

RTG

CONSULTING GROUP



ABOUT US

RTG CONSULTING GROUP

RTG is a leading business consultancy specialized in advising senior executives of the world's most well-known premium and luxury brands and public institutions and comprises of three independent divisions:

- RTG Intuition (business intelligence)
- RTG Solutions (business strategy)
- RTG Inspire (marketing communications)

RTG Consulting Group has offices in Singapore, Shanghai, Shenzhen and Paris.

Q1 2023 INSIGHTS

DATA SPOTLIGHT: CHINESE TRAVEL

RESEARCH INTRODUCTION

A QUANTITATIVE STUDY TO ASSESS THE STATE OF MIND AND TRAVEL BEHAVIOURS OF YOUNG CHINESE CONSUMERS.

1,000

Quantitative Surveys

1,000 MONTHLY SURVEYS WERE DISTRIBUTED IN H2 2022, AND MARCH 2023.

18-25

Gen-Zers

THE STUDY FOCUSES ON GEN-ZERS – THE COUNTRY’S NEXT GENERATION AND GROWING BASE OF LUXURY SHOPPERS.

6

Key Chinese Cities

MAJORITY OF SURVEY RESPONDENTS COME FROM CHINA’S TOP METROPOLISES INCLUDING SHANGHAI, BEIJING, CHENGDU.

1:1

Male : Female Ratio

THE MALE AND FEMALE RATIO OF RESPONDENTS WAS KEPT AT 1:1.

“THE RETURN OF CHINESE TRAVEL”

The last few weeks of 2022 saw China making a sharp exit from its COVID-zero policy, profoundly impacting the consumption intentions of Chinese consumers. With the country’s borders being largely closed from the rest of the world since the onset of the pandemic in 2020, the full removal of travel restrictions saw Chinese leisure travel gradually pick up in Q1 2023.

This year’s May Labour Day holiday would be the first long holiday in the country since China’s full reopening and removal of all COVID-related travel restrictions. By looking at overall sentiment as well as travel intentions and patterns of young Chinese consumers, we arrived at an indication of the nation’s consumption trajectory in this sector.

Marc-Olivier Arnold
Partner & Chief Strategy Officer
RTG Group Asia



The study we conducted with young Chinese consumers showed that travel intentions are currently at a high, with over 64% of respondents indicating that they had plans to travel this Labour Day. Interest in domestic travel continues to outweigh international travel – a likely result of the logistical hurdles that continue to hamper outbound tourism. How have the travel intentions of young Chinese consumers evolved over the past six months and what are the implications?

