



OUR HONG KONG
FOUNDATION
團結香港基金

10TH 週年紀念
Anniversary

Redefine Hong Kong's Tourism Edge to Recreate Hong Kong's Retail Flair

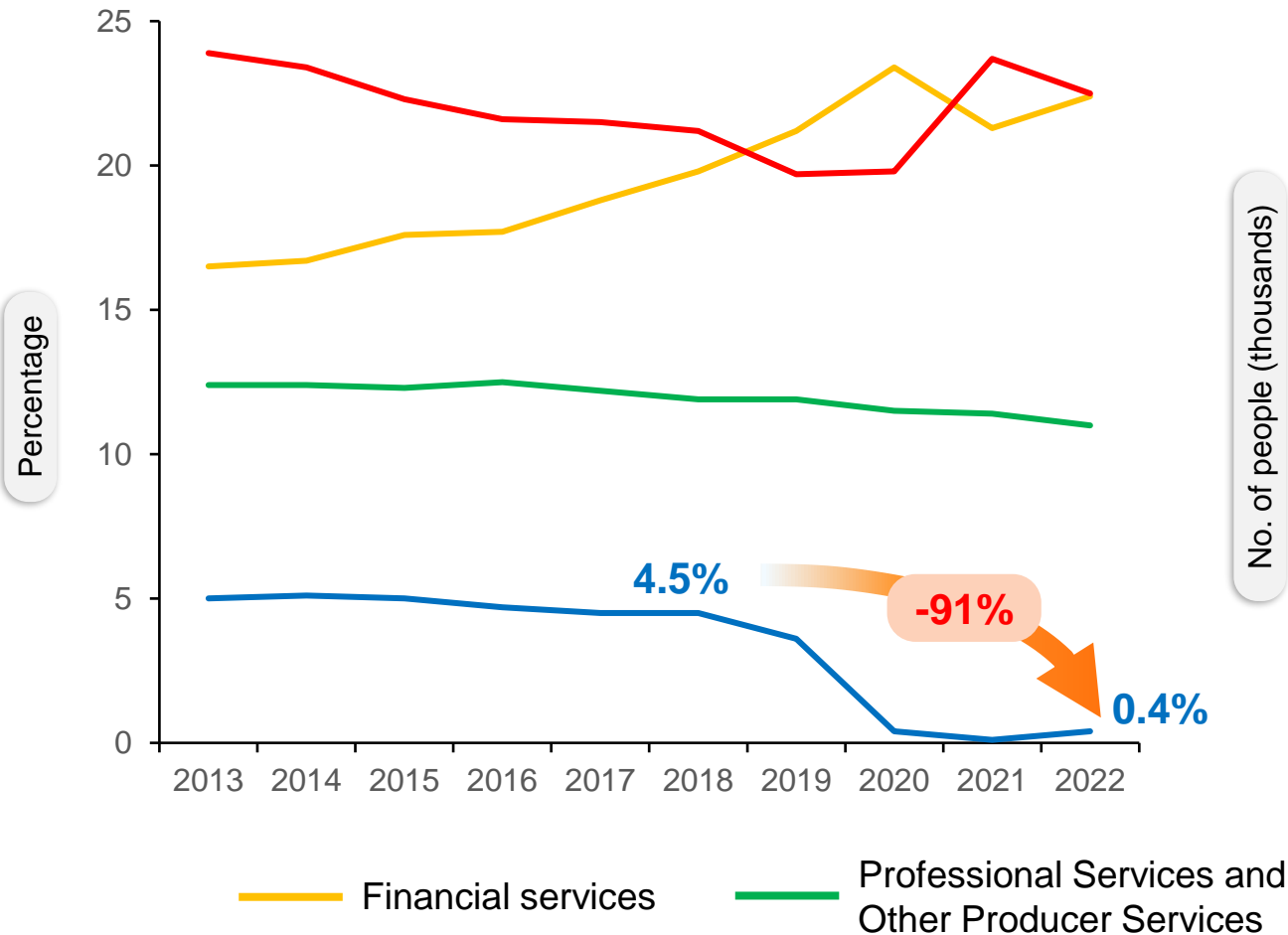
February 2024

Research • Advocate • Engage
研究 • 倡議 • 推動

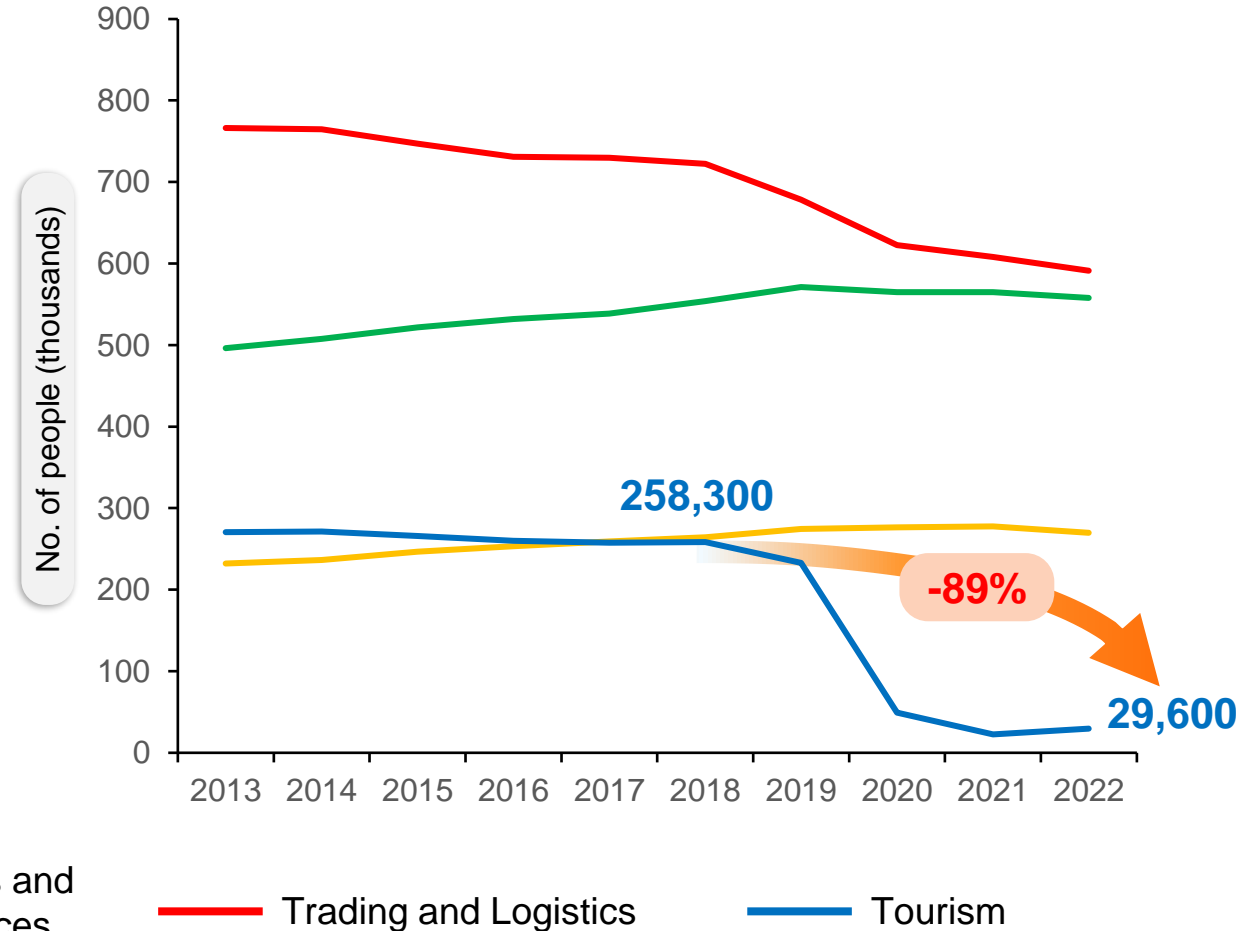


Among the Four Key Industries in the Hong Kong economy, the tourism industry has been the most severely impacted by the COVID-19 pandemic

