



China Ready and Tourism Opportunities

April 29, 2016

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LUXURY
ADVISORS

Agenda



- I. Introduction: China Luxury Advisors
- II. China: Cultural Context
- III. Chinese Outbound Tourism Overview
- IV. Salt Lake City Opportunities
- V. Case Studies

China Luxury Advisors

Boutique consulting firm with offices in Los Angeles, New York, and Paris with a broad network of trusted partners in China.

CLA advises brands on reaching and influencing affluent Chinese consumers – within China and globally.

CLA combines strategic guidance and deep execution experience to provide high ROI solutions that help brands grow their business with Chinese consumers.

CLA provides targeted, high quality support for brands, including China market entry, brand building, e-commerce execution, CRM and Chinese tourism solutions.

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Selected Retainer Clients



BEVERLY CENTER

Taubman

MoMA

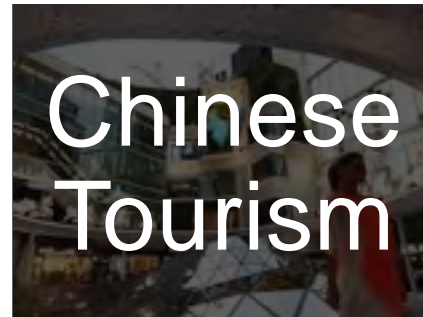
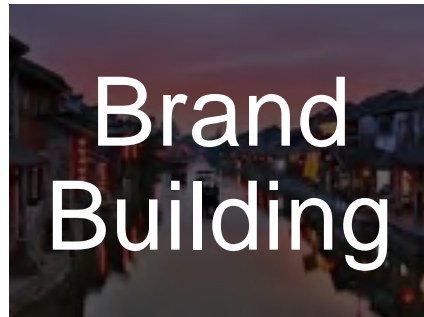
BERGDORF
GOODMAN

BRIGGS & RILEY

El Corte Inglés

Solutions

China Luxury Advisors works with companies to expand their business with Chinese customers around the world:



CLA's Competitive Advantages

Combined China experience of more than 60 years in retail, digital, marketing and travel industries.

Market intelligence and strategic vision gained from years of operational experience on the ground in China.

Strategic long-term outlook combined with short term tactical solutions and deep execution experience.

Strong relationships with Chinese media, influencers, student groups, Chinese businesses and Chinese travel trade.

A woman with long dark hair, wearing a black leather jacket and a bright green handbag, is sitting on a stone ledge. She is looking off to the side with her hand near her face. The background shows a river with boats and a cityscape under a cloudy sky. The image is dimmed to allow text to be overlaid.

China: Cultural Context

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China: Useful Facts



- **Population:** 1.3 billion
- **Language:** Mandarin Chinese is spoken; Simplified Chinese is written.
- **Time Zones:** There is only one time zone for all of China.
- **Currency Conversion:** US\$1.00 = 6.5 RMB
- **Government/Religion:** Communist Party/No official religion.
- **Geographic Size:** Similar in size to the United States. Shaped like a Rooster!
- **Chinese Names:** Surname typically comes first, and given name is second. However, some people will flip this when in the West, so it's best to ask which is the surname.

Cultural Context

- China is a Confucian society. Respect for elders and position is of utmost importance.
- Theory of concentric circles governs social interaction.
- Indirect culture - focus on respect versus transparency.
- Relationships (*guanxi*) are of great importance in all aspects of life.



The Concept of “Face”: Mian Zi

- Although it is difficult to define the true meaning of the concept of “face,” it roughly translates to the idea of a person’s outward image and reputation.
- When something is positive for someone’s reputation and image, it is seen as “giving face” and when something is negative to a person’s reputation or image it is seen as “losing face.”
- Receiving face provides a great sense of pride in Chinese culture, and losing face is a tremendous source of embarrassment.
- Face is the most common driving motivator in purchase and travel decisions.



Social and Business Etiquette

- A handshake greeting is sufficient. There is no bowing, as in Japanese culture.
- Exchange business cards with two hands and pay special attention to the card. Treat card with proper respect, read it and do not write on it.
- Respect should be given to business leaders, according to hierarchy with the highest ranking person being greeted first.
- Service in China is not as well developed as in the United States, it is common for Chinese customers not to fully engage with service providers.



Numbers and Symbols

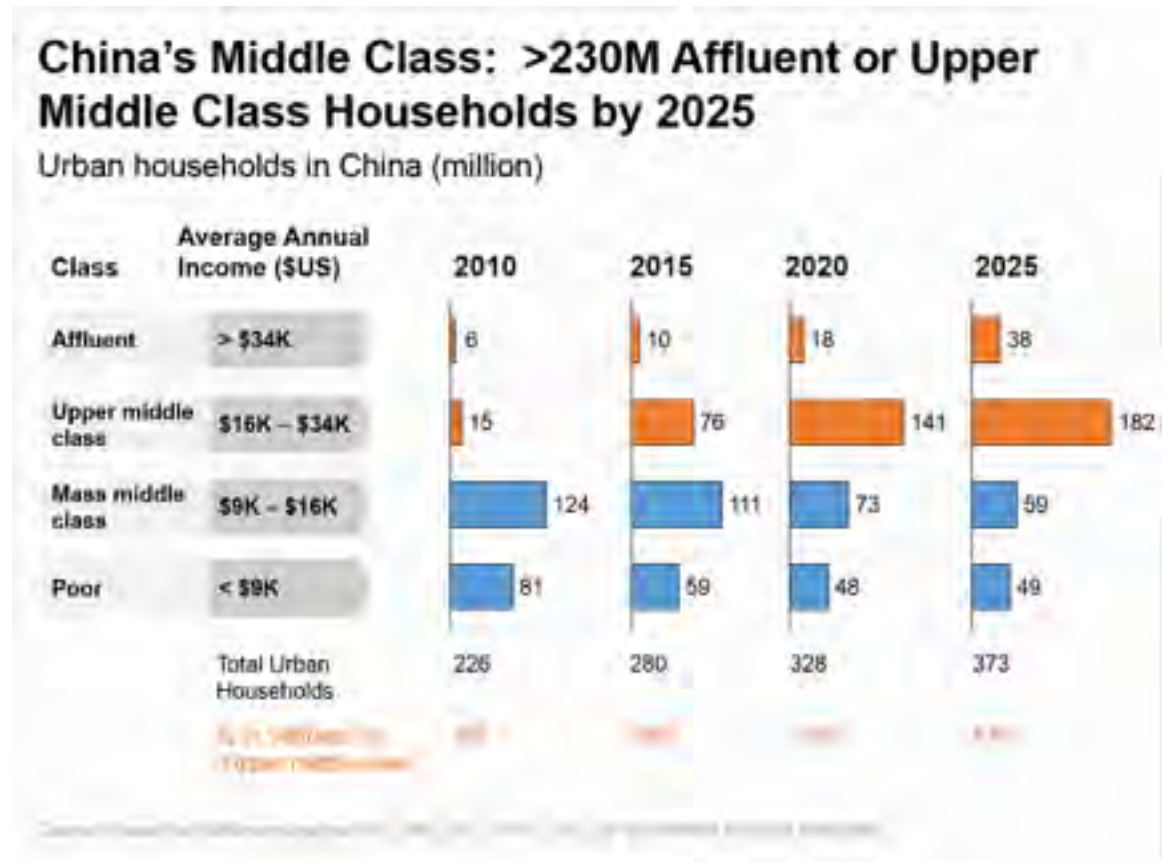
- **Numbers are important** and have meaning as they sound similar to certain words in Chinese. 8 is a symbol of luck and fortune and should be used whenever possible. 4 is a symbol of death and should be avoided.
- **Colors have meaning.** White (and sometimes black) typically have funeral/ death connotations, and while do not need to be completely avoided, should be used carefully (no black frame, white candles, etc.). Bright colors such as red, gold, yellow and purple are symbols of luck, royalty and happiness. Green is a popular color and taps into eco-meanings, except in hats!
- **Be aware of symbols.** Don't write in red ink. Don't give a clock, white flowers, white candles, an umbrella or sharp objects as gifts.
- **Feng Shui.** Evaluate your location against major Feng Shui principles.

