



Get Ready for Chinese Visitors

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Maui County Mayor's Office of Economic Development
and the
Maui Visitors Bureau



Our objectives today

- Provide an overview of the Chinese distribution landscape
- Share our understanding of what Chinese travelers are looking for when they visit Hawaii
- Discuss our approaches in promoting and selling Hawaii and Hawaiian Airlines



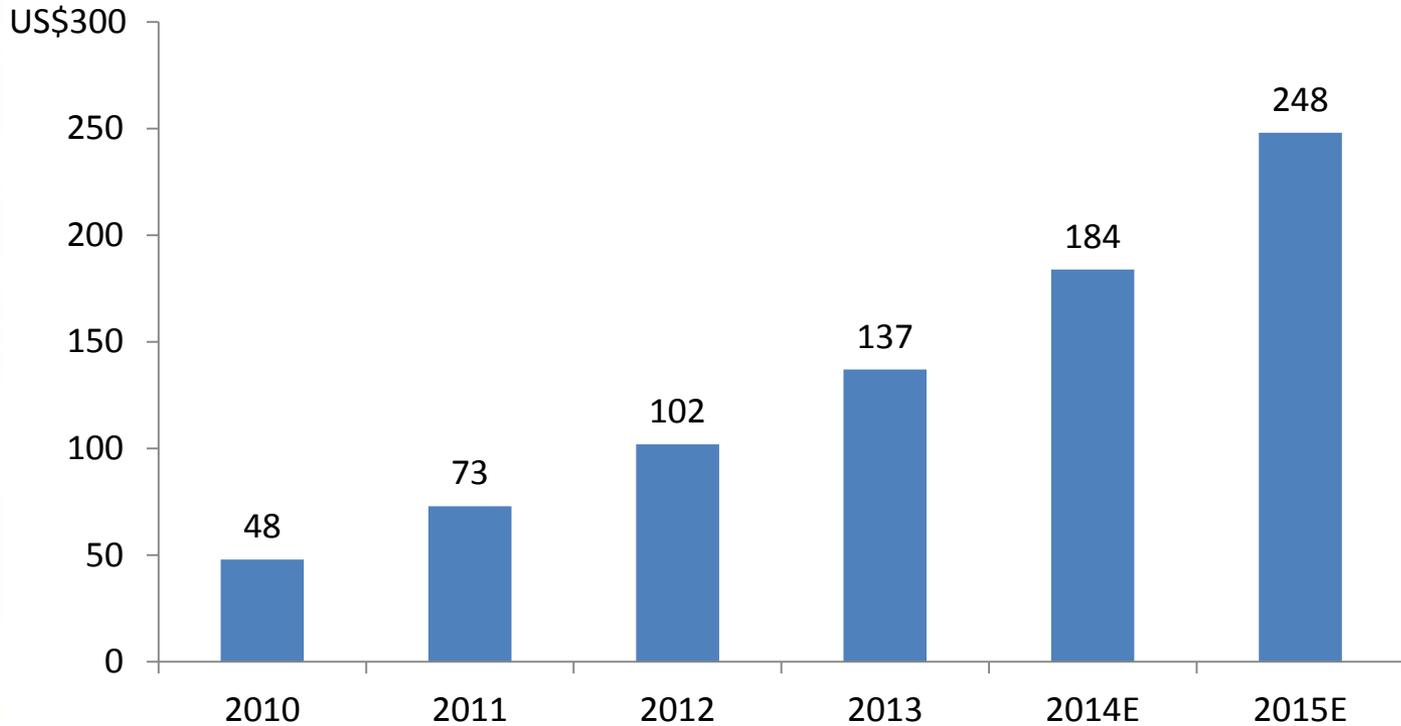
The Chinese distribution market is large

- In China, travel distributors hold a 90% market share of international air ticket sales
 - The remaining 10% of consumers prefer to purchase directly from the airlines, either online or via call centers
 - Online travel portals / platforms are a new rising travel distribution channel (e.g., Taobao, Qunar) in China. These sites aggregate products from 3rd party producers to distribute to consumers
- There are 25,000 authorized travel agencies in China; approximately 2,000 are authorized to sell outbound travel
 - 70% of the outbound-qualified agencies sell directly to consumers
- Online purchase are gaining popularity, with OTAs now commanding ~25% of the market