Four Key Industries percentage share of value added in GDP



Four Key Industries number of employment



Closely related to the tourism industry, the retail industry is a significant economic sector and one of the largest services industries in Hong Kong

No. of retail establishments^[1]

66,000



No. of persons engaged in retail industry ^[1]

252,000



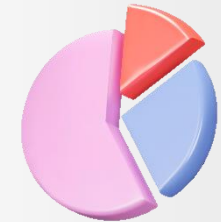
Industry value added of retail industry ^[2]

\$54.5 billion



Retail industry % contribution to GDP ^[1]

13.8%



Note: [1] As of the third quarter of 2023

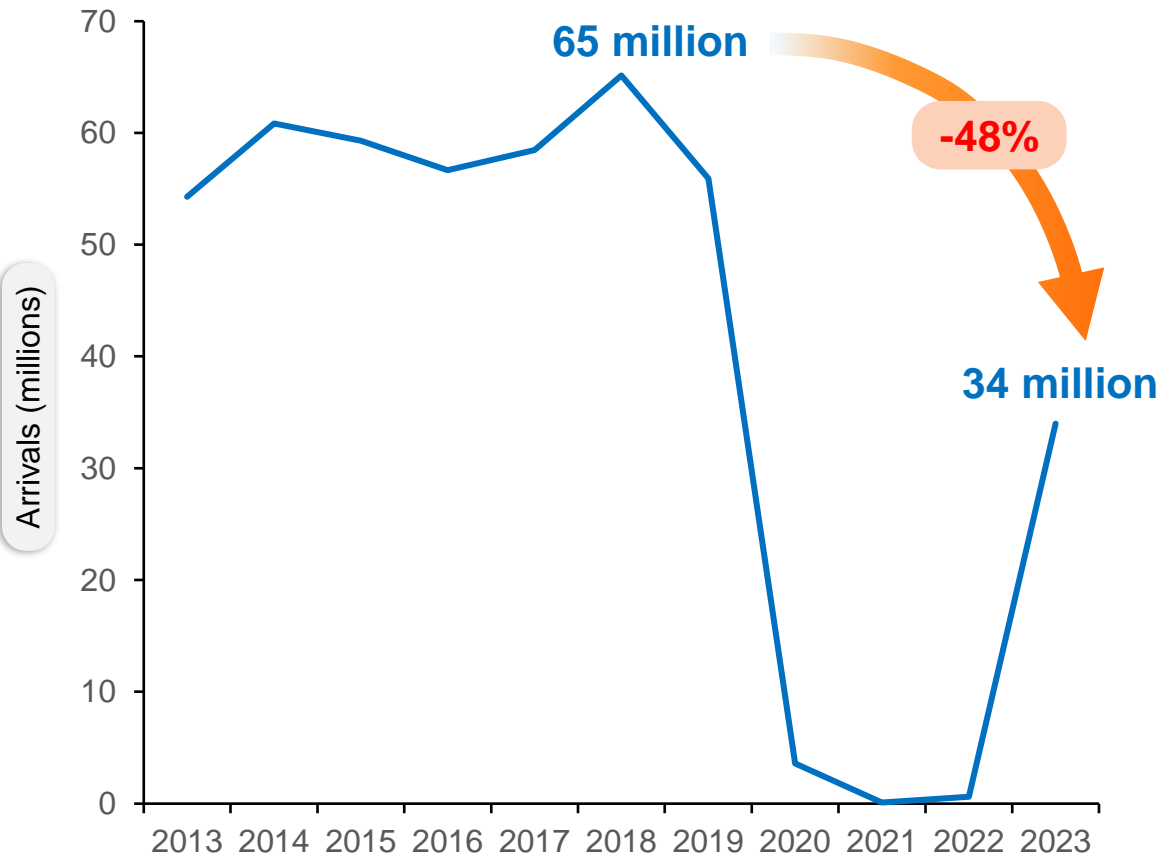
[2] As of the latest statistical figures for the year 2022

Source: Census and Statistics Department

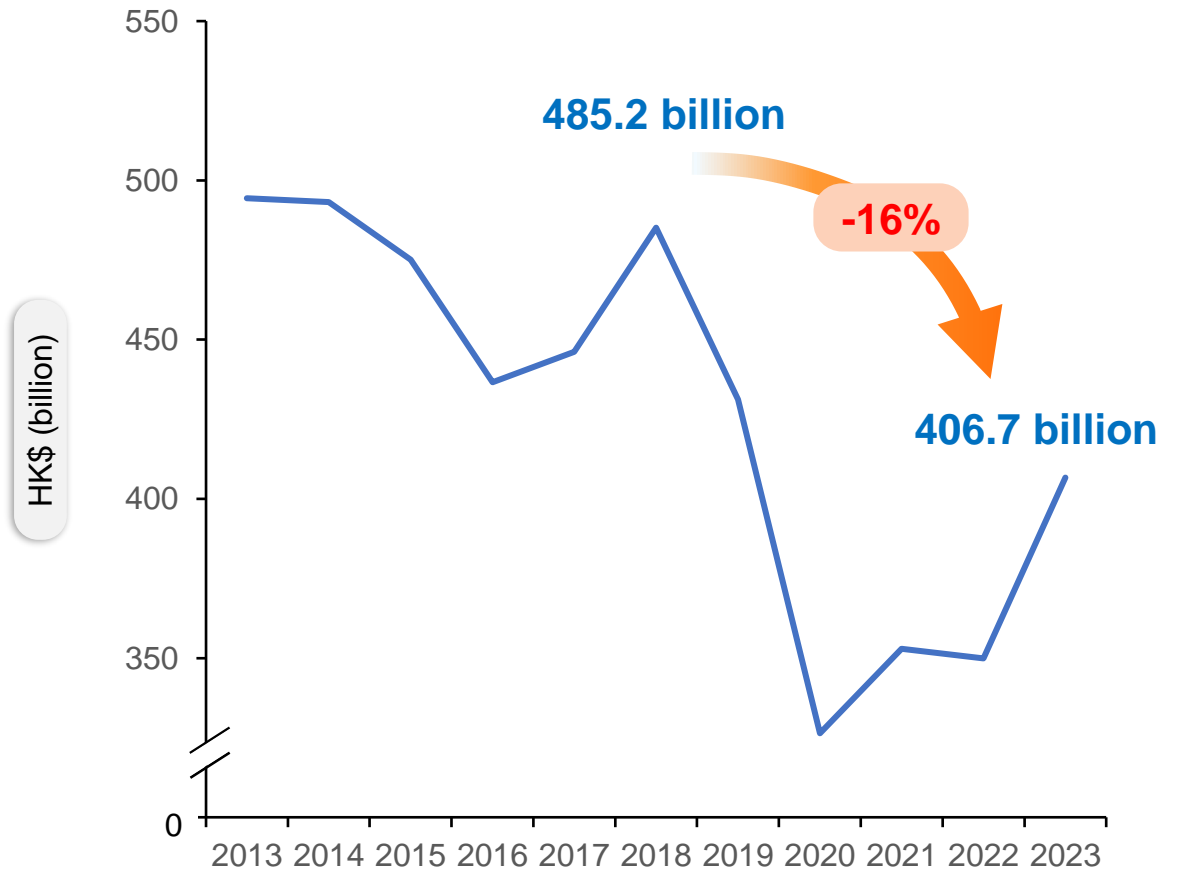
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However, the post-pandemic recovery in the tourism and retail industries is disappointing, and has yet to return to pre-pandemic levels

No. of visitor arrivals



Value of retail sales



Revitalising the tourism and retail industries can stimulate HK's economy in the short-term and is an important component in achieving the "Eight Centres" positioning



Promote passenger and cargo flow to leverage HK's status as an **international shipping centre and aviation hub**



Showcase Hong Kong's unique charm to leverage its strengths as an **East-meets-West Centre for International Cultural Exchange**



Elevate Hong Kong's status as an **international trade centre** through the organisation of large-scale international conferences and exhibitions



Showcase Hong Kong to the world, stimulate its economy in the short-term, and consolidate its position as an **international financial centre** in the long-term

Situation Analysis – Tourists are...