Status of Chinese Economy

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China: A Global Economic Power

- Sustained periods of rapid GDP growth.
- Dramatic increase in wealth.
- Gradual loosening of control over citizens' travel overseas.
- Rise of China as a global economic power.



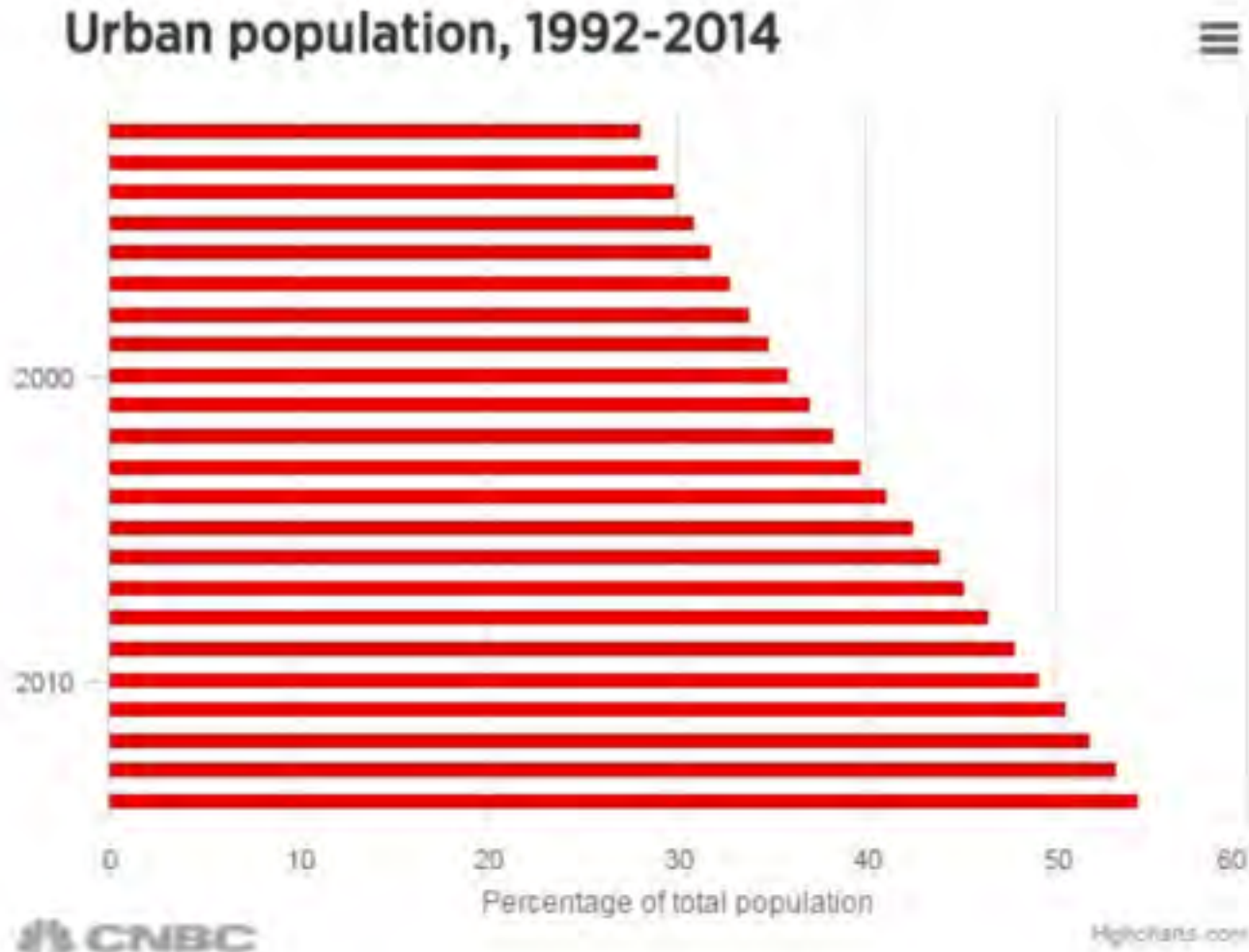
The Status of Chinese Economy

CHINA GDP

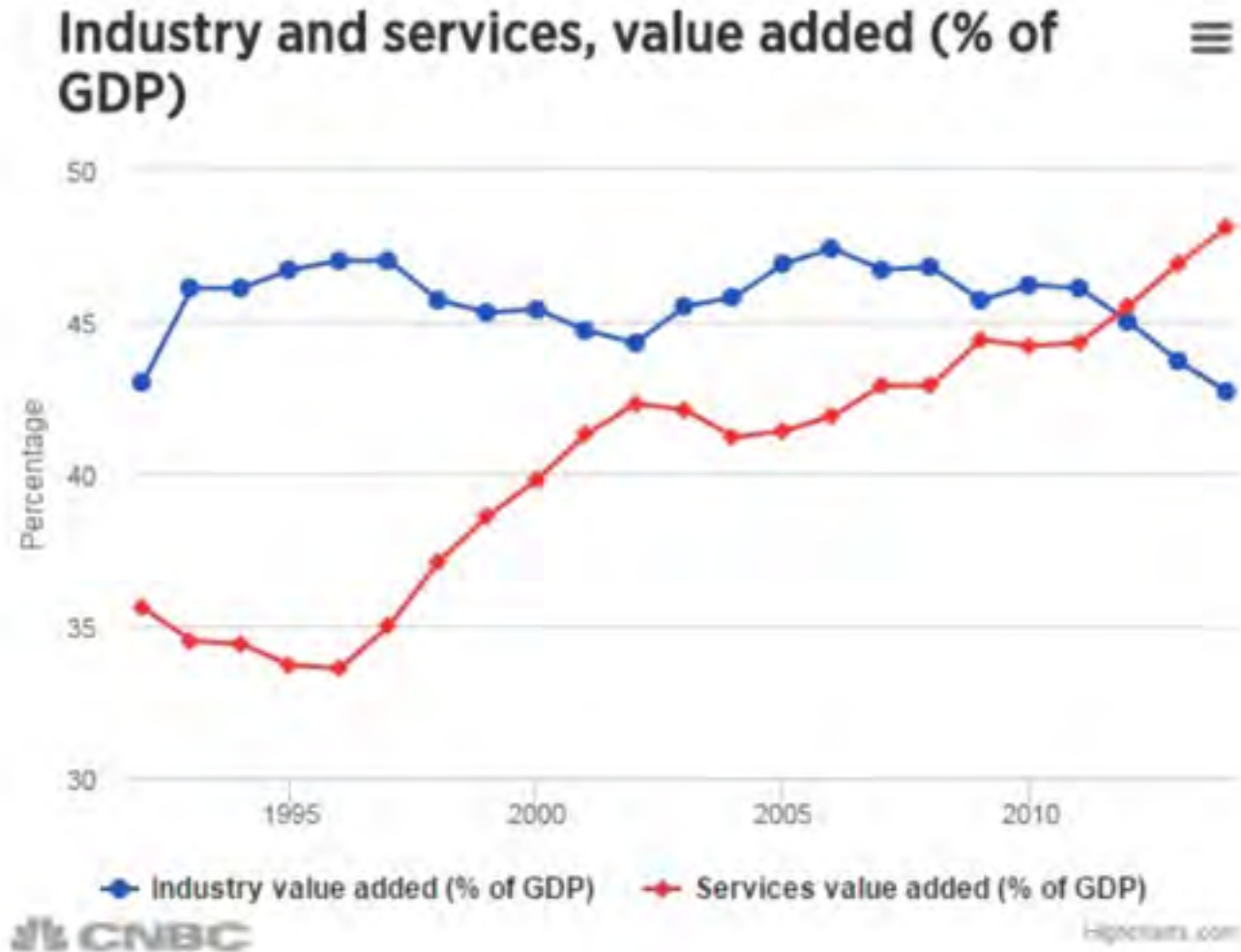


SOURCE: WWW.TRADINGECONOMICS.COM | WORLD BANK GROUP

The Status of Chinese Economy



The Status of Chinese Economy



China Outbound Market Growth

- One of the largest, fastest-growing and most lucrative in the tourism industry.
- Overtook Germany to become the world's largest tourism market by spend in 2012
- In 2015, 109 million Chinese tourists traveled outside the country, with the U.S. being a major beneficiary.
- According to Brand USA, the U.S. is the only long-haul destination among China's top 10 destinations.

China Outbound Tourism Growth

U.S. Department of Commerce Forecast of International Travelers to the United States