Chinese international travel demand continues to grow

China International Tourism Market

2010-2015E, Unit: Billion USD

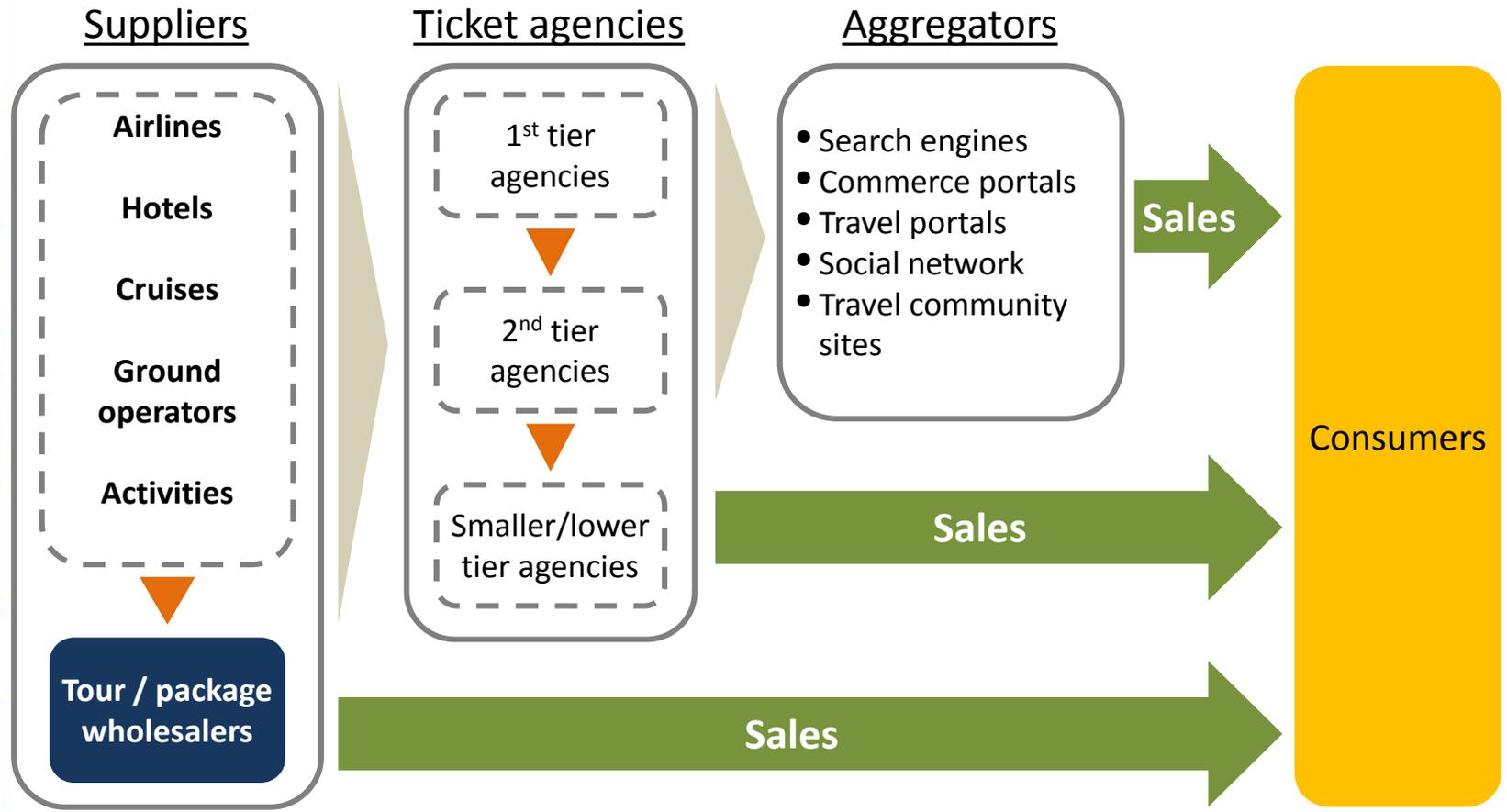


CAGR

2010-2015E

38%

Travel agencies play a significant role in distribution

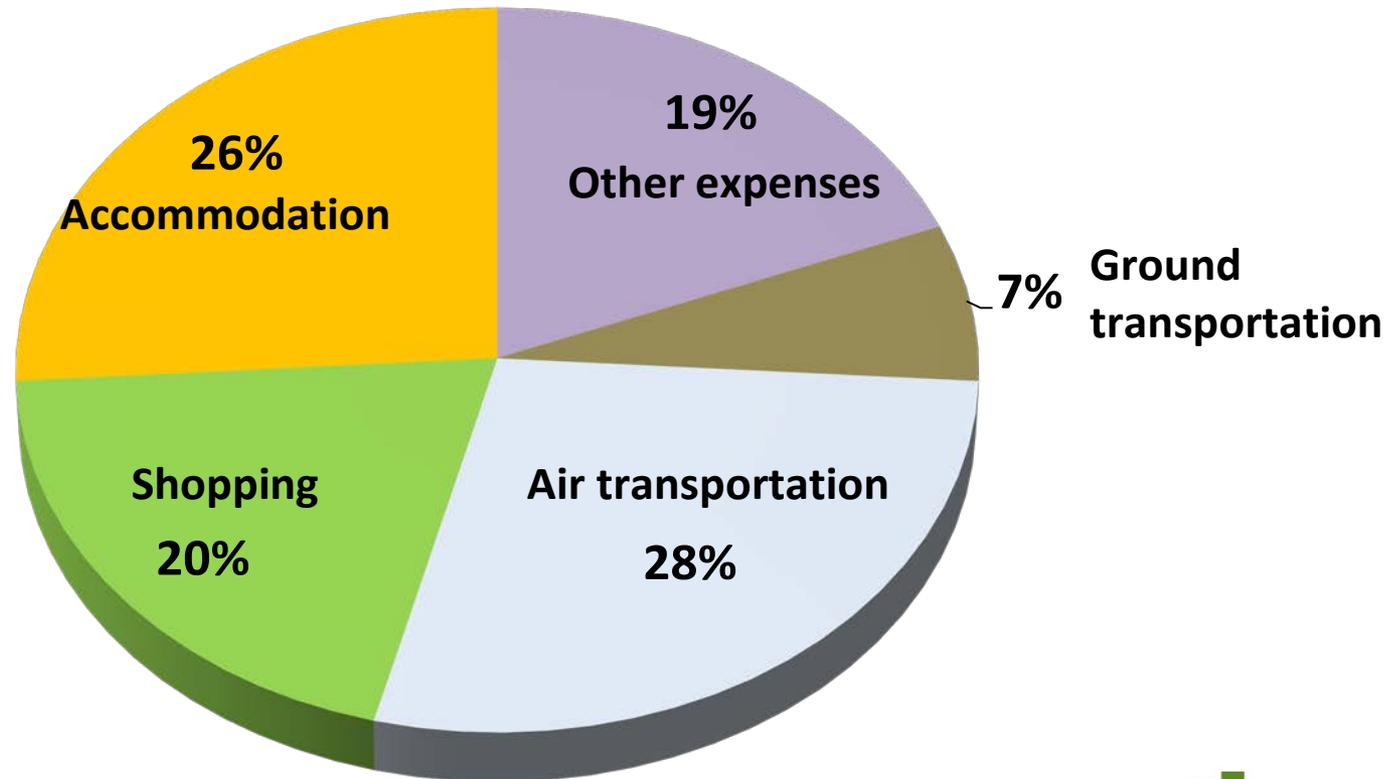


Distribution channel shares will begin to shift as travelers become more technology savvy

<u>Channel</u>	<u>Share</u>	<u>Observations</u>	<u>Trend</u>	<u>Growth</u>
B2C online	20%	<ul style="list-style-type: none"> • Simplifies purchase and financial interaction processes • Reduces labor cost • Increases consumer awareness and knowledge • Ability to generate revenue 24/7 • Discomfort with making high value purchases online 	Gaining momentum and popular acceptance as consumers become more comfortable with purchasing travels online	High
B2C offline	50%	<ul style="list-style-type: none"> • Provides high-touch customer service • Time and labor intensive • High fixed cost • Many consumers shop online but make purchase in-person 	Cannot be replaced in the short-term, will gradually decrease as online comfort increases	Moderate
B2B	30%	<ul style="list-style-type: none"> • Consolidates demand and ability to distribute excess inventory • Expands distribution/sales network • New online entrants changing the B2B travel landscape • Potential operational issues 	Complements B2C business; online aggregators increasing in importance	Moderate / high