Challenge 1

“Reluctant to Visit”

- Complex visa application procedures; low coverage of cities under the “one trip per week” visit endorsements policy
- Strict restrictions on international visitors entering Mainland China
- Weakening advantage of Hong Kong as a “shopping paradise”; changing consumption habits of mainland residents in the post-pandemic era
- As air passenger capacity has yet to be restored, escalating air ticket prices dampened tourists' desire to visit Hong Kong



Challenge 2

“Reluctant to Stay Overnight”

- Decreasing overnight visitor arrivals
- Steep hotel price hikes during major holiday seasons are not conducive to creating a mega event economy
- Events were organised hastily and lacked coordination, thus limiting synergies
- Lack of coordination among relevant departments has resulted in reduced efficiency in event organisation



Challenge 3

“Reluctant to Come Again”

- Relative competitiveness of Hong Kong's tourism industry is on the decline
- Hong Kong's tourist attractions are losing novelty and attractiveness
- Continued labour shortage leading to worsening consumer experience
- Fragmented channels and inconvenient access to tourism information for first-time visitors

Strategy 1

Increase tourists' desire to visit Hong Kong

Strategy 2

Incentivise tourists to stay overnight

Strategy 3

Develop unique travel experiences

Challenge 1: Tourists are “Reluctant to Visit”

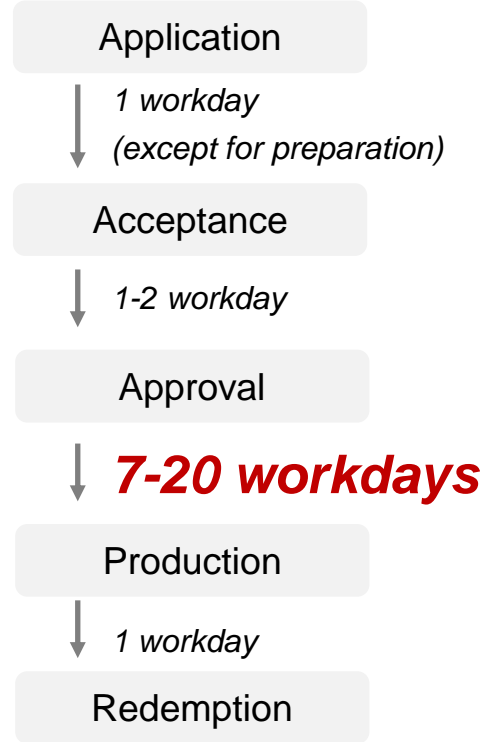
Complex visa application procedures; low coverage of cities under the “one trip per week” visit endorsements policy

First-time visitors need to apply for visa endorsements at manual counters, which is time-consuming

Visitors from most mainland cities cannot simply “pack and go” to visit Hong Kong

First time visitors to Hong Kong

Manual Counter Visa Issuance Process



Re-entry visitors

Self-service Visa Renewal



— Visa Type & City Coverage —

1
“One trip per week”
Visit Hong Kong once a week
Not exceeding 7 days per visit

— Renewal —

Once per Year

333
“One-entry endorsements”
Once / 3 months, Twice / 3 months,
Once / year, Twice / year

Every time visa runs out

Challenge 1: Tourists are “Reluctant to Visit”

Strict restrictions on international visitors entering Mainland China are not conducive to promoting “single journey, multi-stop” tourism in GBA

Although there is a visa-free policy for foreign nationals entering Guangdong Province from Hong Kong SAR and Macao SAR in groups for no more than 144 hours...



- However, as the policy requires foreigners *to stay in their joined tourist groups*, and to *report to the relevant departments in advance* when travelling to the 9 mainland cities, the convenience of the policy diminishes
- Since the implementation of the policy, only a *small number of foreign visitors* have joined the tours

Challenge 1: Tourists are “Reluctant to Visit”

Weakening advantage of Hong Kong as a “shopping paradise”; changing consumption habits of mainland residents in the post-pandemic era

Market

Double blow:
Price + Product

1. Consumption in Hong Kong is adversely affected by the currency effect due to US interest rate hike cycle

- Exchange rate of Hong Kong Dollar to Chinese Yuan from March 2022 to October 2023

+16%

- With the strong Hong Kong dollar, travelling costs for Mainland visitors have become more expensive

2. Reduced reliance on Hong Kong with the development of the Mainland retail market

- International brands expanded to the Mainland market, leading to reduced incentives to spend in Hong Kong

46K+

Number of Tmall International overseas brands, as of January 2024



Pessimism-led
expenditure cuts

Demand

1. Consumer confidence in the Mainland declined, preferring to save for emergencies

- Chinese Consumer Confidence Index fell sharply in 2023 vs. 2019

-29%

- As of December 2023, pessimistic sentiment has been recorded for 21 consecutive months

2. Consumers became more rational and pragmatic with emphasis on value-for-money

- Survey shows that consumers compare different retail channels to seek for lower prices

47%



Challenge 1: Tourists are “Reluctant to Visit”

As air passenger capacity has yet to be restored, escalating air ticket prices dampened tourists' desire to visit Hong Kong

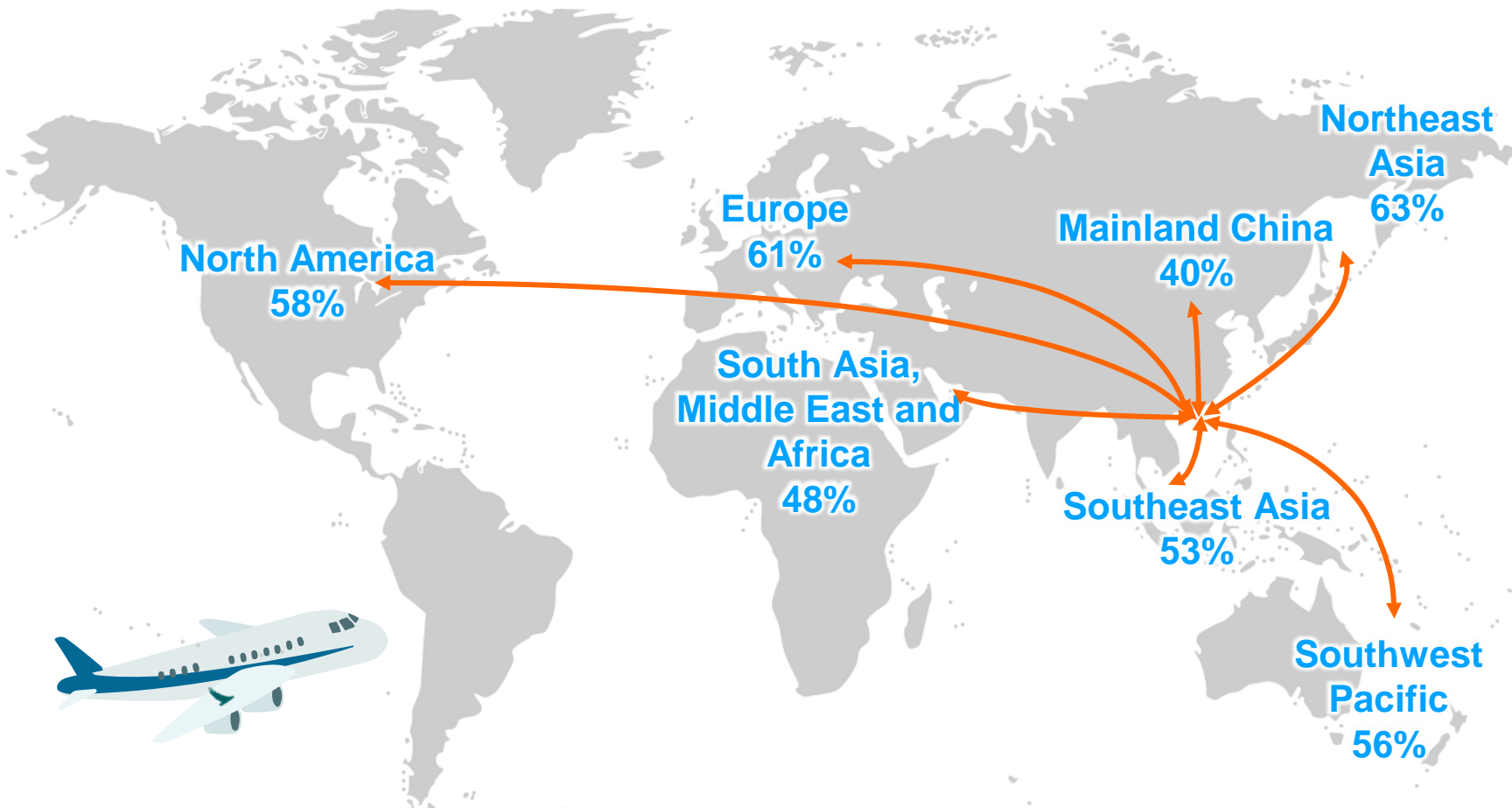
Cathay Pacific's passenger capacity, 2023 vs 2018