Order 2014	Origin Country	Change 20/14	Change 20/14	CAGR 20/14
	Grand Total	15,256	20%	3.1%
1	Canada	804	3%	0.6%
2	Mexico	4,114	24%	3.7%
	Overseas*	10,338	30%	4.4%
3	United Kingdom*	800	19%	3.0%
4	Japan*	35	1%	0.2%
5	Brazil	407	18%	2.8%
6	China*	2,829	129%	14.8%
7	Germany*	237	12%	1.8%
8	France*	245	15%	2.3%
9	South Korea*	526	36%	5.3%
10	Australia*	346	27%	4.0%

Chinese arrivals to the U.S. is expected to grow by 2.8 million visitors by 2020, a 129 percent increase, making it the third largest international market and the **largest overseas market** for the U.S.

Slowdown of Chinese Economy

ECONOMY

ECONOMY

WORLD ECONOMY

US ECONOMY

THE FED

CENTRAL BANKS

JOBS

China's economy grew 6.9 percent in 2015, a 25-year low

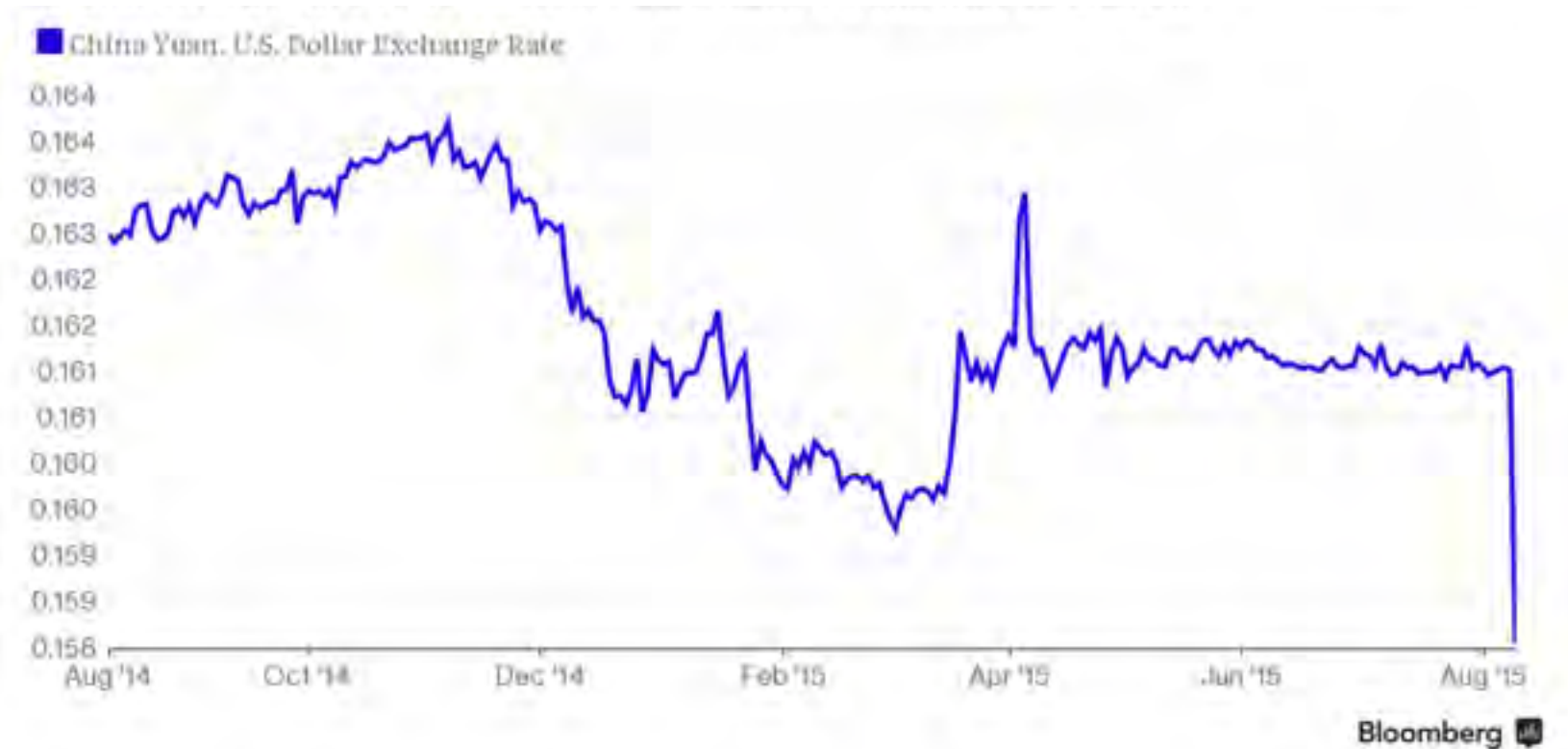
Chinese economy entered what most analysts refer to as the “New Normal” – a period of slowly declining GDP growth rate, and a transition to more sustainable, services-led growth marked by higher domestic consumption.

