HORIZON
CONSUMER SCIENCE

Navigating the waters of Asian cruises

Prepared for:
TFWA

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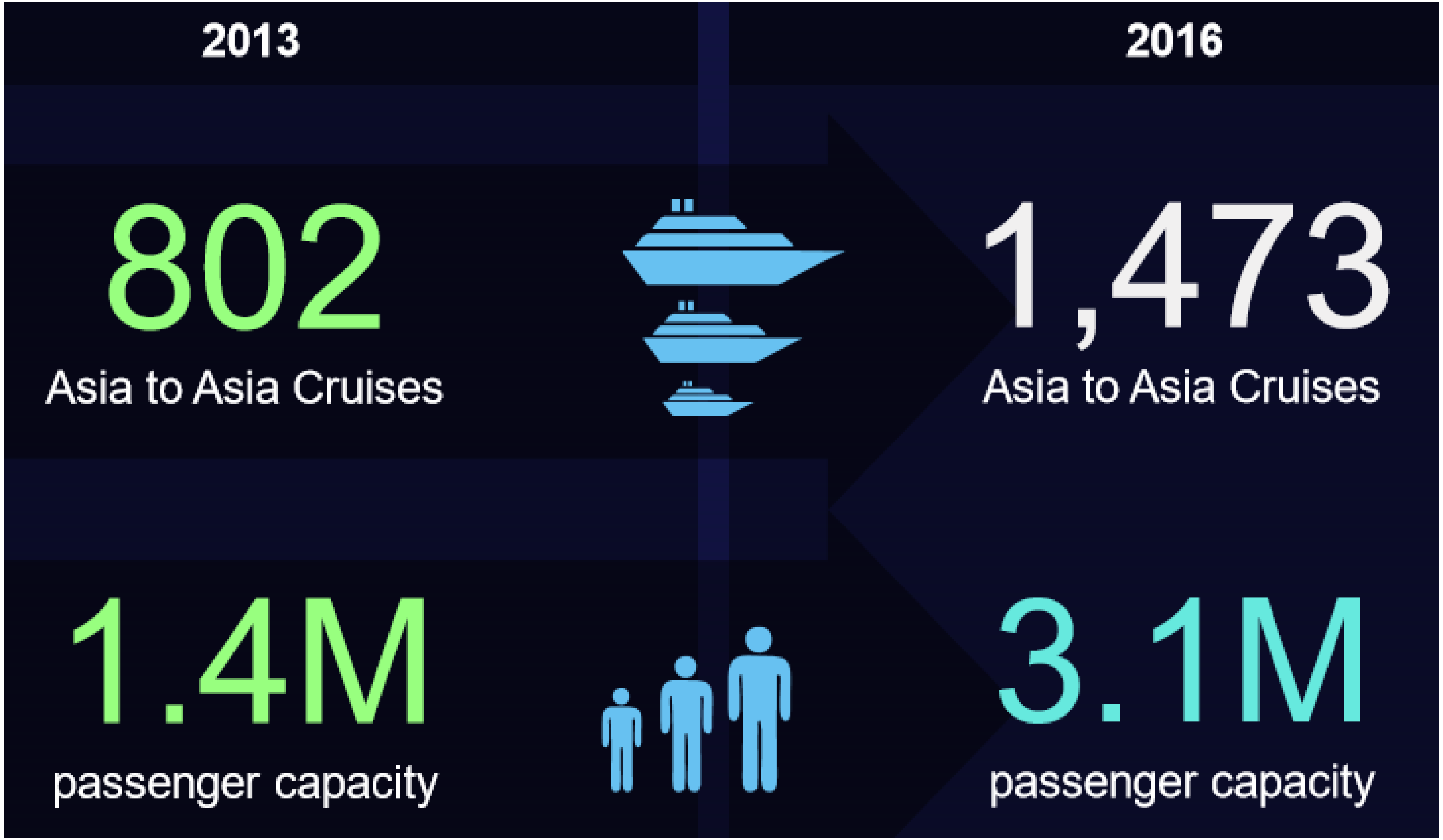
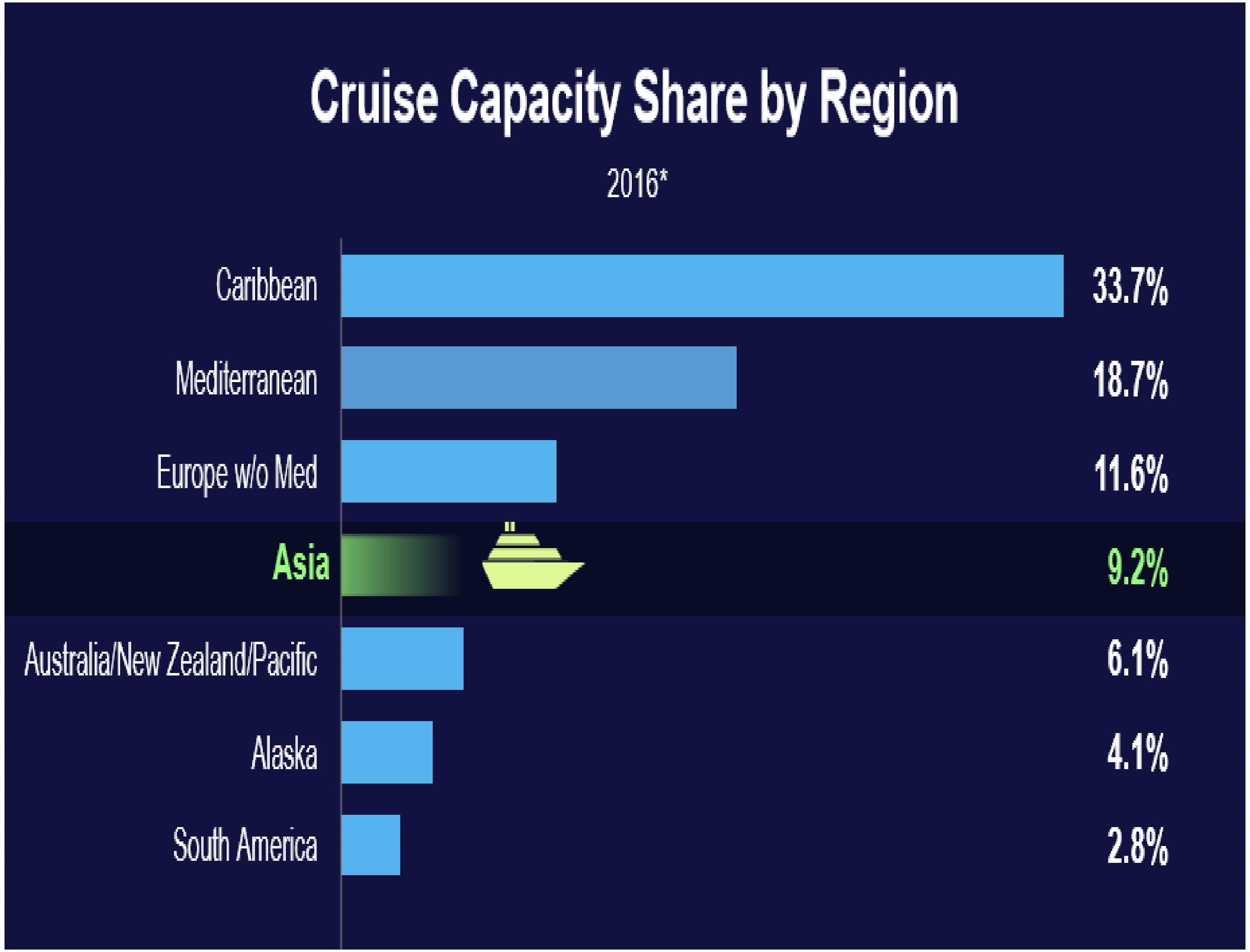
In the past 3 years, the number of Asian Cruise passengers has doubled