Lydianne Yap
Research Director
RTG Consulting Group

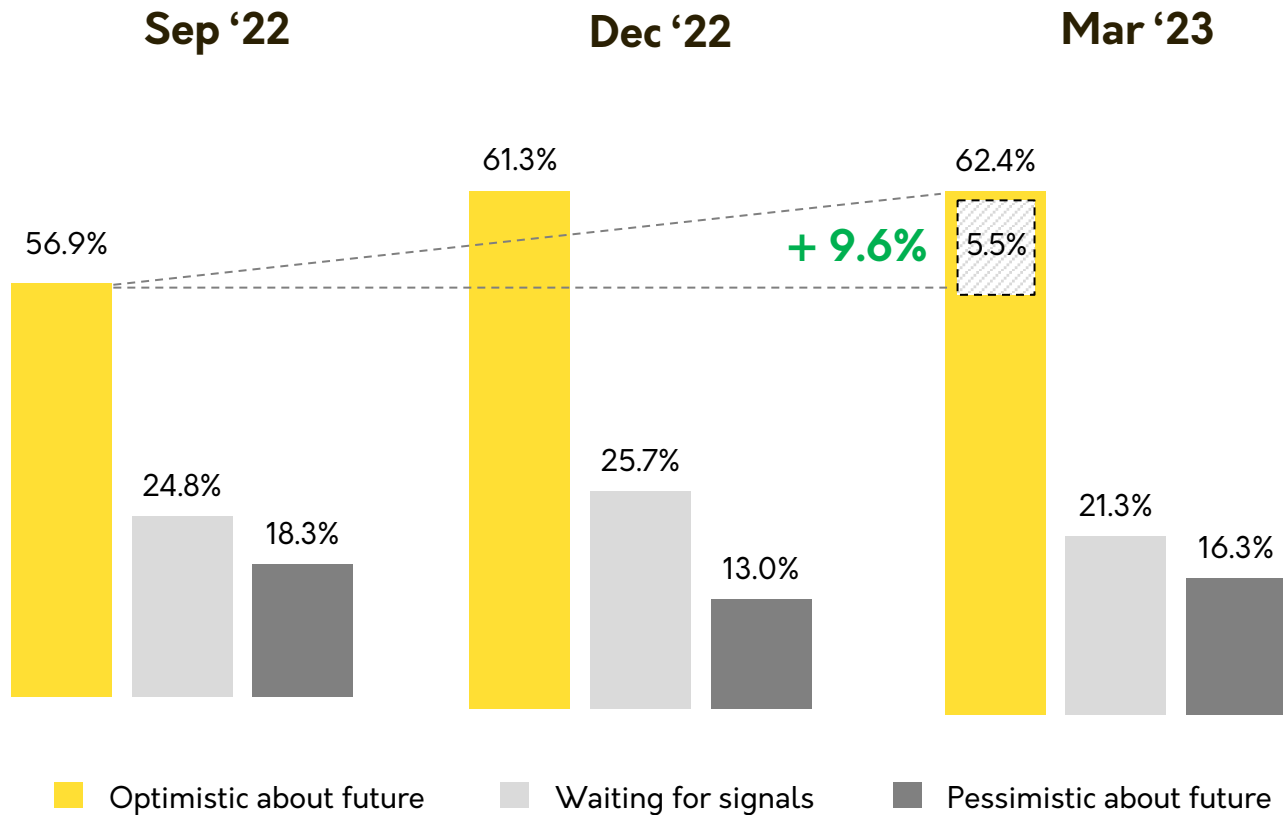


✉ Lydianne.yapertggroupasia.com

Q1 2023 INSIGHTS OVERVIEW

CONSUMER CONFIDENCE AT 6-MONTH HIGH SINCE SEPTEMBER 2022

Rebound expected for overall consumption and by extension, luxury purchases



RTG INSIGHTS

- ▶ Wider macroeconomic uncertainties including a weak yuan, property market downturn and slow exports are likely to still impact consumer confidence in the short term.
- ▶ However, with the government's aggressive growth targets for 2023 and positive first quarter GDP growth of 4.5%, consumer confidence is expected to rebound in the mid to long term.

62.4% of young Chinese consumers studied felt optimistic about the future, up 5.5% compared to September 2022. This translates to a growth of about 9.6% of consumers feeling more confident about the country's overall outlook.