Accommodation and transportation expenses make up more than half of travel expenditures

Chinese international travel expenditure categories

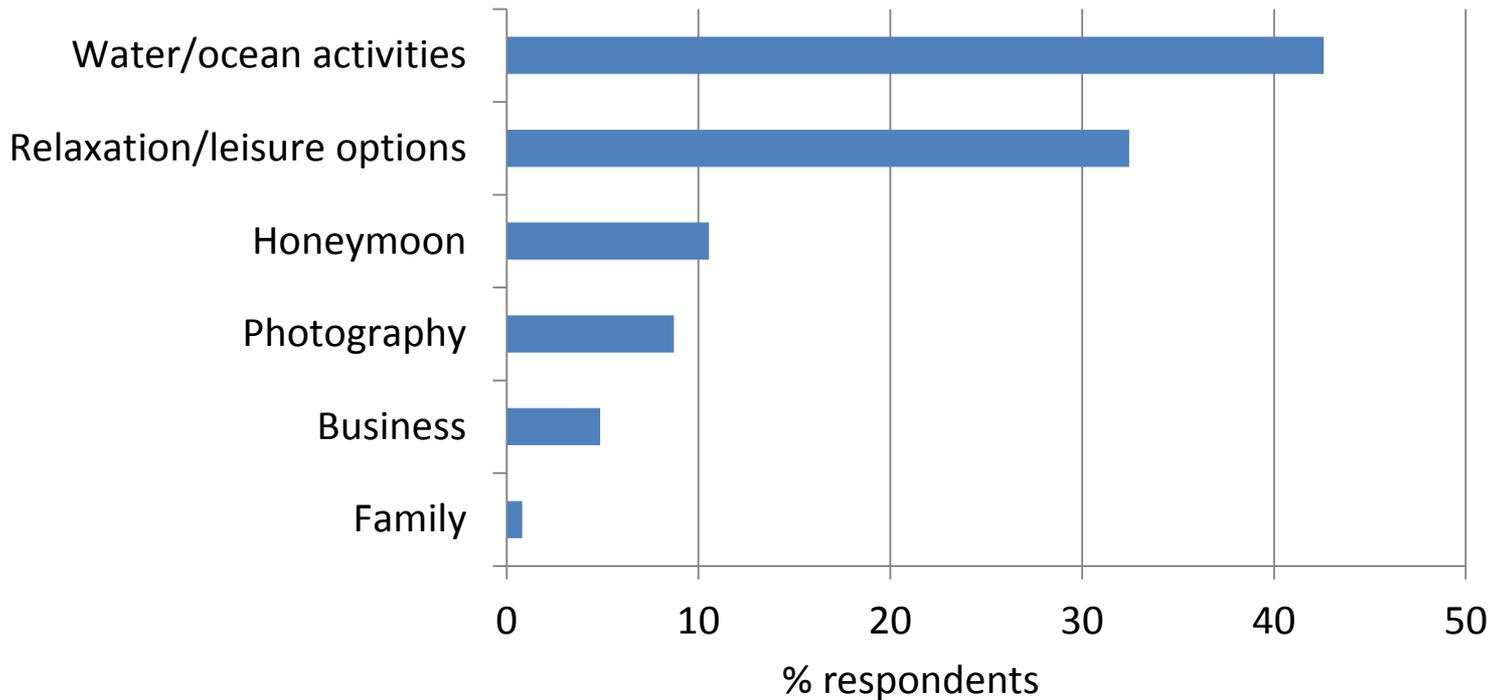


Source: China Tourism report, analyst reports

Leisure-focused activities are of most interest

Top research topics for Hawaii

2013-2014, self-identified Hawaii travelers

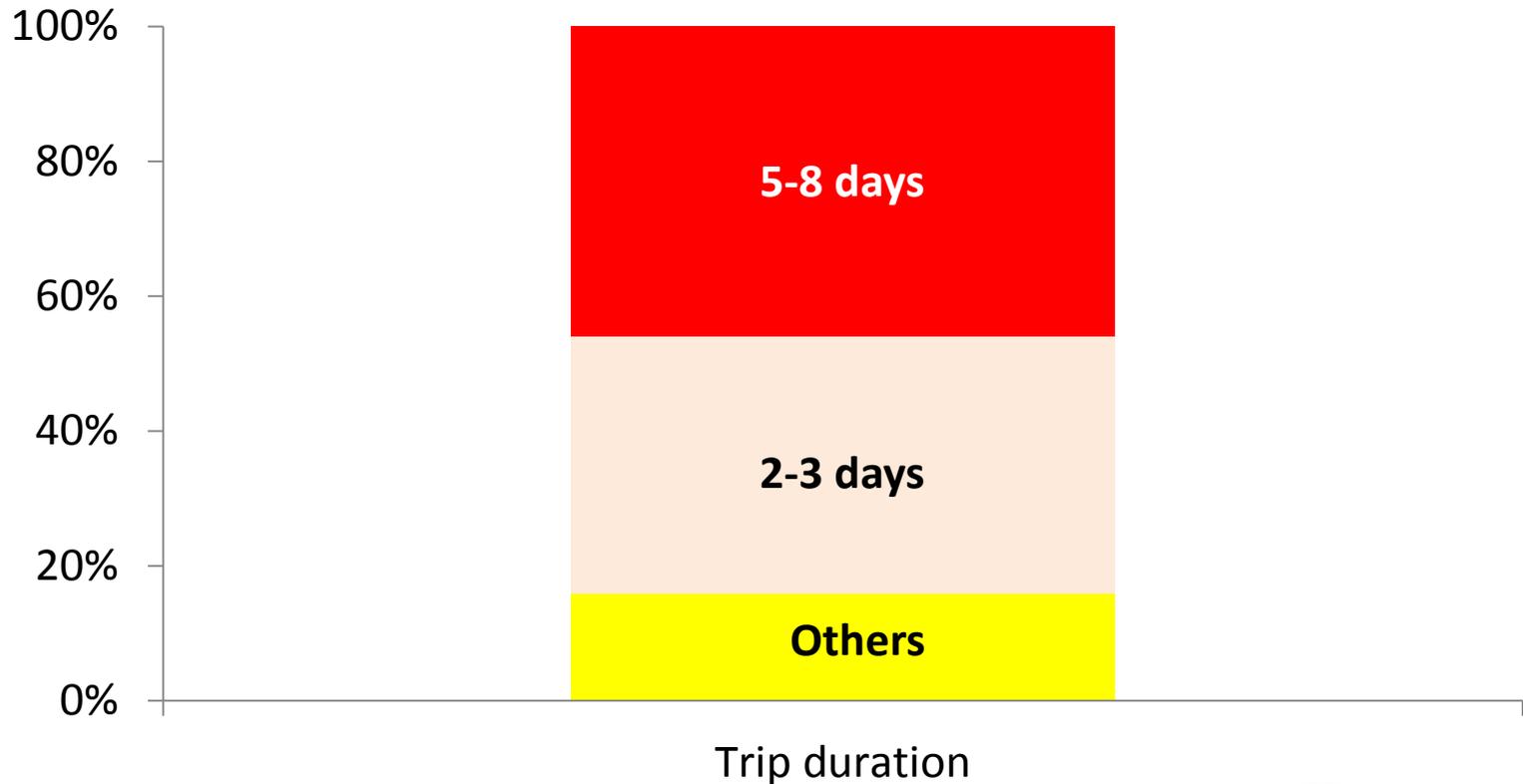