Market Volatility



Stock Market Crash

Currency Depreciation



Devaluation of Currency

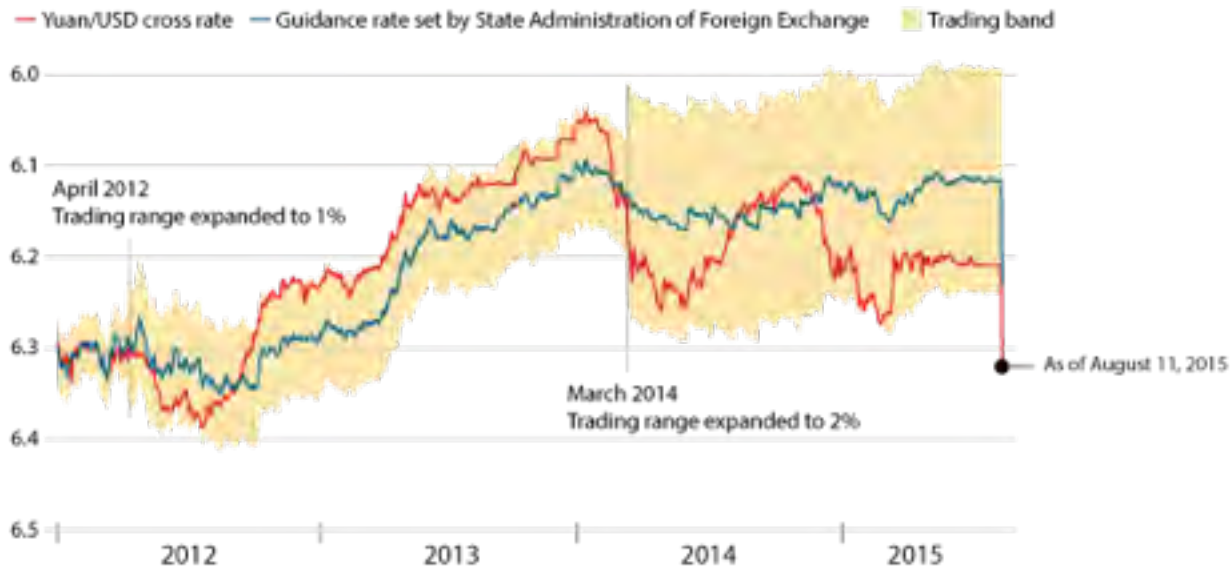
China Outbound Tourism Growth

- Despite the recent slowdown of Chinese GDP growth and stock market volatility, outbound tourism from China will continue to grow as more Chinese join the rank of middle-class.
- While the current growth rate will eventually slow down, the market potential is still huge — only 7% of Chinese has passport.
- Many Chinese middle-class families view travel as a necessary adjustment of lifestyle and investment.

China Outbound Tourism Growth

Yuan devaluation

DAILY TRADING RANGE



Source: Reuters

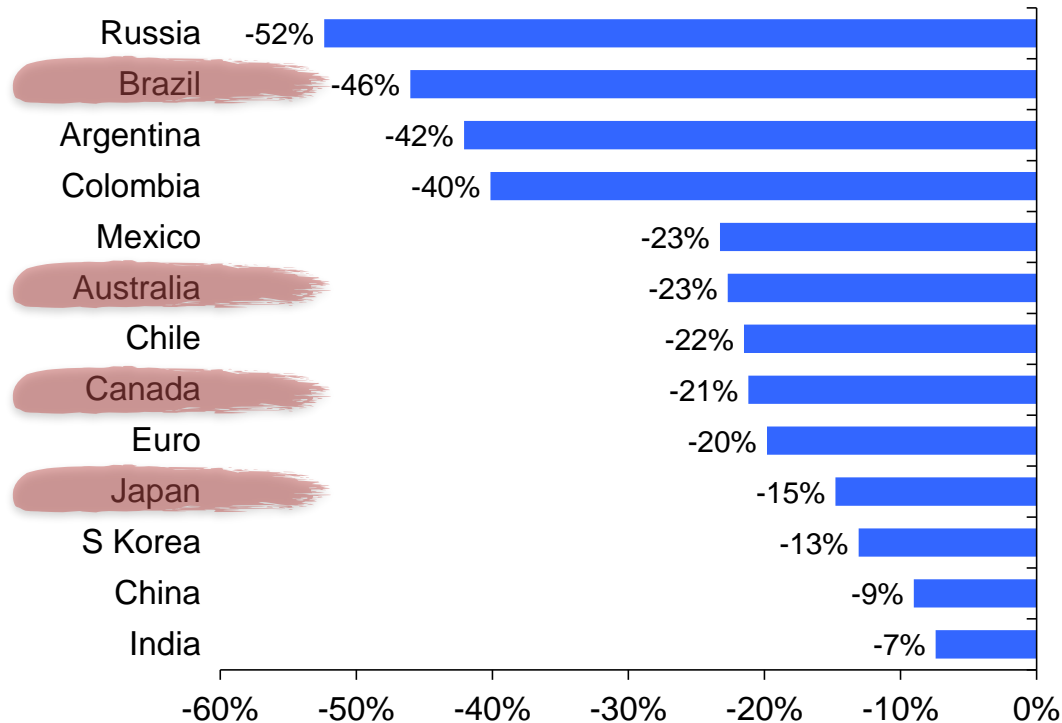
VOA

- Recent devaluation of Chinese currency might slow down the growth of low-budget groups and cause high-end consumers to adjust their spending on each trip, it is not significant enough to stop Chinese from traveling.

China Outbound Tourism Growth

Exchange rate depreciation, 2016 / 2014

local per \$US



Source: Tourism Economics

- Devaluation of the Chinese currency is still relatively small compared to those of other international source markets.

10-year Visa Policy



- In 2014, China and U.S. reached a bilateral agreement to issue 10-year tourist and business visa to each other's citizens.
- The new visa policy in the U.S. could mean as many as 7.5 million Chinese visitors by 2021, bringing an estimated \$85 billion to the economy, according to the White House.

Visa Policy Implications

- We will see more **repeat tourists**. This will result in a growing number of experienced tourists who are more likely to travel individually, rather than on Chinese tour groups. These repeat visitors will be more sophisticated and naturally seek out unique experiences off the typical Chinese tourist track.
- **Peak traffic will be distributed throughout the year.** While Chinese New Year and Summer continue to be the peak season, more repeat tourists are likely to visit during off-season to avoid the crowd and overpriced airfare.
- **Chinese investment in the US will continue to grow.** More and more high-networth Chinese individuals are planning to visit. The relaxed visa process will make it easier than ever for business people to travel between China and the United States, incentivizing Chinese investors in particular to lay down partial roots in the United States.