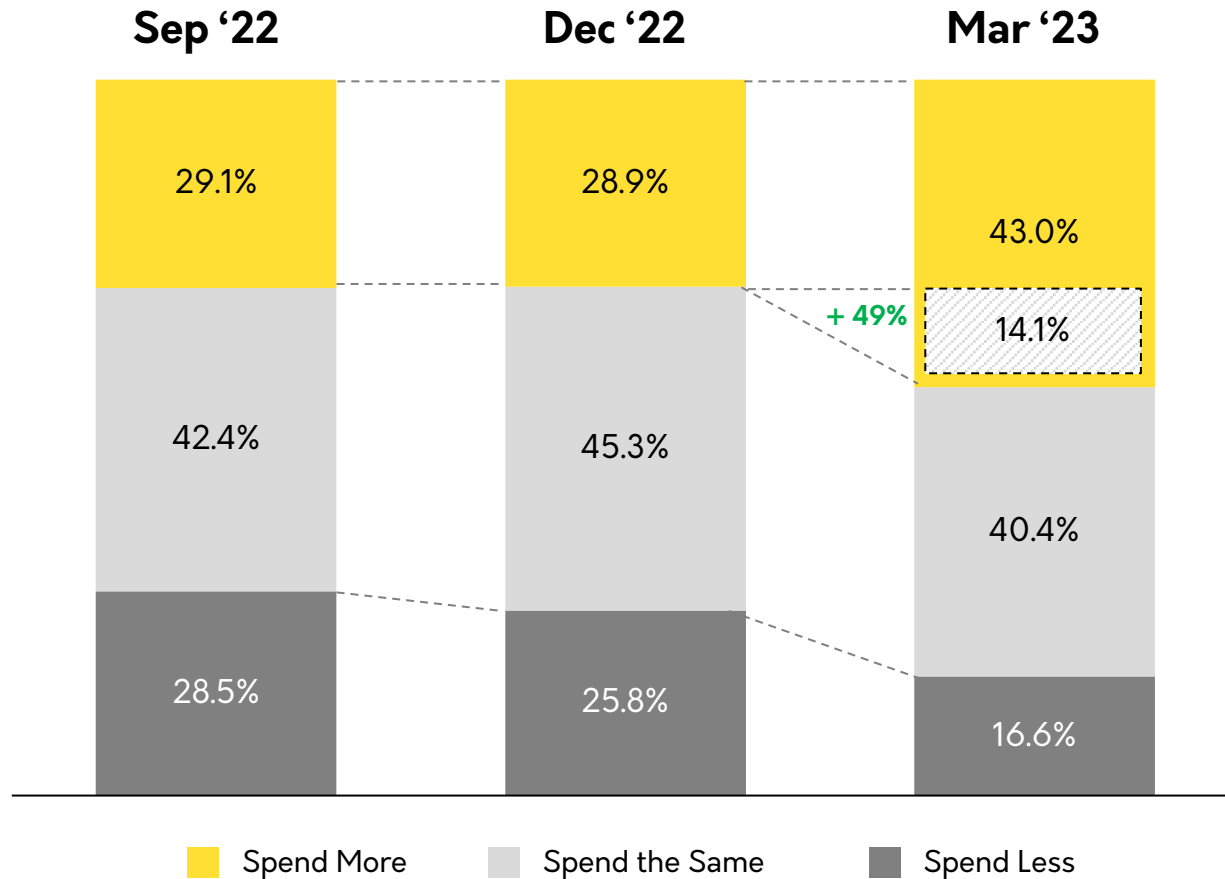
While numbers of young consumers that felt pessimistic about the future also grew, the overall positive sentiment still outweighs the negative.

*Source: The State Council of the People's Republic of China

Q1 2023 INSIGHTS CONSUMPTION INTENTIONS

43% OF CONSUMERS EXPECT TO INCREASE SPENDING ON TRAVEL & LEISURE

Quarter-on-quarter growth of 49% in terms of spending intentions for this consumption category



RTG INSIGHTS

- ▶ Total retail sales of consumer goods in China reached 11,492.2 billion yuan in the first quarter of 2023, up by 5.8%* year-on-year., painting a positive picture for consumption in the coming quarter.
- ▶ China has two major holidays (Labour Day and Dragon Boat Festival) coming up in May and June, before entering the summer break in July. These events will likely further accelerate growth in the travel category.

43% of young Chinese consumers indicated that they are likely to spend more on Travel & Leisure in the coming months. While consumer intention to spend on this category has been steadily rising, a significant 49% spike has been observed compared to six months ago.

This will likely result in stronger demand for travel and leisure related goods and services in the coming quarter, especially with the May Labour Day holiday coming up.

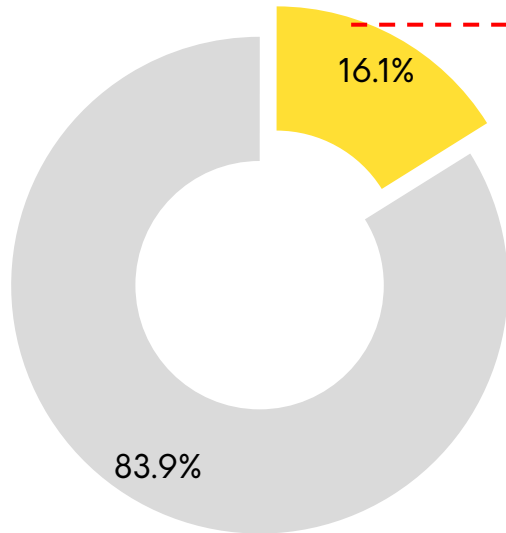
*Source: The State Council of the People's Republic of China