Source: Cruise Lines International Association (CLIA)

If Asian cruising maintains its growth trajectory, it will be the number 2 cruise region by 2020.



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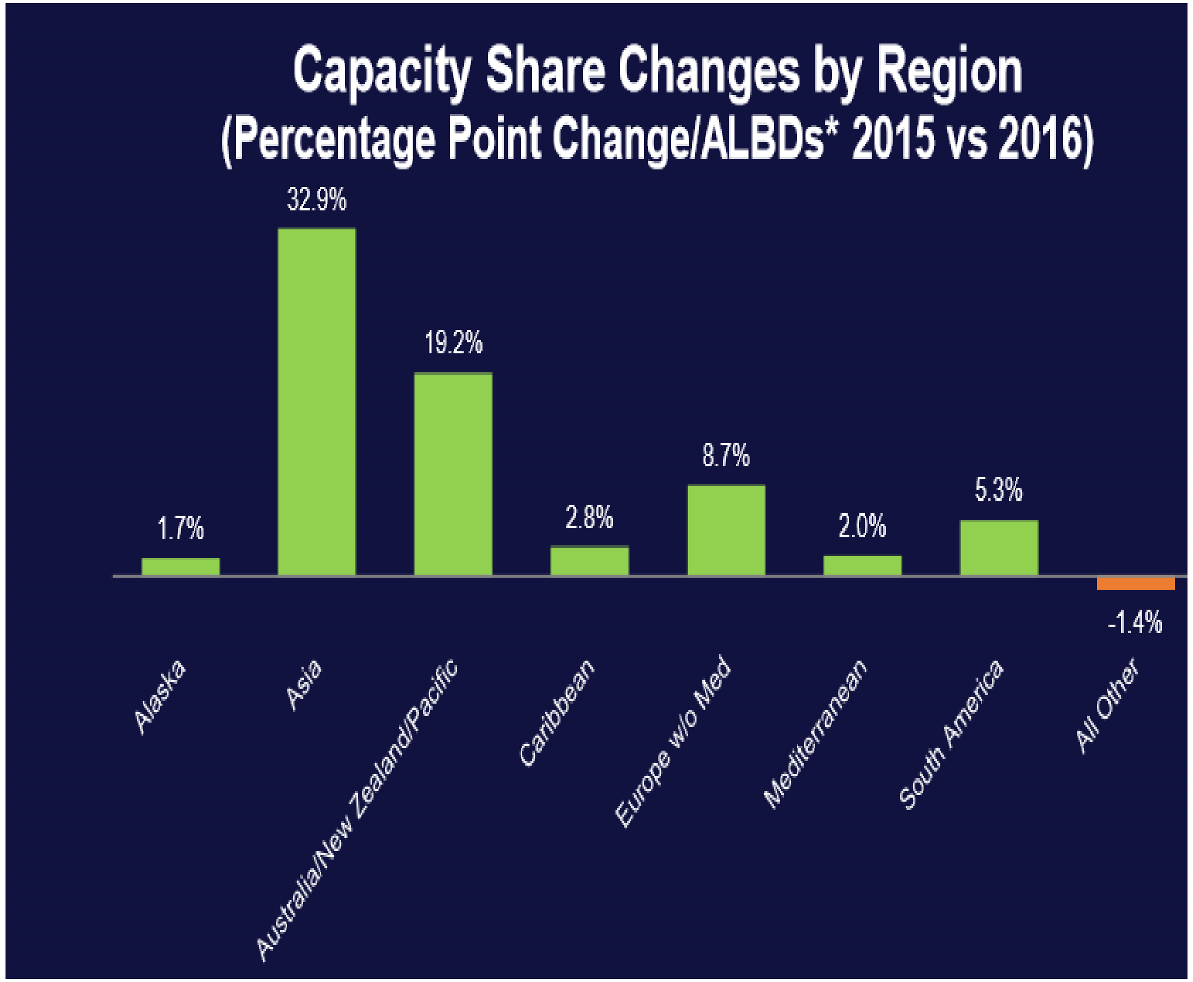
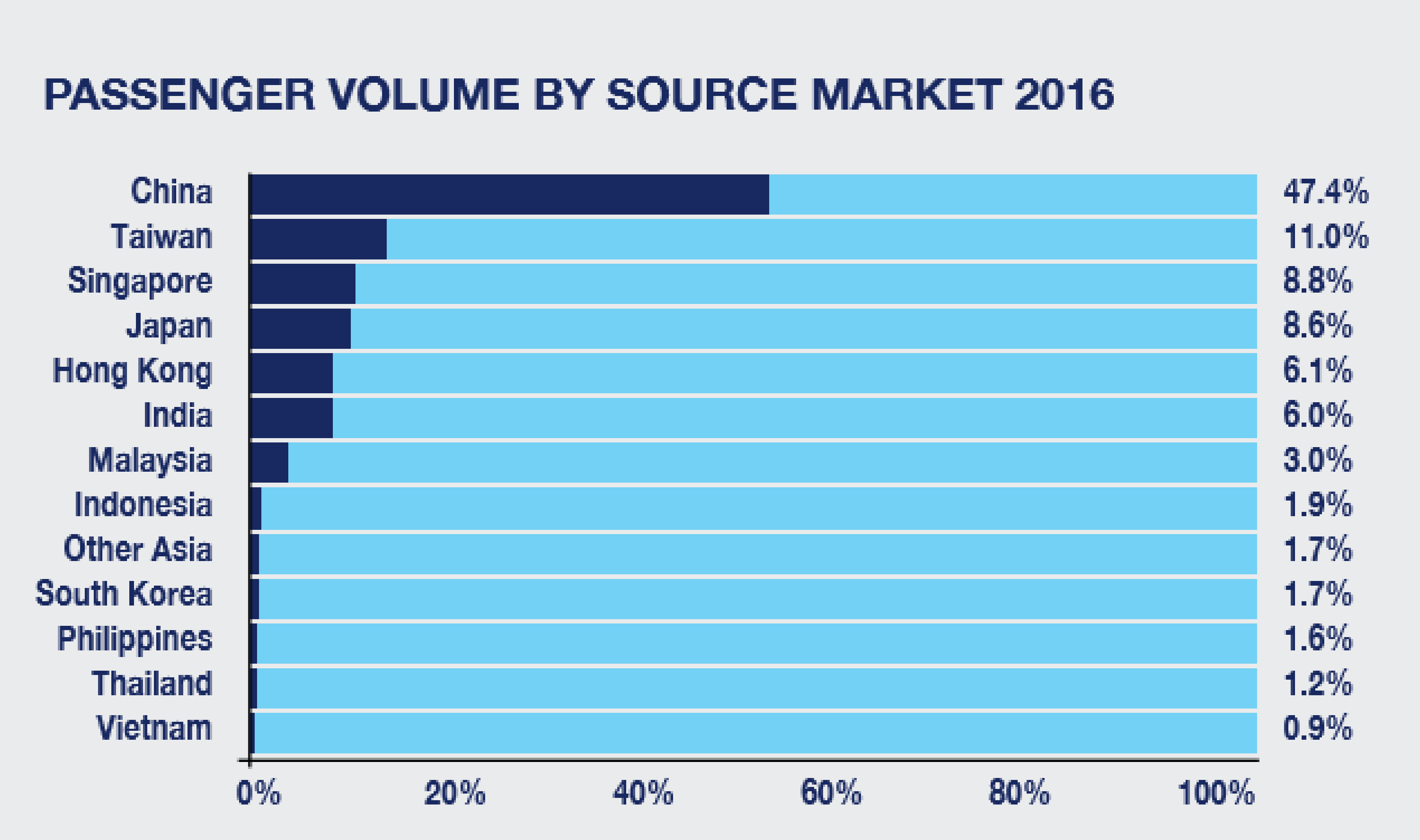