Source: HA analysis, web portal research

Chinese visitors are staying longer in Hawaii

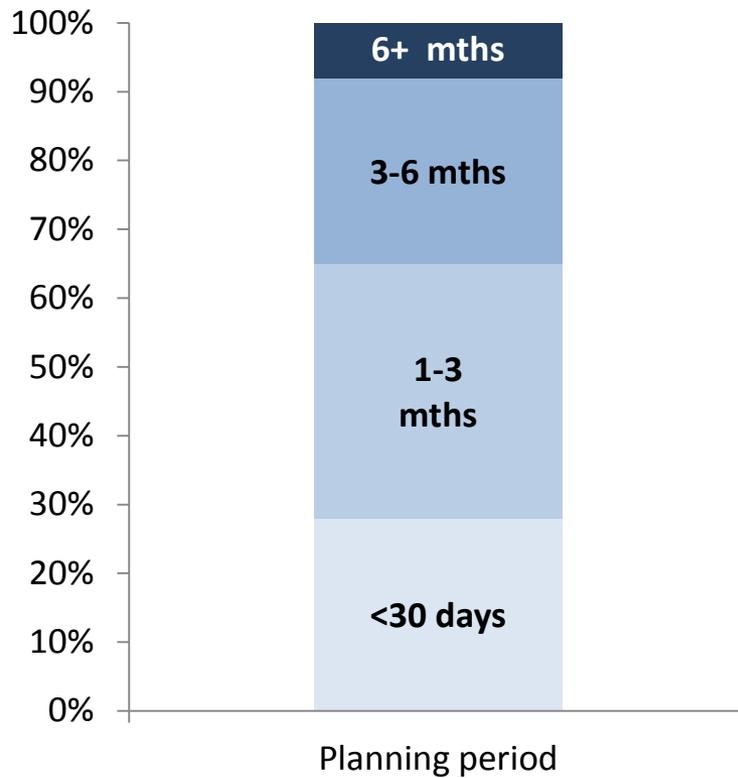
Length of stay in Hawaii

2014, visitors to Hawaii

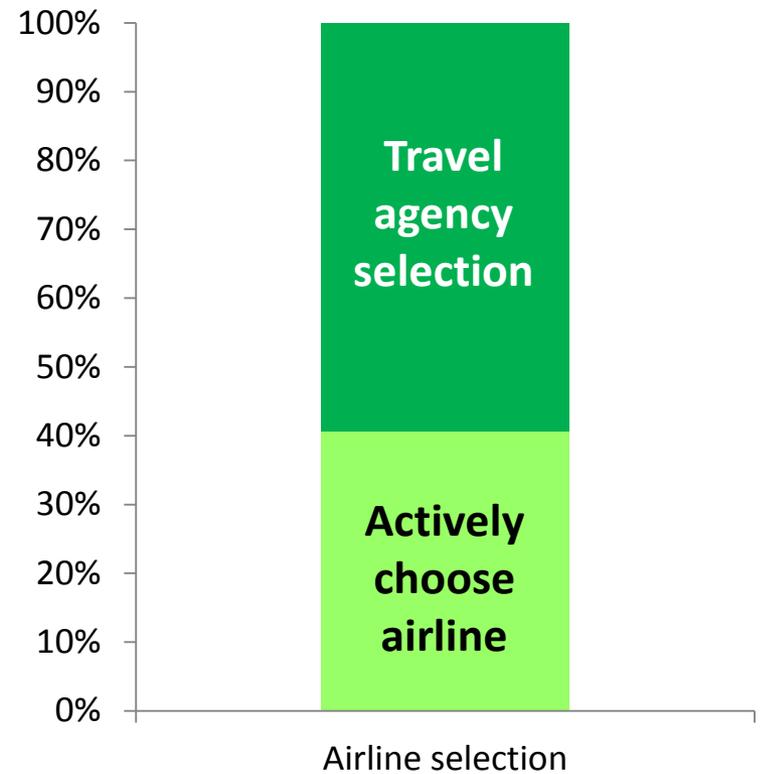


Short planning cycle and active decision makers

Trip planning cycle



Airline choice



Source: HA research

Chinese visitors' perception of Hawaii

Positives

- Part of the USA
- Pristine natural beauty
- Pleasant weather/climate
- Safe
- Clean environment and good air quality
- Friendly/polite peoples

Negatives

- Dated accommodation options (compared to other leisure destinations)
- Inferior beaches
- Lack of Chinese support at hotels, restaurants, and attractions
- Lack of palatable Chinese food options



Can we leverage the positives to compensate for the negatives?
What are we doing to increase our competitiveness?