Q1 2023 INSIGHTS CONSUMER TRAVEL

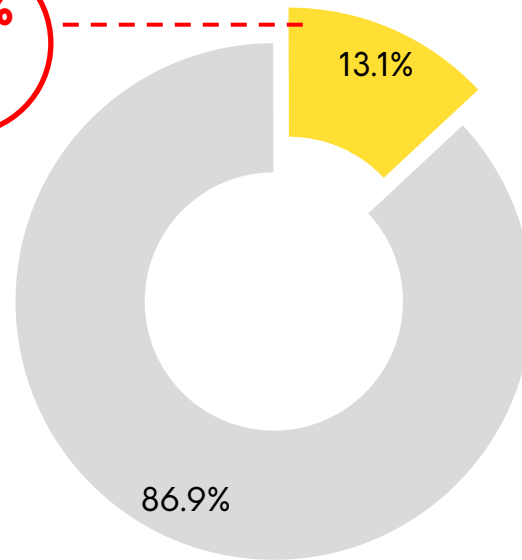
TRAVEL WAS AT A LOW IN THE SECOND HALF OF 2022

More than 80% of consumers did not travel, and the number of those that travelled fell by 19% from Q3 to Q4 2022

Mid-Autumn Festival '22



National Day '22



-19%
↓

■ Yes, I traveled during the holiday break.

■ No, I did not travel.



RTG INSIGHTS

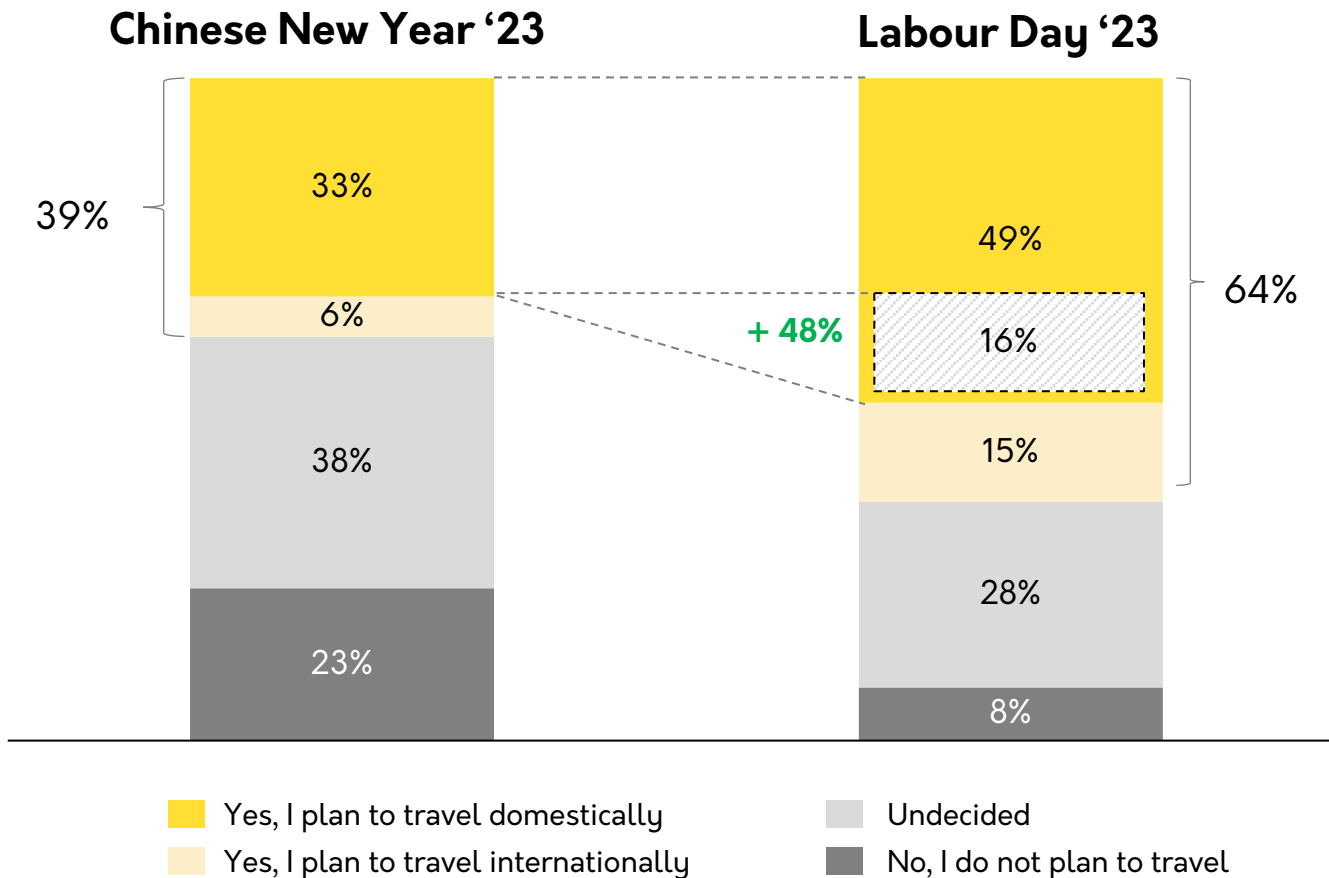
- ▶ Persistent COVID-related travel restrictions (e.g., PCR testing and quarantine requirements) made travelling difficult in late 2022. Coupled with economic uncertainty, consumers either delayed or reconsidered travel plans.
- ▶ Prolonged lockdowns and strict PCR testing measures, especially in major metropolises like Shanghai, also shook consumer confidence and impacted travel plans and intentions in the second half of 2022.