Average price of each flight ticket (HK\$)

2023: \$3,608



2018: \$2,679



Rising air ticket prices discourage travellers from visiting Hong Kong...

Strategy 1: Increase tourists' desire to visit Hong Kong

Relax travel visa restrictions; Empower “single journey, multi-stop” tourism in the Greater Bay Area



1 Gradually expand the coverage of “one trip per week” visa

- ✓ Expand coverage first to **other Greater Bay Area cities**, followed by other **cities opened for Individual Visit Scheme**, then to other coastal cities, provincial capitals, and **other more developed areas**

2 Relax restrictions on foreign tourists visiting the Mainland

- ✓ Cancel the requirement of “stay in group” under the policy of “144-hour visa-free access for foreigners” to **allow international travellers to enter Guangdong individually for short trips**



Greater Bay Area



49 Cities with Individual Visit Scheme



Guangzhou



Shenzhen



Hong Kong

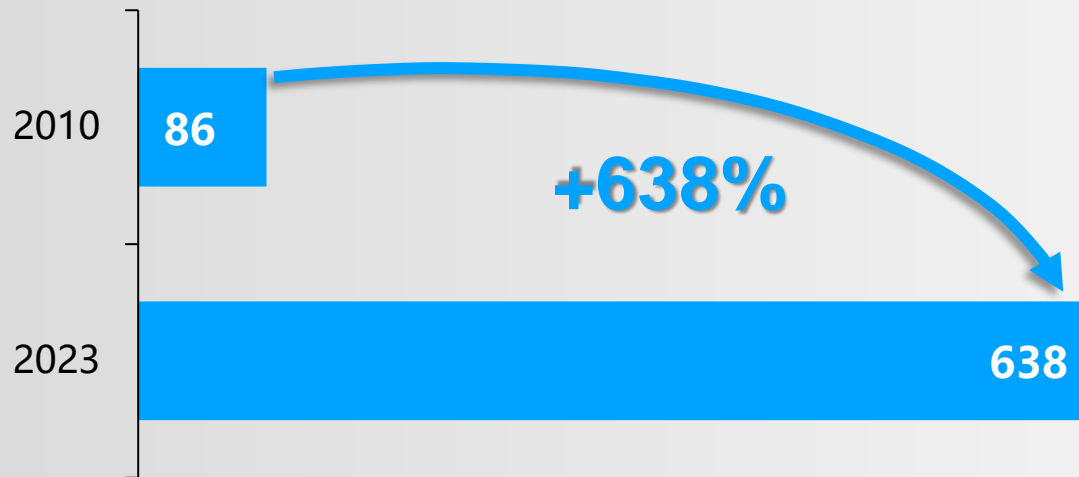
Strategy 1: Increase tourists' desire to visit Hong Kong

Raise the ceiling of the duty-free allowance to stimulate tourists' consumption in Hong Kong

3 Raise duty-free ceiling of personal items for Mainland residents

- ✓ Relax the duty-free ceiling of ¥ 5,000 to at **least ¥ 35,000** for personal items imported by Mainland residents

Consumer Spending on Luxury goods in Mainland China (billion RMB)



4 Multi-pronged incentives to boost visitors' spending

- ✓ Before Departure: **Lucky draw for travel packages** on social media
 - E.g., One night's stay at The Peninsula + Michelin-starred set meal + 2 Disneyland admission tickets
- ✓ Upon Arrival: **Lucky draw for cash coupons (for spending in Hong Kong only)** at transportation hubs
- ✓ **HK\$500 cash coupon** for accommodation, transportation and shopping in Hong Kong **upon expenditure** of HK\$5,000 or above



"Taiwan the Lucky Land" Prize Draw

- Lucky draw of NT\$5,000 for spending in Taiwan only for overnight travellers staying for more than 3 days

Strategy 1: Increase tourists' desire to visit Hong Kong

Providing concessions for airport charges to stimulate the resumption of aviation capacity

5

Reduce airport charges for airlines to enhance price competitiveness of air tickets to Hong Kong

Major charges for airlines



Parking charges



Landing charges



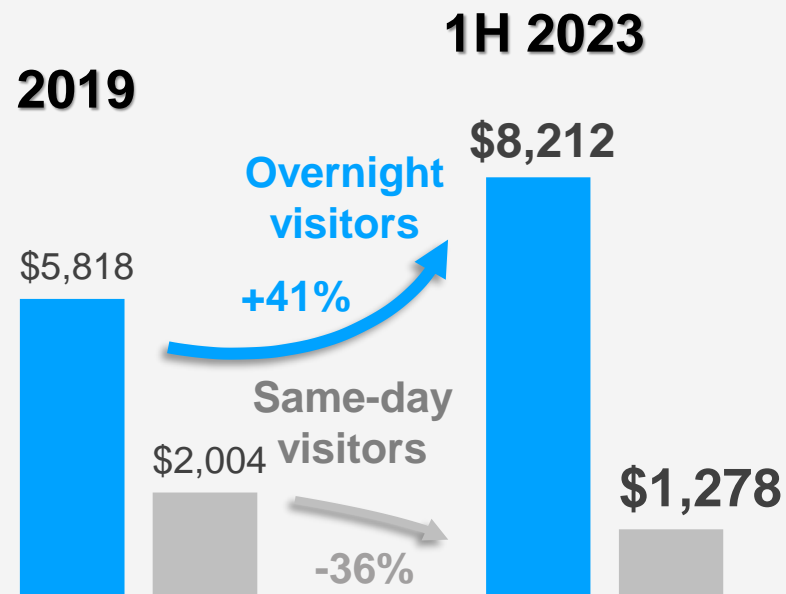
Terminal charges

- ✓ Taking reference from the “Early Bird Guaranteed Landing Charge Discount” scheme to provide financial incentives (e.g., reduce parking charges or terminal charges)
- In 2022/23, Airport Authority Hong Kong launched the “Early Bird Guaranteed Landing Charge Discount” Scheme to allow airlines that resume flights early to **receive a maximum rebate of 50% on landing fees**
- Consider continuing **the relief measures implemented during the pandemic**, such as waiving airbridge fees and operational costs for terminal operators
- ✓ Expand the market promotion fund to cities outside the Greater Bay Area, encouraging the development of new air routes

Challenge 2: Tourists are “Reluctant to Stay Overnight”