We've identified four Chinese visitor segments

	★ <u>Air-only</u>	★ <u>Packages</u>	<u>Groups</u>	★ <u>MICE</u>
Description	<ul style="list-style-type: none"> • Frequent travelers • Generally tech-savvy and knowledgeable • Business/investors • VFR • Customized 	<ul style="list-style-type: none"> • Repeat travelers • Travelers with some destination knowledge; desires some customization • Wide price-range; usually less price-conscious 	<ul style="list-style-type: none"> • First time visitors • Infrequent travelers • Price conscious • Generally older 	<ul style="list-style-type: none"> • Wide range of traveler types • Combination of popular “must-do’s” and customized elements
Visitor type	<ul style="list-style-type: none"> • Individuals • Couples • Families • Small groups 	<ul style="list-style-type: none"> • Individuals • Couples • Families 	<ul style="list-style-type: none"> • Couples • Families 	<ul style="list-style-type: none"> • Individuals • Couples • Families
Itinerary focus	<ul style="list-style-type: none"> • Multi-island 	<ul style="list-style-type: none"> • Multi-island 	<ul style="list-style-type: none"> • Oahu-only • HI + Mainland 	<ul style="list-style-type: none"> • Multi-island
Growth potential	<ul style="list-style-type: none"> • High 	<ul style="list-style-type: none"> • High 	<ul style="list-style-type: none"> • Medium/low 	<ul style="list-style-type: none"> • High

★ HA focus

We have a multi-prong approach in selling and promoting HA and Hawaii

Consumers

- Build destination awareness: “what is / why Hawaii”
- Build HA brand recognition and educate about HA’s advantage



- Consumer events
- Social media outreach and follower-building
- Entertainment media sponsorships

Travel agencies

- Increase destination awareness: “how to sell Hawaii”
- Educate agencies on product / itinerary development



- Segment specific products
- Agency FAM
- Multi-island, in-depth Hawaii itineraries
- Differentiated incentive structure

Airline / marketing partners

- Identify network gaps and potential visitor source markets
- Explore alternate marketing partnership models and options



- Expand airline partnerships
- Press/media FAM
- Joint marketing/sales events
- Joint product development