Less than one in six young Chinese consumers travelled when pandemic-related restrictions were in place in 2022, despite the long public holidays in both September (Mid-Autumn Festival) and October (National Day). This resulted travel-related sales suffering significantly in the second half of 2022.

Q1 2023 INSIGHTS CONSUMER TRAVEL

OVER 64% OF CONSUMERS PLAN TO TRAVEL THIS LABOUR DAY HOLIDAY

49% of consumers are planning to travel domestically, while only 15% are looking to travel internationally



RTG INSIGHTS

- ▶ Domestic travel destinations have been growing in popularity over the last few years on social media, as China's borders remained closed to the rest of the world. As international travel continues to be a logistical hassle, consumers are likely to turn to domestic options for now.
- ▶ Focusing on domestic travel destinations and retail channels would be important for brands looking to capture pent-up demand and consumption intentions in the short term.

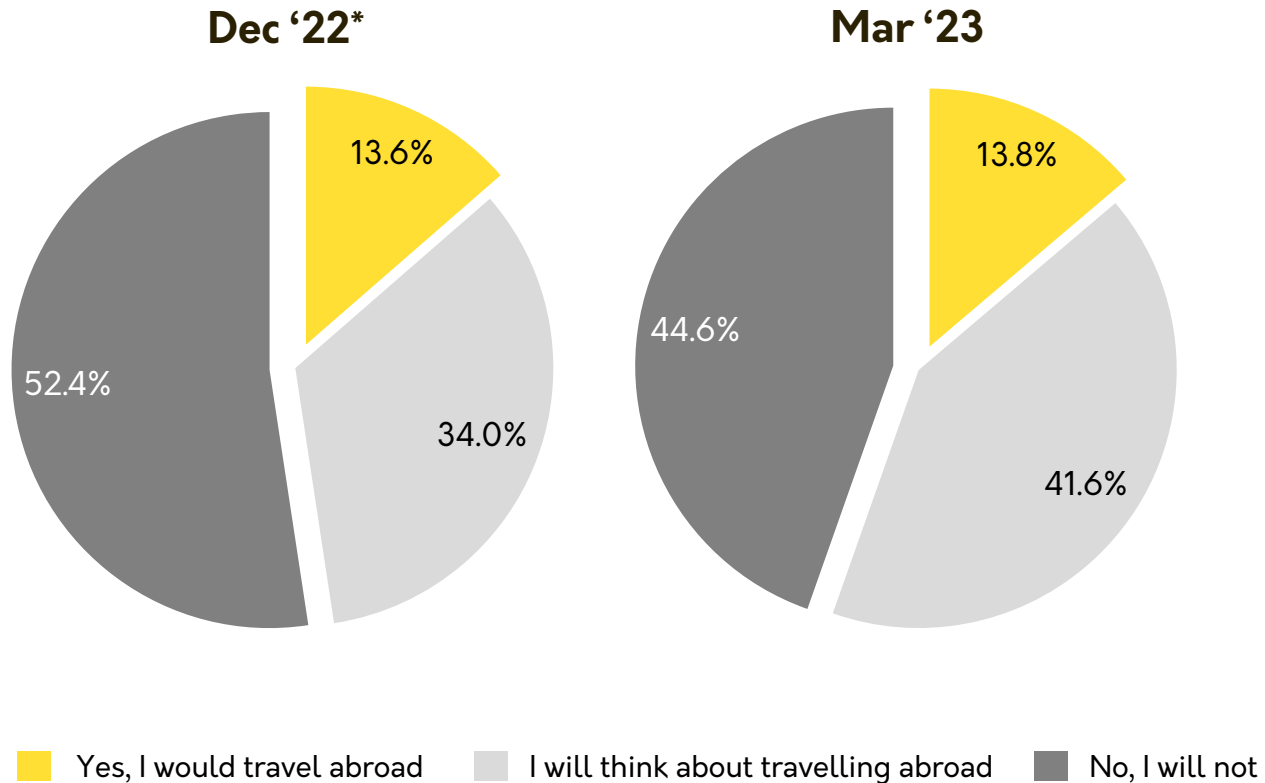
Following the end of China's zero-COVID policy, a significant spike in travel intentions have been observed – especially for the upcoming Labour Day holiday in May 2023. Over 64% of young Chinese consumers plan to travel during this public holiday, with over 49% indicating an intention to travel domestically and 15% wanting to travel internationally.