U.S. China Tourism Year



Key Outbound Tourism Trends

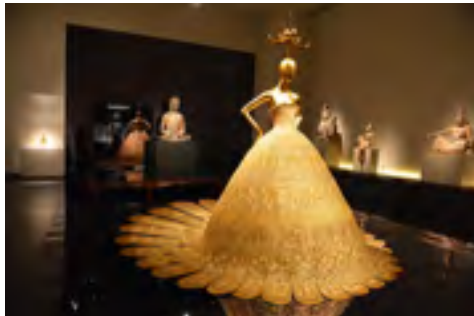
Group Travel is Evolving

- High-end groups are shrinking in size.
- VIP groups are seeking ways to offer more luxury experiences to differentiate their product offering and justify price increases.
- Theme tours such as golf, wine, driving, movie and adventure are increasing in volume and scope.
- There is a blurring of the lines between individual and small group tours. Some individuals will book their own international flight but book a local tour once they arrive at the destination.
- MICE market is growing rapidly.



FIT is Rising

The future growth from Chinese outbound tourism will be led by an entirely new generation of free independent travelers (FIT), who are in search of **novel experiences** rather than a laundry list of the usual attractions. These independent travelers are more “elusive” and demand more **individualized travel products** and services, requiring DMOs to target them with a range of strategies and communication channels.



FIT is Rising

THE SHIFT TOWARDS INDEPENDENT TRAVEL (FIT)



7 OUT OF 10 TRAVELERS CHOSE GROUP PACKAGES

BUT DATA POINTS
TOWARD **GROWTH**
IN INDEPENDENT
TRAVEL



MORE THAN **3 OUT OF 10**
TRAVELED **INDEPENDENTLY**

Source: Phocuswright

FIT is Rising

TYPE OF TRIP-TAKERS MORE LIKELY TO TRAVEL INDEPENDENTLY

(NOT WITH ESCORTED GROUPS)



YOUNG PEOPLE



FIRST TIER
(MORE AFFLUENT)



MORE
EXPERIENCED

Source: Phocuswright

Demographic is Changing

Half of Chinese outbound travelers are now millennials.

- Some data has shown that this group accounts for 75% of China's FIT market and **73% of its luxury market.**
- Two thirds (66%) of this group belong to the high-income bracket, their financial standing is expected to increase as their careers advance.

Like their counterparts in the West, Chinese millennials prefer to be “inspired” rather than “persuaded”. They highly value authenticity in content. They are more likely to trust peer-generated content on social media than content from traditional media channels.



Definition of Luxury is Shifting

For many affluent Chinese, the definition of luxury is shifting from conspicuous spending to experiential luxury. According to an annual China Luxury Forecast by Ruder Finn Public Relations, more affluent mainland Chinese consumers plan to up their spending on travel than on luxury goods this year, marking the second year in a row this has been the case.



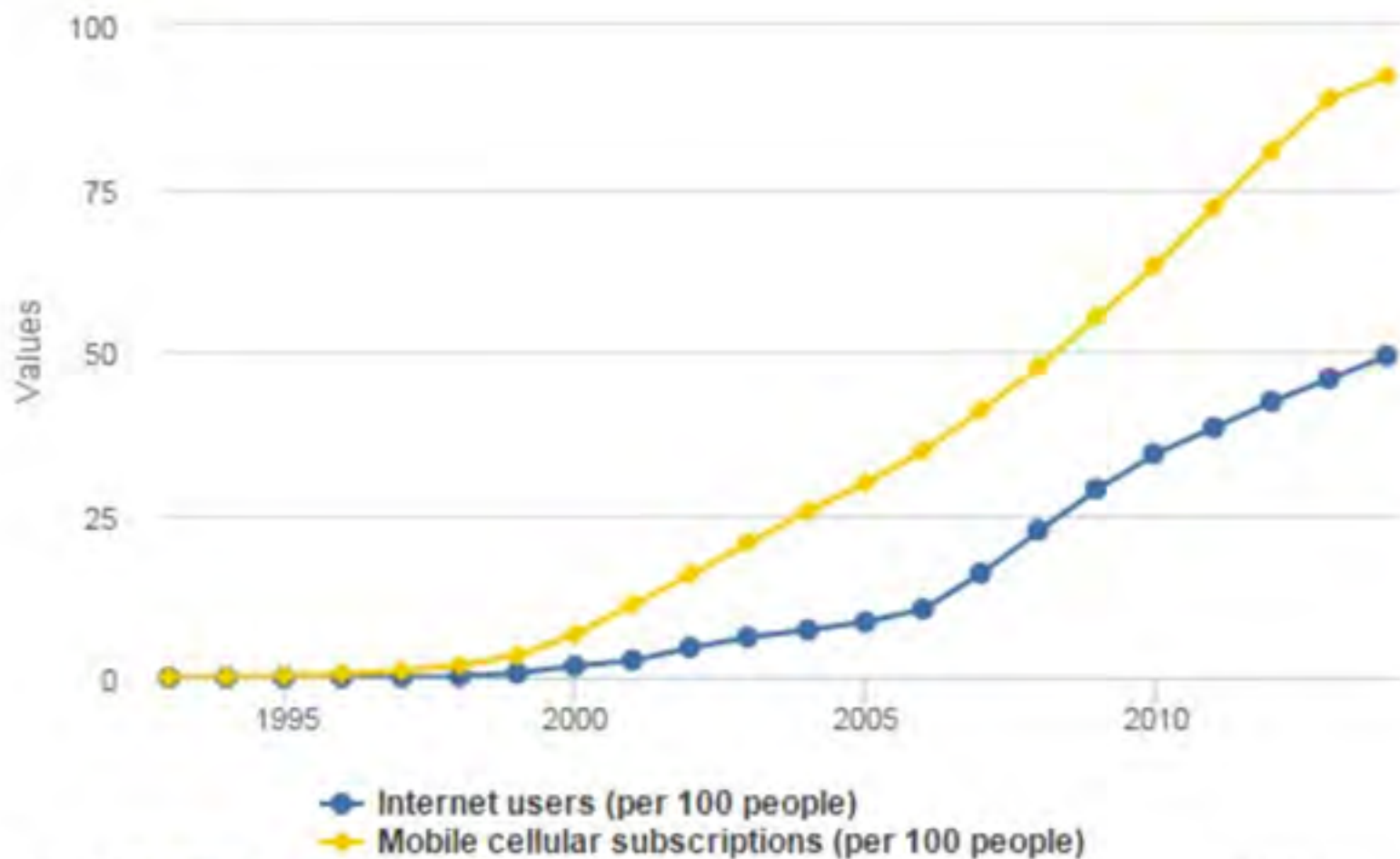
Mobile Dominates Internet

China's smartphone penetration rate is nearly 70%. A majority of Chinese consumers access the Internet and consume media through their smartphones. Many Chinese consumers prefer to research, communicate and make transactions within one platform. Such trends require destinations to establish their brand on mobile platforms and align their marketing strategies accordingly.