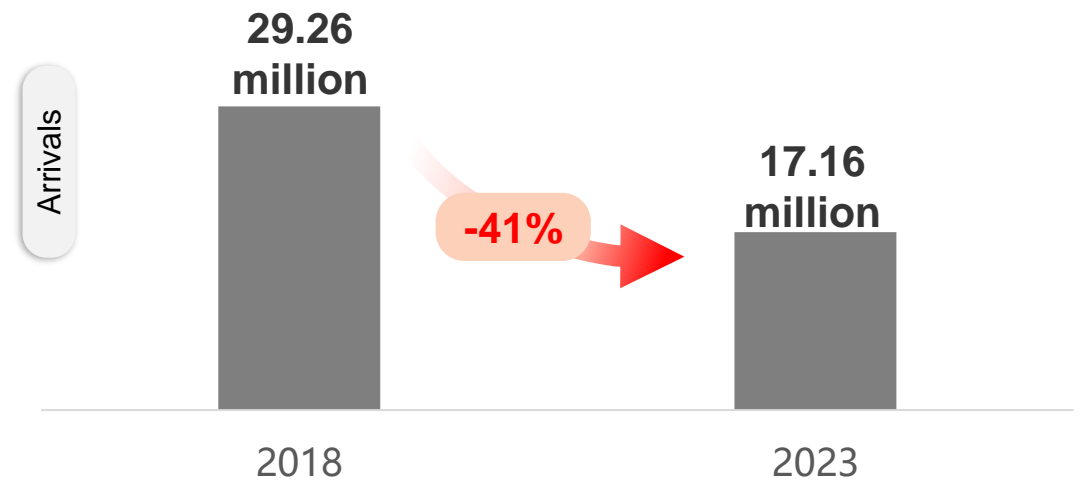
The widening gap in consumption between overnight and same-day visitors highlights the negative impact of decreasing overnight visitor arrivals

Per-capita consumption of overnight and same-day visitors



- The per-capita consumption of overnight tourists has increased, while same-day visitor spending has dropped significantly

Overnight visitor arrivals have not recovered to pre-pandemic levels...









- The decrease in overnight visitors has significantly hit the local retail, hotel and restaurant markets in particular
- Hong Kong must increase its appeal to tourists in order to retain overnight visitors

Challenge 2: Tourists are “Reluctant to Stay Overnight”

Steep hotel price hikes during major holiday seasons is not conducive to creating a mega event economy

Trivago Hotel Prices Index*

| | | |
|---|--|--|
|  Dubai \$2,000 |  Singapore \$1,661 |  Hong Kong \$1,297 |
|  Tokyo \$1,271 |  Beijing \$1,119 |  Taipei \$1,042 |

- Given objective factors such as labour and land costs, Hong Kong’s hotel prices are inevitably high. Yet, compared to other popular travel destinations in Asia, the prices are comparable
- However, the steep price hikes of hotel rooms during major holiday seasons are beyond the affordability of many price-sensitive travellers. Therefore, many would rather stay overnight in Shenzhen or leave on the same day.

Steep hotel price hikes during major holiday seasons, with the most significant increase in low-to-mid-range listings



Note: Prices listed above are the average for a double room in popular Asian tourist cities in February 2024. All prices are in Hong Kong Dollars.

Sources: Trivago, Our Hong Kong Foundation

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Challenge 2: Tourists are “Reluctant to Stay Overnight”

Events were organised hastily and lacked coordination, thus limiting synergies

The following major events all took place on 21 November 2023, dividing audiences' participation



New World Harbour Race 2023



FIA World Rallycross Championship



Hong Kong Golf Open 2023



2023 Macau Grand Prix



- Lack of schedule coordination led to audiences' divided participation, limiting their duration of stay and spending
- Insufficient time for organising the events might lead to potential shortcomings or rushed arrangements, which can be detrimental to promoting Hong Kong's tourism image
- Taking the FIA Hong Kong Station as an example, the organisers only had 2 weeks to set up the racetrack and venue. The Government only allowed road closure a day before the race, which led to technical issues and last-minute changes

Challenge 2: Tourists are “Reluctant to Stay Overnight”

Lack of coordination among relevant departments has resulted in reduced efficiency in event organisation

Many event organisers have to navigate between different departments to prepare for their events

The licenses commonly required include:

| License | Purpose | Time & requirement |
|--|--|--|
| Temporary Places of Public Entertainment License | Hosting performance-based events such as film screenings, light shows, and sports competitions | 7 – 42 days depending on whether temporary structures will be erected |
| Temporary Food Factory License | Selling reheated pre-cooked food in temporary stalls | 12 working days; only reheating pre-cooked food is permitted, on-site preparation is not allowed |
| Temporary Liquor License | Selling alcoholic beverages in public entertainment venues | 14 working days |
| Trade Promotion Competition Licence | Lucky draws | At least 2 weeks (even earlier if advertisements of the event will be placed) |



- Mega events often involve multiple departments, but there is a lack of communication and coordination
- Organisers are often overwhelmed trying to meet the demands of different departments, which significantly impact the effectiveness
- It is hoped that the newly established “Inter-departmental coordination group” can address the challenges

Strategy 2: Incentivise tourists to stay overnight

Strategically design the major event calendar for greatest economic impact

6 Strategically design event calendars to build a thriving mega event economy

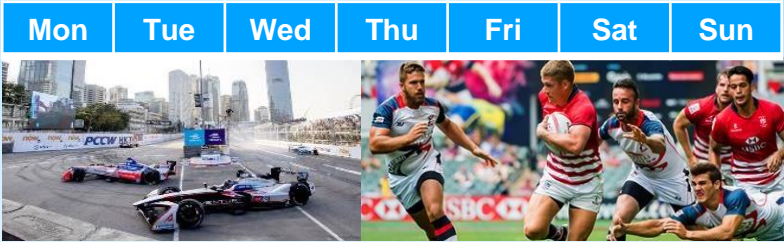


Create uniquely-Hong Kong major events



- Curate potential major events from local elements such as culture, fashion, and cuisine
- Assist the business and cultural sectors in organising more events with novel experiences to incentivise both local and tourist spending

Assemble major events together to form synergies



- Promote a series of major events in a bundled manner, thus creating synergies in promotion effects and economic impact
- Develop ticket allocation plans based on target customer segments to promote the development of target tourist markets

Rationalise event schedules to maximise economic and branding impact

- Coordinate local event schedules to create synergies between activities
- Strategically allocate event dates to coincide with major holidays of the target tourist markets
- Reserve adequate lead time (>3 months) for event preparation
- Announce event schedules in advance to facilitate coordination with the F&B and retail sectors to stimulate consumption

Strategy 2: Incentivise tourists to stay overnight

Coordinated local and global event promotion efforts to create a vibrant mega event atmosphere

7 Enhance event promotion and management

Maximise promotional opportunities and carry out comprehensive local marketing efforts



Transport infrastructure



Government venue façade



Mass transit system

Referencing the promotion strategies used in the District Council Elections, various government communication channels can be utilised to build anticipation, create a welcoming atmosphere, and boost the retail sector

Upgrade the Tourism Board’s Representative Offices to Worldwide Offices in target markets

In many target markets, the Tourism Board only has set up Representative Offices that provide basic inquiry services...

Head Office (1)



Hong Kong

Worldwide Offices (15)

Beijing, Shanghai, Guangzhou, Chengdu, Tokyo, Seoul, Taipei, Singapore, Sydney, London, Paris, Frankfurt, New York, Los Angeles, Toronto

Representative Offices (6)

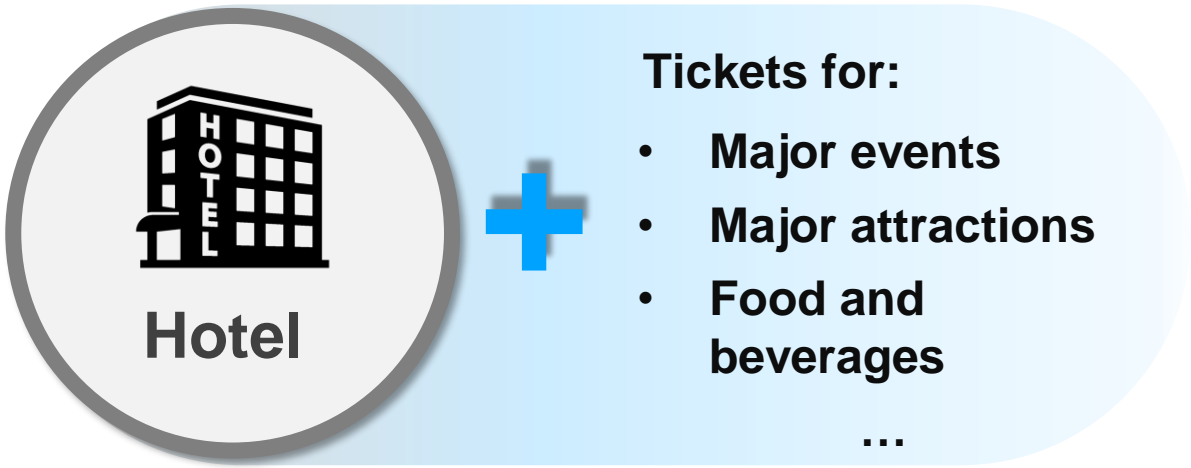
Dubai, Bangkok, Jakarta, Manila, Kuala Lumpur, New Delhi