Only 8% of respondents – or less than 1 in 10 – noted that they had no plans to travel. This suggests that a boost in domestic and international tourism can be expected in the coming weeks.

Q1 2023 INSIGHTS CONSUMER TRAVEL

YOUNG CHINESE CONSUMERS STILL CAUTIOUS ABOUT OUTBOUND TRAVEL

Only 13.8% of young Chinese consumers plan to travel abroad in the next three months



RTG INSIGHTS

- ▶ Rebound for international travel is unlikely in the short term as Chinese consumers continue to express lukewarm interest in outbound travel.
- ▶ Obtaining travel documentation (e.g., renewing passports and acquiring relevant visas) continues to be a challenge, dampening interest in international travel. Limited flights, high costs and persistent travel restrictions (e.g., PCR tests upon arrival overseas, or vaccination requirements) also impact intentions on this front.

Despite the reopening of international borders, intention to travel abroad remains weak with young Chinese consumers. Only 13.8% indicated interest in traveling abroad in the next three months – almost no change in this number has been observed since December 2022, before China’s reopening.

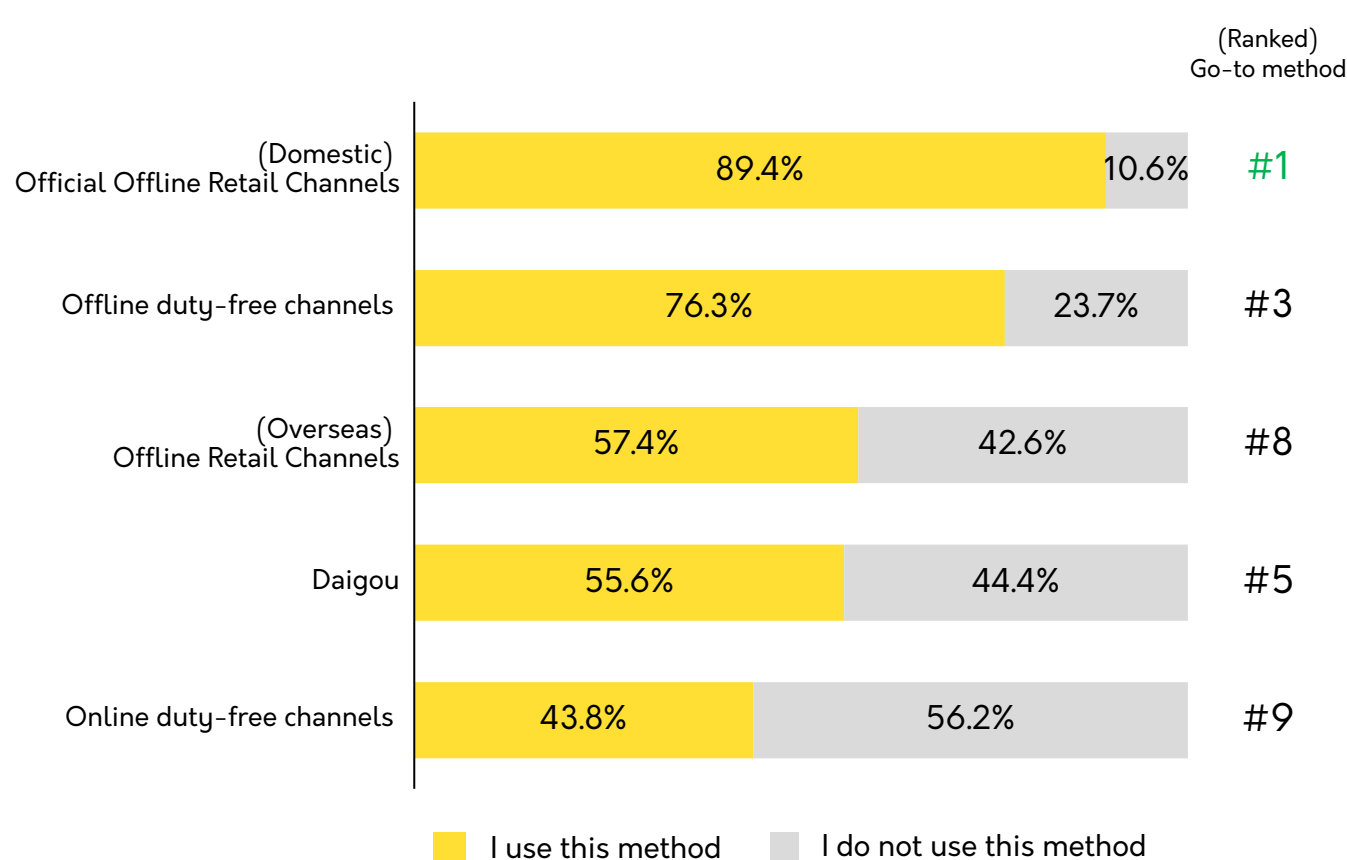
A larger number of individuals (41.6%) noted that they would consider travelling abroad, possibly indicating a gradual recovery in international travel intentions in the longer term.

*Note: In December 2022, the question posed to respondents was “If restrictions were completely removed, would you consider travelling abroad next six months?”

Q1 2023 INSIGHTS CONSUMER PURCHASE CHANNELS

DOMESTIC OFFICIAL RETAIL CHANNELS STILL #1 LUXURY PURCHASE PLATFORM