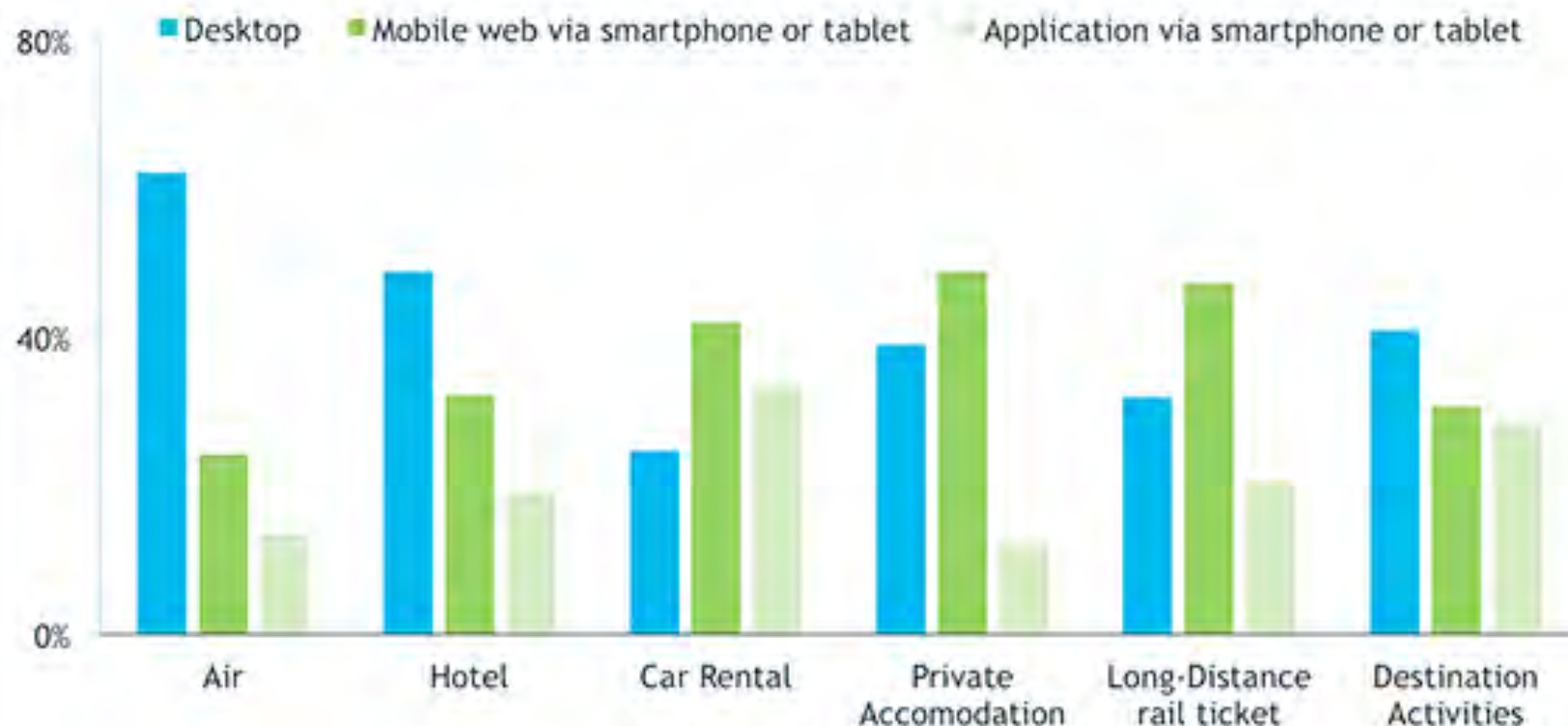
WeChat is currently the dominant social media and communication platform in China, with 650 monthly active users.



Internet users and mobile subscriptions 1993 - 2014



Device Used to Book, by Product



Question: C6: Please indicate which device you used to book each type of travel component for your last international trip.

Base: Individual Online Bookers; Air: (N=490); Hotel: (N=508); Car Rental: (N= 86); Private Accommodation: (N=114); Long Distance Rail (N=94); Destination Activities (N= 297)

Source: Phocuswright's *China Unbounded: The Rapid Rise of China's Outbound Millions* Special Project

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WeChat is China's "Life Operating System"

WHAT IS WeChat

IT IS MORE THAN A "SOCIAL PLATFORM". IT IS A NEW

LIFESTYLE. IT

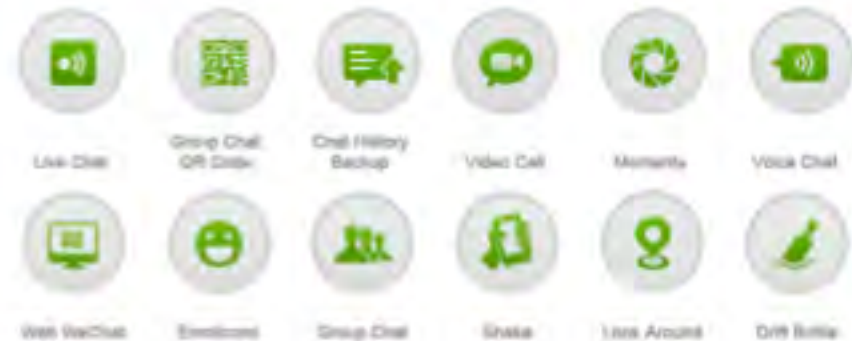
CONNECTS PEOPLE

WITH PEOPLE, SERVICES,
BRANDS AND THINGS,
ONLINE AND OFFLINE.



What is WeChat?

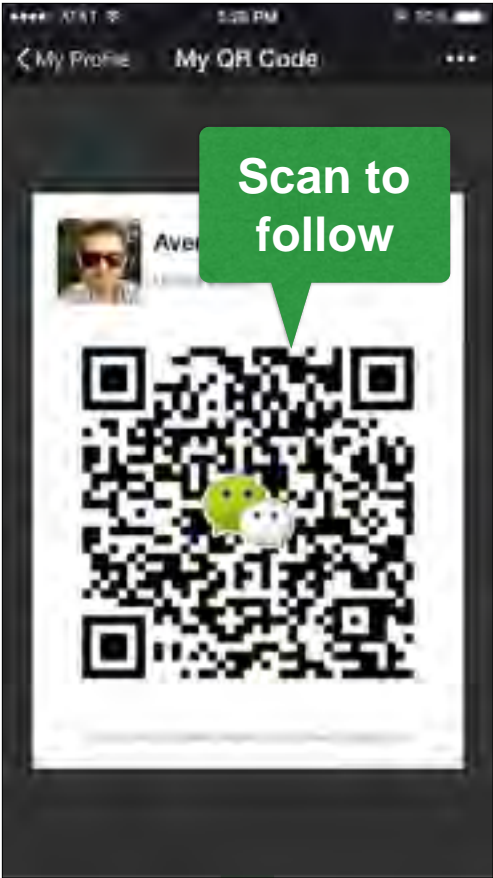
WeChat is a leader in functionality offering: chat, group chat, sharing, free VoIP calls, voice messages, payment and more.



What is WeChat?