Trade / tourism organizations

- Identify joint marketing / promotion opportunities

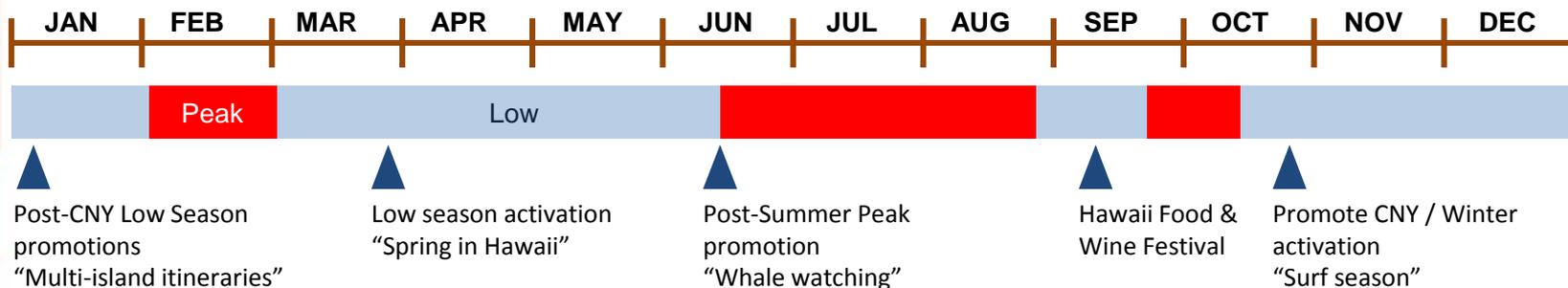


- Event sponsorships and cooperation

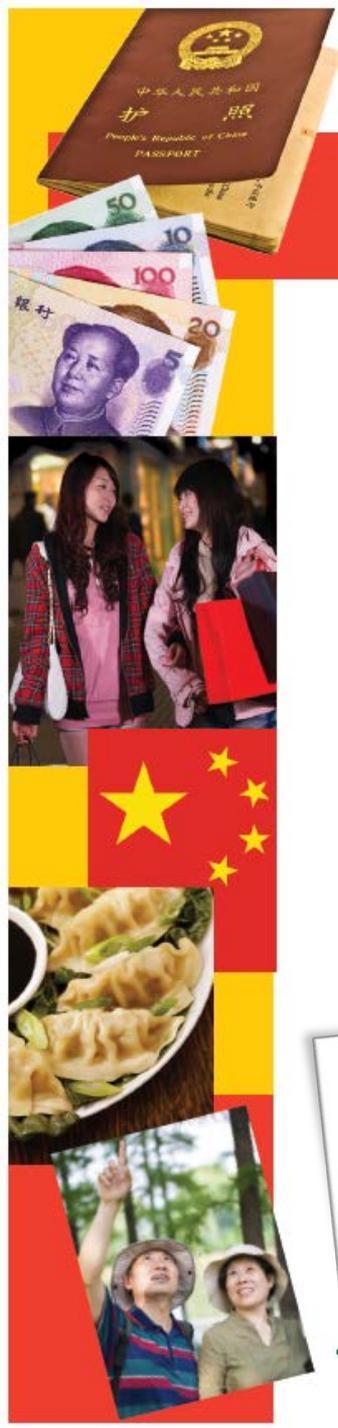
We have developed a holistic, integrated marketing / sales approach for China

- Ensure coordination across Sales and Marketing
 - Launch theme-specific products in conjunction with consumer events
 - Joint promotion with select partners to develop a “holistic” Hawaii product
- Focus consumer initiatives during critical purchase decision periods
- Promote HA brand and increase Hawaii awareness through consumer-events accompanied by pricing

Sample consumer/sales promotion calendar



Experience-focused consumer events

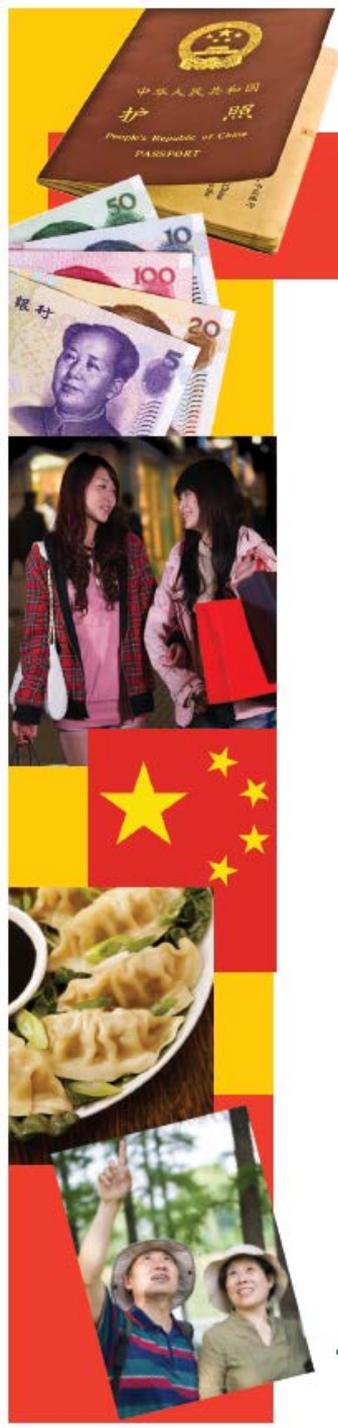


Joint sales events



Key takeaways

- The Chinese distribution market is rapidly expanding and changing
 - Highly fragmented with many players
 - Technological advancement has enabled entrance of new players
- Chinese visitors have favorable views of Hawaii, but much to do for us to become the top destination of choice
 - Leverage our advantages to overcome disadvantages
 - Invest in our ability to meet the needs of the Chinese visitors
 - Availability of resources online has increased visitors' destination knowledge
- The Chinese visitors are maturing and changing; there is no “fits-all” solution to sell Hawaii
 - FIT / package purchase will continue to grow as travelers become more savvy
 - Continue to invest in destination marketing and awareness – what makes Hawaii unique and why visitors should come to Hawaii



MAUI
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**MAYOR'S OFFICE OF
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