Only 57.4% of young Chinese consumers purchase luxury through offline retail channels overseas



RTG INSIGHTS

- ▶ While luxury e-commerce continues to grow in China, shoppers still tend to research online and purchase offline, making physical brand stores the most critical touchpoint for driving conversions.
- ▶ Building engaging brand experiences in-store will be key to capturing the young Chinese consumer and bringing them into the brand universe.

The number one platform for luxury purchases remains domestic official offline retail channels, with over 89.4% of young Chinese consumers indicating they use this channel. Only slightly more than half of the consumers studied (57.4%) shop luxury through offline retail channels overseas.

Coupled with the fact that international travel intentions remain weak with young Chinese consumers, domestic luxury consumption via local official brand stores is likely to pick up in the short to mid term.

Note: Only selected channels shown.

RTG

CONSULTING GROUP

Singapore. Shanghai. Shenzhen. Paris.

PURSUING BETTERMENT.

Contact us at info@rtgconsulting.com

www.rtgconsulting.com

RTG
CONSULTING GROUP

INTELLECTUAL PROPERTY OF IDEAS OR CONTENTS USED IN THE FORM OF THIS PRESENTATION BELONG TO RTG BUSINESS CONSULTING SERVICES PTE. LTD. (“RTG”) AND ANY PART OR WHOLE OF MATERIALS CONTAINED IN THIS PRESENTATION IS LEGALLY PROTECTED AND SHALL NOT BE USED FOR BUSINESS PURPOSES WITHOUT ACQUIRED APPROVAL FROM THE FIRM.

与本演示文稿中所使用的创意或内容相关的知识产权均为RTG BUSINESS CONSULTING SERVICES PTE. LTD. (“RTG”) 所拥有。本演示文稿所包含的任何或所有资料、材料均受法律保护，未经RTG同意，不得以任何商业目的进行使用。