- **Crucial:** China's most important platform, with 700 million monthly active users.
- **Mobile-First:** Includes text messaging, e-commerce, voice messaging, games, "Moments," voice calls, and video.
 - Like a combination of Facebook, Twitter, Instagram, Skype, WhatsApp/Line, and Vine.
- **Global:** Appx. 100 million users live outside China. Tourists use WeChat to communicate and "show off," and for travel information/help.
- **Private:** Unlike Weibo (or Twitter), WeChat is a private/closed system, with only a user's friends able to see what they post to their "Moments" and mutual friends' comments/likes.
- **Feature-Rich:** Allows for incorporation audio guides & other unique features without significantly increasing Chinese signage or print materials.

WeChat Interface?



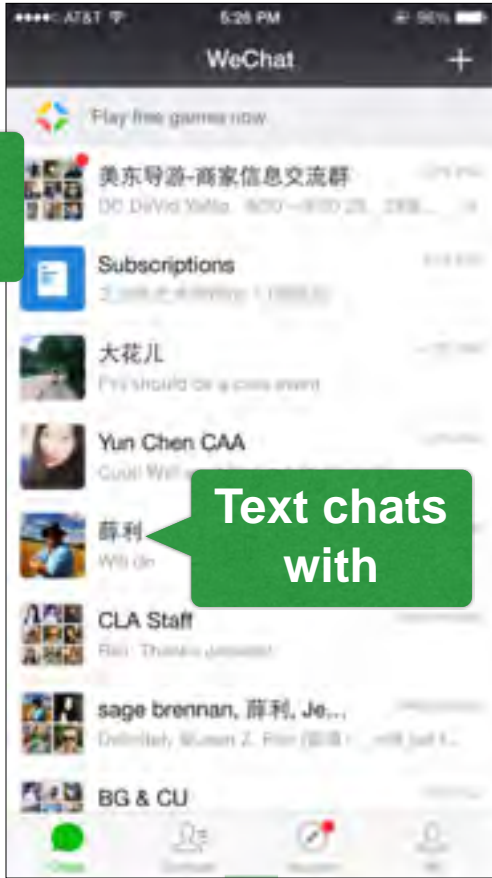
Scan to follow

QR Code



Friends' posts &

Moments



Text chats with

Chat Feed

Why WeChat?

- Both Twitter and Facebook accounts are blocked in China; U.S. based websites load very slowly — WeChat has neither of these problems.
- Offers in-language information and services in an integrated platform that Chinese visitors already use when traveling abroad.
- Adoption rates continue to rise (up 40% YoY).
 - Adults average more than 40 minutes/day on WeChat.
 - 55% of users open app >10 times per day.
 - 86% of users between ages of 18-36.



More than 700 million
active users



55% of users open
WeChat more than
10X per day



93% penetration in
China's Tier 1 cities

A woman with long dark hair, wearing a black leather jacket and a light-colored skirt, is sitting on a stone ledge. She is holding a bright green handbag and has a red shoe on her foot. The background shows a canal with boats and buildings, suggesting a European city setting. The image is dimmed to allow text to be overlaid.

Travel Trade Eco-System

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Ecosystem Diversifies

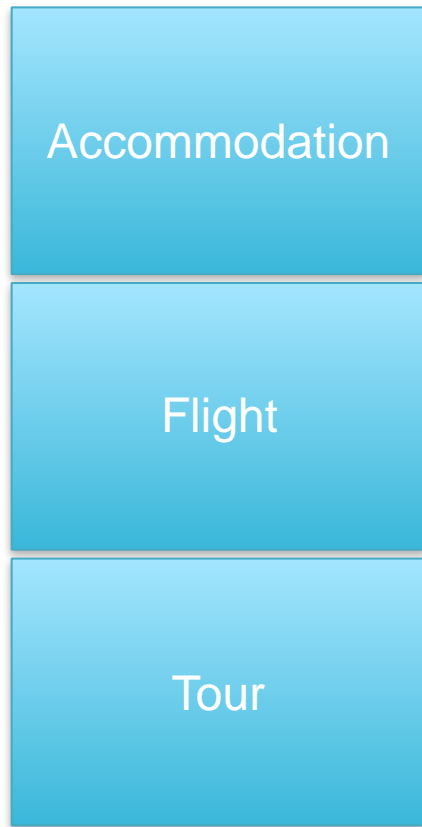


Source: Baidu

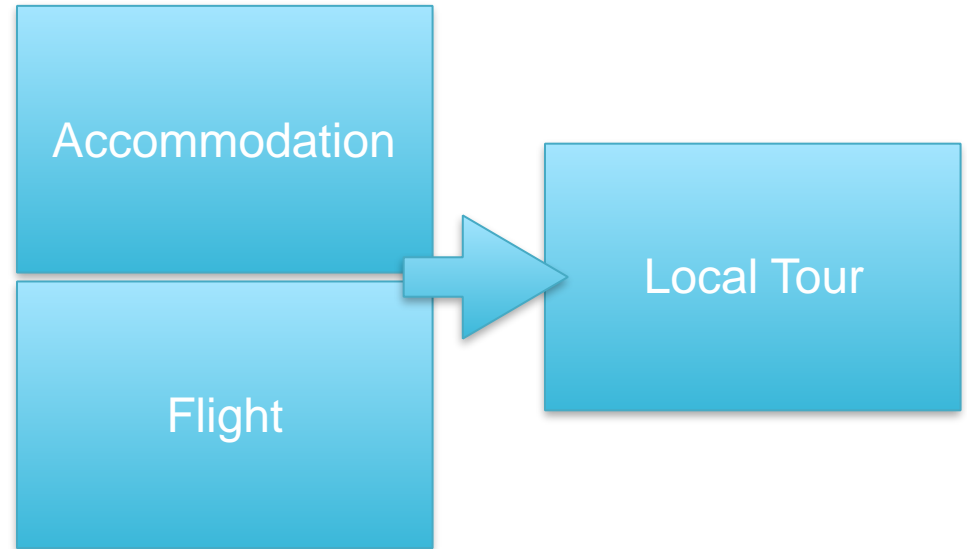
RTA vs. OTA



Package vs. Semi-FIT



All Inclusive Package



Semi-FIT Package

Credit Card vs. Mobile Payment





Salt Lake City Opportunities

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Salt Lake City Opportunities



- Gateway to National Parks
- World-class Ski Resorts

Why Chinese Love U.S. National Parks

- Lush green space and minty fresh air provide Chinese visitors an escape from their often polluted environment back home.
- Many Chinese visitors, especially millennials and entrepreneurs, want to be considered free-spirit and adventurous by their peers.
- The photogenic landscape of national parks provides visitors much “bragging rights” on social media, a favorite activity by Chinese visitors.

Gateway to National Parks



2016 is the Centennial of the National Parks Service, which is coincided with **U.S.-China Tourism Year**. Chinese visitation to U.S. national parks are expected to hit record number.

Gateway to National Parks

- Salt Lake City's geographic location makes it the ideal gateway to national parks in Utah and surrounding area, including the Mighty Five and Yellowstone, Grand Teton.
- Chinese visitors can shop, rest and recharge before and after visiting the national parks.
- “Fly + Drive” is much easier for independent travelers

World-class Skiing Destination



Salt Lake City is already a major ski destination for international travelers, but it remains largely unknown to Chinese skiers.

