon overcoming the crisis and enjoying a prosperous future. Chen says CDFG believes “more creativity, openness and collaboration are needed in the middle of this crisis, to share experiences in overcoming difficulties.”