Upgrade the five Representative Offices in the Middle East and Southeast Asia to Worldwide Offices with full-fledged marketing functions and set up more Worldwide Offices

Strategy 2: Incentivise tourists to stay overnight

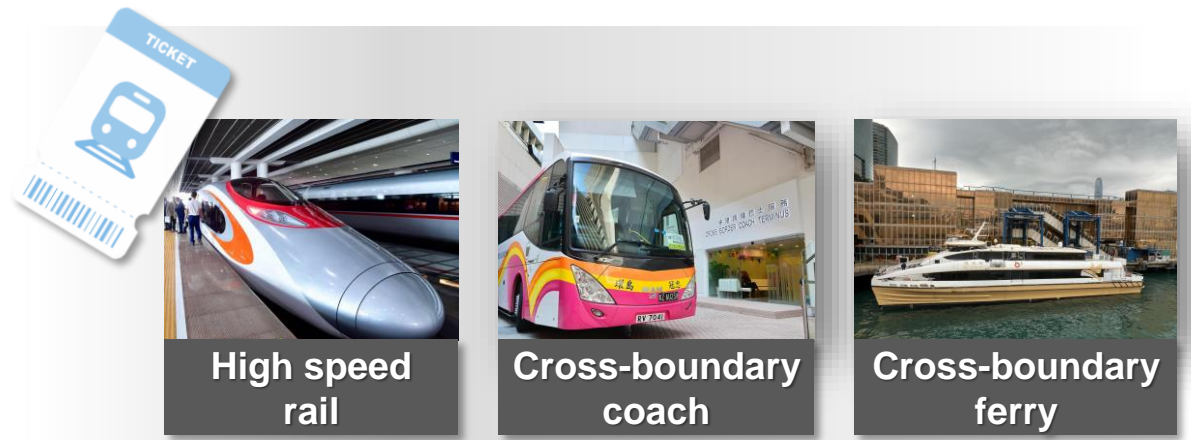
Encourage mid-haul market travellers to extend their stay in Hong Kong and stimulate consumption

8 Offer "Hotel + Event" bundle tickets to enhance the appeal of mega events



- The government can take the lead in coordinating businesses to bundle hotel accommodations with various tourism experiences and offer attractive price discounts, thus encouraging travellers to stay overnight and spend during mega events and major holiday seasons

9 Distribute non-same-day train, coach, and ferry tickets to mid-haul travellers


















- Taking inspiration from Macau's "Free Ferry and Bus Tickets" promotion, Hong Kong can offer free next-day train, coach and ferry tickets to attract travellers to extend their stay in Hong Kong
- The promotion for each mode of transportation (high-speed rail, cross-boundary coaches and ferries) will be limited to once per year and require real-name authentication when purchasing tickets online

Challenge 3: Tourists are “Reluctant to Come Again”

Relative competitiveness of Hong Kong's tourism industry is on the decline
In light of intensifying regional competition

Travel and Tourism Development Index

| | 2008 | | | 2021 | |
|------------------|---|-------------|---|---|-------------|
| Hong Kong |  | 14th |  |  | 1st |
| Singapore |  | 16th |  |  | 9th |
| Japan |  | 23rd |  |  | 15th |
| South Korea |  | 31st |  |  | 19th |
| Thailand |  | 39th |  |  | 36th |



Challenge 3: Tourists are “Reluctant to Come Again”

Hong Kong’s tourist attractions are losing novelty and attractiveness

10 must-do experiences for visitors in Hong Kong 2024

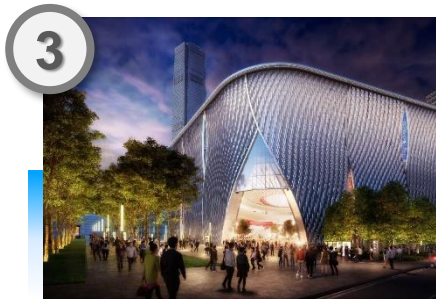
Among the top 10 tourist experiences, only the Xiqu Centre is a new attraction...



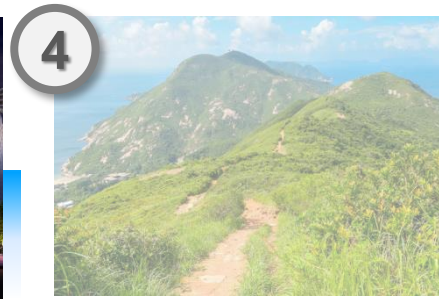
1 The Peak



2 Dim Sum



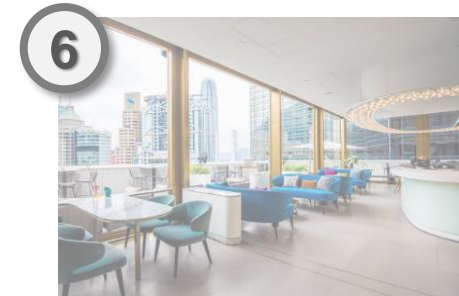
3 Tai Kwun, HKMOA, Xiqu Centre (officially opened on 20 January 2019)