China's Growing Skiing Population

- China didn't even have 10 resorts a decade ago, but now it has more than 500, up 25% over the previous year.
- Visitors to ski resorts in China have increased from fewer than 10,000 a year in the mid-1990s to 12.5m in 2015, up 21.4 percent from a year earlier.
- According to the Swiss tourism board, some 35 percent of Chinese skiers are planning a vacation abroad within the next two years.
- China's Wanda Group is building the biggest indoor skiing facility of the world with 800,000 square feet, and two additional indoor ski parks.

China's Growing Skiing Population



Skiing is considered a status symbol by China's elite class. Fashion often plays an equally important role.

Winter Olympics



After it became the host country of the 2022 Winter Olympics, the Chinese government has launched a nationwide initiative to transform 300 million non-skiers into winter sports enthusiasts.

A woman with long dark hair, wearing a black leather jacket and a light-colored skirt, is sitting on a stone ledge. She is looking off to the side with her hand near her face. In front of her is a green handbag with a chain strap. To her left is a decorative black metal post. The background shows a river with boats and buildings under a cloudy sky.

Case Studies

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Case Study: LATCB “China Ready” Training

Overview: CLA has been engaged by LATCB to create and execute a China-Ready program for its members, on an ongoing basis.

Program:

- Conceptualized and ran 10 in-person China Ready Trainings
- Created minimum China Ready Designation requirements for LACVB members
- Reviewed and vetted all China Ready Designation applications, answering questions and providing counsel to LACVB members as needed
- Created a comprehensive activation strategy for 2015, including organizing a receptive tour operator “trade show” in Los Angeles and organizing a China sales mission for China-Ready members



Case Study: LATCB “China Ready” Training

Amenity/Service	Required	Recommended
Chinese language map/materials	X	
Chinese language content on website	X	
Accept China UnionPay/China UnionPay ATMs	X	
Audio tour in Chinese		X
Mandarin speaking staff		X
Chinese food/drink options (if applicable)		X
Free wi-fi		X
Way finding/signage in Chinese		X
Chinese subtitles on videos		X
Chinese social media accounts (Weibo/Wechat)		X

Case Study: LATCB “China Ready” Training

Results:

- The China Ready program was very well received by LATCB members, illustrated not only by much higher than anticipated attendance but by high average seminar “value” ratings (4.2 on a 5-point scale) and the fact that 92% of survey respondents said the program met/exceeded expectations.
- 50% of attendees stated that their organization has already made changes as a result of the trainings, and 29% of attendees stated that their organization is planning to make changes as a result of the program.
- 62% of attendees were very interested in continued China Ready programming.
- Visitation to Los Angeles from Chinese tourists increased more than 20% to reach 686,000 in 2014



Case Study: Beverly Center Tourism Strategy

Overview: Los Angeles fashion destination Beverly Center sought to expand its business with Chinese consumers.

Tactics: CLA developed a comprehensive strategy by researching the national/local landscape, then launched tourist outreach encompassing advertising, Chinese media relations, Chinese social media, celebrities & influencers, Chinese partnerships, Chinese students, and China and US-based Chinese tourism trade.



BEVERLY CENTER

Case Study: Beverly Center Tourism Strategy

Results: Enthusiastic reception by Chinese tourists, and strong ROI:

- Created sustainable tourism program resulting in triple digit year over year increases in traffic and spending.
- After implementing the program, Chinese tourists spent 4X more than center's average customer, and 12X that of the average US shopper.
- ROI from Chinese tourism initiatives ranged from 17X to 40X investment for each program.
- Negotiated appearances and support from leading Chinese celebrities, including one of China's top actresses and top Chinese NBA star.
- Center recognized as leader in serving Chinese tourists, with significant media attention and recognition with features on the China program from LA Times, LA Business Journal, Forbes & FORTUNE.



LA Laker Star Jeremy Lin places wish on Beverly Center's Lunar New Year Wishing Tree

Case Study: Beverly Center Tourism Strategy

Los Angeles Times

High-end malls in Southern California court shoppers in China

At the Beverly Center and South Coast Plaza, attracting the interest of individual Chinese is a courtship that begins long before shoppers board flights for the U.S.

March 21, 2014 | By Yifan Zhu

As Chinese tourists spill from their tour bus into the Beverly Center, Charlie Gu hands each one a sleek black envelope. Inside: a Chinese-language map of the mall and a special discount card.

Gu, the center's Mandarin-speaking Chinese specialist, asks shoppers about what they're looking for and circles relevant stores on the map.

"L.K. Bennett is a favorite of Kate Middleton, Duchess of Cambridge," he advises one. "You should definitely take a look."



Members of a Chinese tour group peruse shopping brochures at the Beverly... (Brian van der Brug, Los Angeles...)

Case Study: El Corte Ingles CNY Celebration

Overview: China Luxury Advisors worked with Spanish department store El Corte Ingles to create an engaging online/offline activation for Chinese New Year in 2016.

Tactics:

- Organize and host four Chinese influencers for an exclusive trip to Madrid, showcasing Spanish fashion and lifestyle.
- CLA designed and developed a customized photo competition to showcase the photos from the competition and allow El Corte Ingles to capture customer information, and incentivize them to share the picture they voted for on their moments, thus raising positive brand awareness and buzz about the competition.



Case Study: El Corte Ingles CNY Celebration



Results:

- ECI's Weibo following increased more than 90 percent
- WeChat fan base jumped nearly 500 percent.
- Photo-voting campaign, promoted by additional seven micro-influencers, received more than 1 million page views within one week.

Case Study: El Corte Ingles CNY Celebration



CLA also created a Chinese New Year wishing tree activation for El Corte Ingles at two of its flagship locations. As a result, El Corte Ingles WeChat account gained approximately 330+ new followers for the first 3 days.

Case Study: Malibu Family Wines

Overview:

LATCB member “Malibu Family Wines” engaged CLA to create and launch a Chinese tourism program for its vineyard, tasting room, and unique animal safari.

Tactics:

CLA created a customized Chinese tourism program aimed at raising awareness among the travel trade, Chinese media, Chinese students and individual travelers.



Case Study: Malibu Family Wines

Results:

- Hosted Chinese receptive agency FAM with more than 35 attendees, resulting in signed agreements with more than five tour operators and businesses generated in less than two months
- Created “Goat Naming Ceremony” media opportunity to draw attention to the Chinese tourism program during Chinese New Year, resulting in more than 35 earned media mentions in Chinese publications, including large China media outlets and a feature video filmed by Xinhua News.
- Hosted Chinese social media/online forum, Chihuo, resulting in online posts, Weibo and WeChat posts, as well as promotion in their Chinese New Year campaign, reaching students and individual travelers.



Case Study: Malibu Family Wines



The story was covered by China's top news outlets including Xinhua News Agency, China News Agency and Phoenix TV

A woman with long dark hair, wearing a black leather jacket and a light-colored skirt, is sitting on a stone ledge. She is holding a bright green handbag with a chain strap. The background shows a river with boats and a cityscape. The image is dimmed with a dark overlay.

Q&A

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THANK YOU!

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