4 Hiking



5 The Big Buddha



6 Bars



7 Hong Kong skyline



8 Disneyland, Ocean Park



9 Horseracing

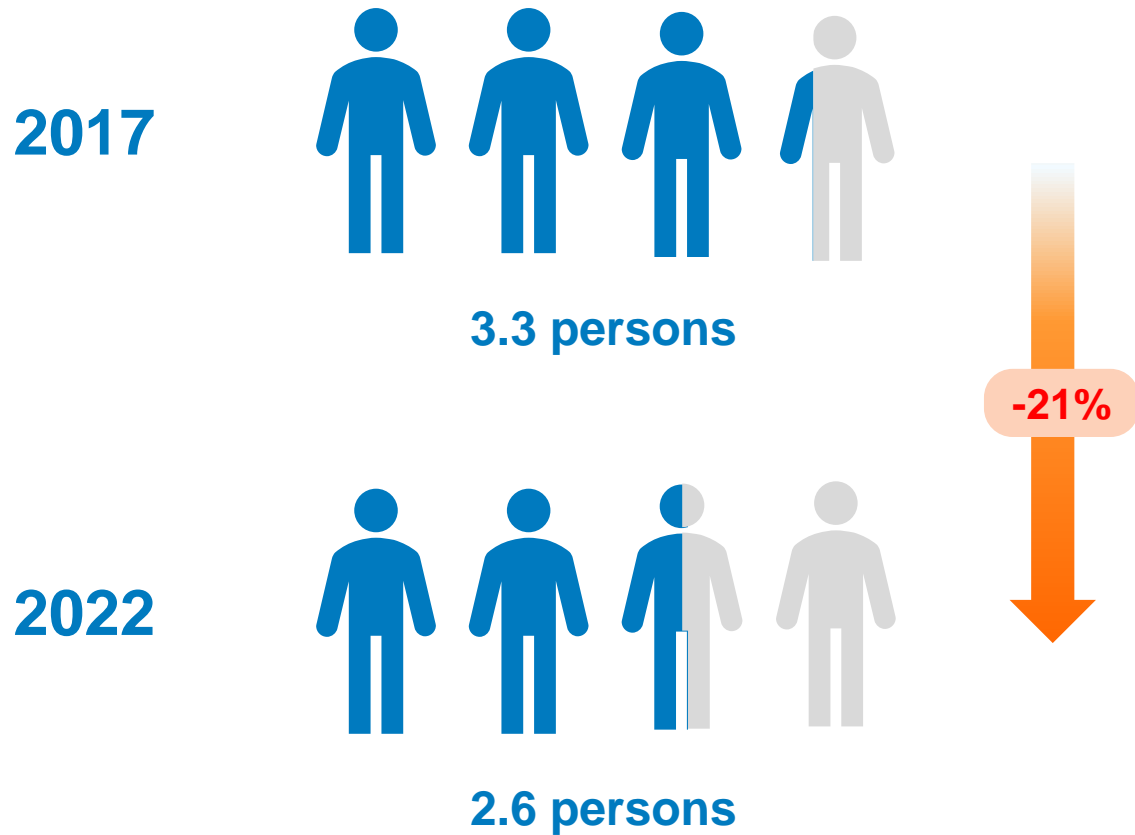


10 West Kowloon, Central, Shum Shui Po

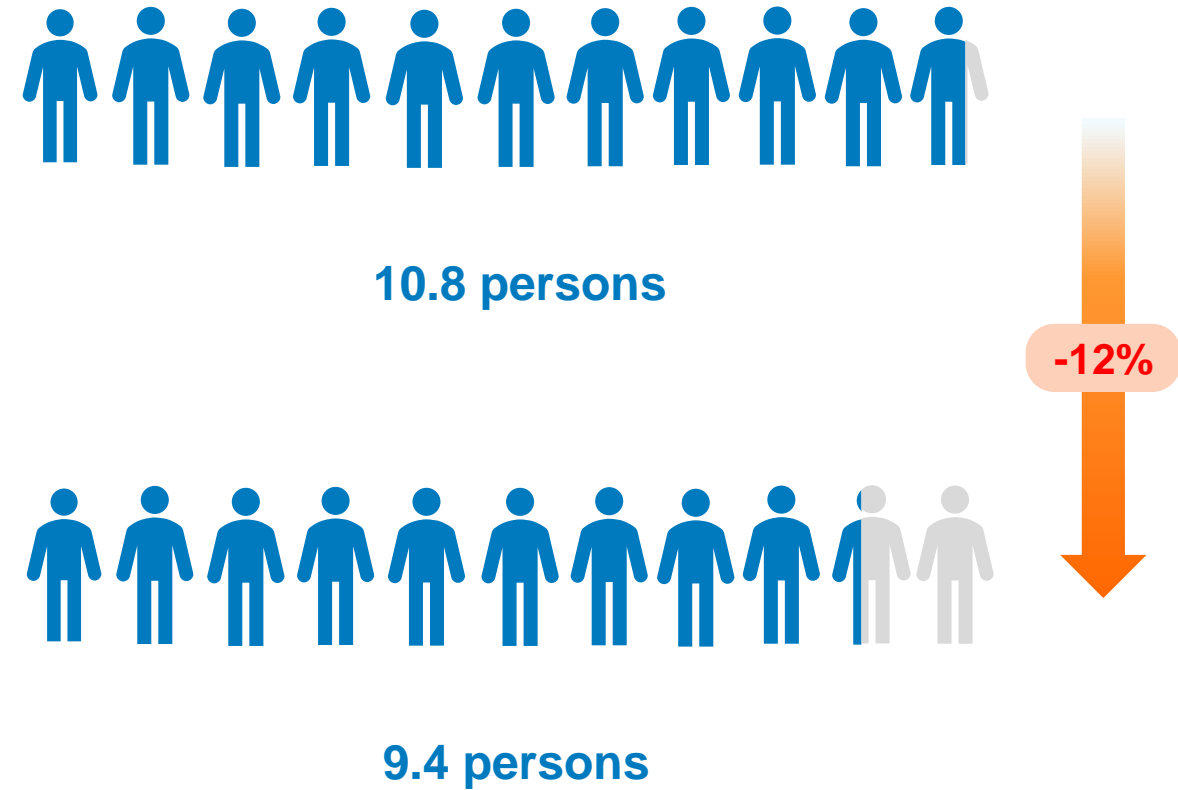
Challenge 3: Tourists are “Reluctant to Come Again”

Continued labour shortage leading to worsening consumer experience

Average number of service staff per retail store



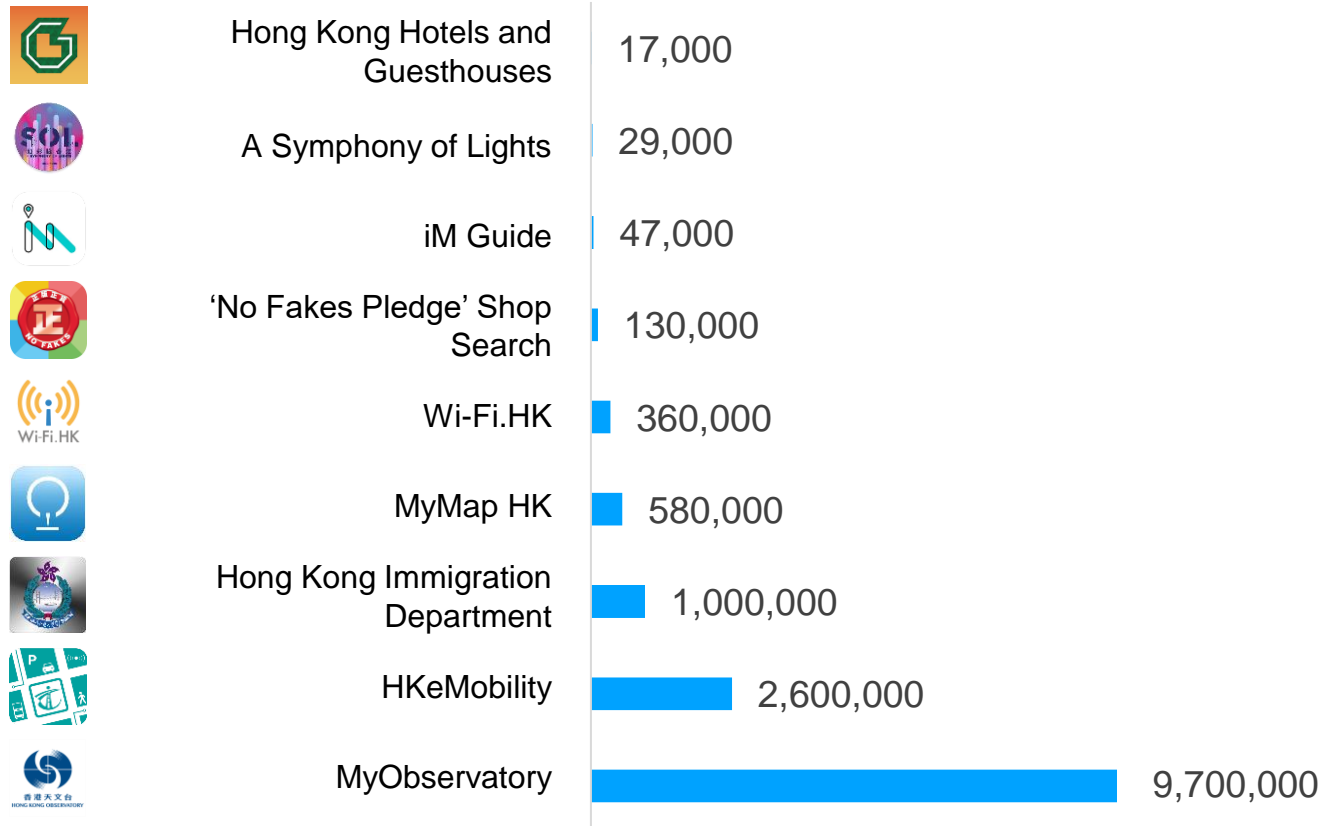
Average number of service staff per hotel/ restaurant



Challenge 3: Tourists are “Reluctant to Come Again”

Fragmented channels and inconvenient access to tourism information for first-time visitors

Number of downloads for the mobile applications recommended by the Tourism Board to travellers*



Reasons for low popularity of government apps

- **Dispersed features of existing applications**
 - Require travellers to download multiple apps to fulfil different needs such as communication, transportation, and information search
- **Absence of connectivity** with commonly used communication and social media apps
 - Users have to navigate to app stores for downloads, creating inconveniences
- **Weak official promotion**
 - Limited awareness among travellers about the channels to access information

Note: As of 31 January 2023
Sources: Hong Kong Tourism Board, Data.gov.hk

Strategy 3: Develop unique travel experiences

Develop uniquely Hong Kong tourism products to uncover Hong Kong's charm

10

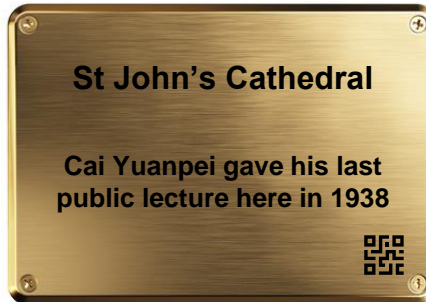
Develop Hong Kong Film & TV tourism products



- Coordinate the tourism industry to make use of social media and develop more tourism products and travel routes that leverage the popularity of Hong Kong's classic films and TV series
- Collaborate with overseas streaming platforms to produce reality TV shows, dramas, and other variety shows to promote Hong Kong's attractions, cuisines, as well as travel and shopping experiences

11

Rediscover historical sites and heritage trails



- Rediscover historical sites and develop heritage trails based on the footsteps of literary figures, such as Cai Yuanpei, Lu Xun and Eileen Chang
- Install physical signs and QR codes with audio tours at scenic spots as interactive elements and promote them on social media platforms

12

Maximise the potential of harbourfront promenades



- Make use of the Victoria Harbour as a backdrop for activities such as international arts and fashion mega events and drone shows
- Add commercial, dining, and tourism elements to harbourfront areas and beaches, transforming them from merely recreational uses into entertainment clusters

Strategy 3: Develop unique travel experiences

Enhance industry digital transformation to reshape Hong Kong as a "consumer experience paradise"

13

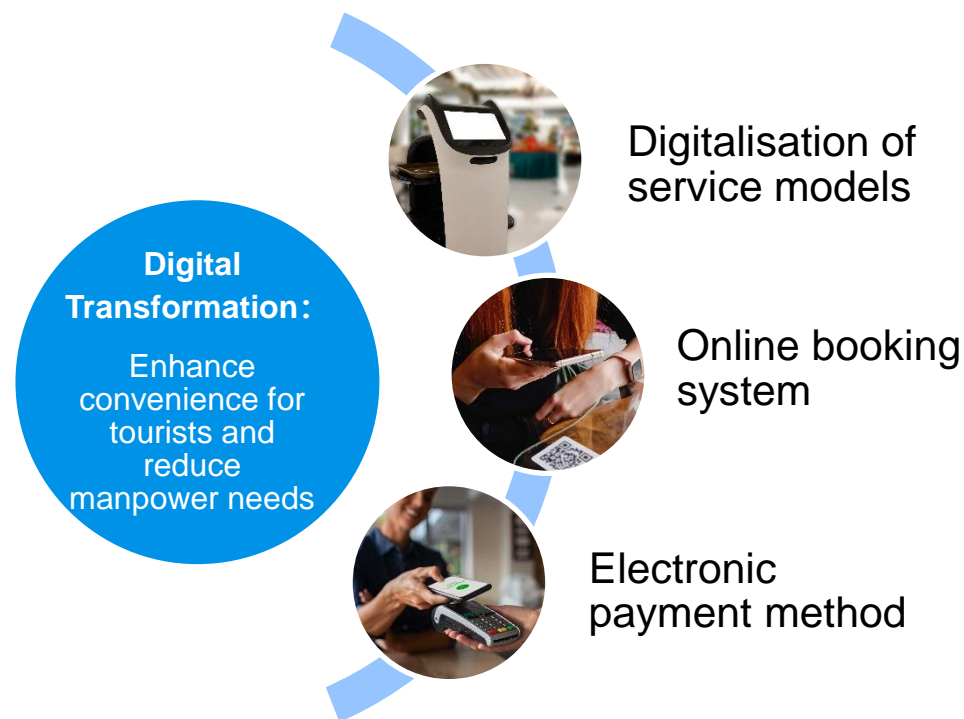
Enhance reception capacity and improve consumer experience

Alleviate the labour shortage in the industry and enhance the service quality in Hong Kong



Besides importing labour from the GBA under the “**Enhanced Supplementary Labour Scheme**”, restrictions on fixed work location for workers can be relaxed to increase the mobility of retail and sales personnel

Provide funding support for SMEs and the taxi industry to undergo digital transformation

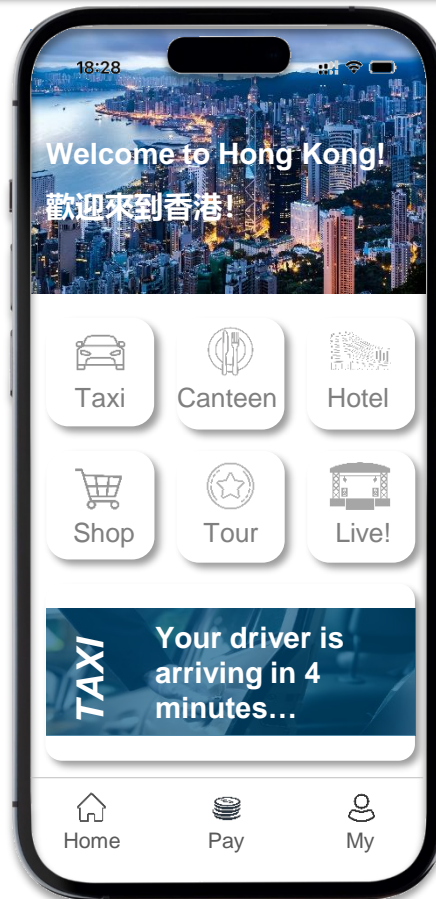


Strategy 3: Develop unique travel experiences

Integrate fragmented information platforms to facilitate a seamless travel experience

14

Establish a one-stop travel guide and service app for comprehensive and convenient travel information and services



Mega Event calendar

- Overview of mega events in the year
- Mega event schedules of the current week and month

Function

Recommendations on:

- Restaurants, hotels, shops...
- Art, performances, sports activities...
- Taxi-hailing services, medical services...

Services

Taxi-hailing services:

- Booking and rating functions
- Supporting various electronic payment platforms (Octopus, WeChat pay, etc.)

Summary of recommendations



Challenge 1

“Reluctant to Visit”



Challenge 2

“Reluctant to Stay Overnight”



Challenge 3

“Reluctant to Come Again”

Strategy 1

Incentivise tourists to stay overnight

1. Gradually expand the coverage of “one trip per week” visa
2. Relax restrictions on foreign tourists visiting the Mainland via Hong Kong
3. Raise the duty-free ceiling of personal items for Mainland residents
4. Multi-pronged incentives to boost visitors’ spending
5. Reduce airport charges for airlines to enhance price competitiveness of air tickets to Hong Kong

Strategy 2

Incentivise tourists to stay overnight

6. Strategically design event calendars to build a thriving mega event economy
7. Enhance event promotion and management
8. Offer “Hotel + Event” bundle tickets to enhance the appeal of mega events
9. Distribute non-same-day train, coach, and ferry tickets to mid-haul travellers to prolong their stay and increase spending

Strategy 3

Develop unique travel experiences

10. Develop Hong Kong Film & TV tourism products
11. Rediscover historical sites and heritage trails
12. Maximise the potential of harbourfront promenades
13. Enhance reception capacity and improve consumer experience
14. Establish a one-stop travel guide and service app for comprehensive and convenient travel information and services



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Anniversary

Thank you