Chinese Cruisers Dominate

- Chinese already accounted for half (47%) of all Asian passengers in 2016.

- The Chinese Ministry of Tourism predicts Chinese cruise passengers to increase from 1 millions passengers in 2015 to 5.4 million in 2020.

- Coastal cities in China are racing to build and expand their ports.
  - In 2014, four Chinese ports dominated – Shanghai, Tianjin, Xiamen and Sanya.
  - Eight other ports in China are aiming to establish and build their cruise traffic – Dalian, Yantai, Qingdao, Zhoushan, Guangzhou, Shenzhen, Beihai, and Haikou.



Source: Cruise Lines International Association (CLIA)

Will Travel Retail Benefit From This Growth?

How do we grow cruise travel retail sales in Asia?

Do no restrictions on baggage or weight impact what cruisers will buy?

Is there significant spend leakage to domestic retail?

Is cruise retail utilising the time passengers have for shopping on-board?

Can on-board retail integrate with other activities on the ship?

How does shopping fit in with the trip? Are passengers satisfied with what they can buy?

Is it possible to improve cruise retail by understanding Asian motivations and expectations for cruising?

How are we answering these questions about cruising?

On-board sleuthing

December 2016 – January 2017

Two senior consultants on-board to develop a point of view about travel retail in the context of cruising.

- Formal and informal passenger interviews
- Observation of shopping behaviour
- Participation in activities (onshore + on-board)
- Interviews with cruise line staff

Two cruises with Chinese passengers – visiting Korea and Japan.

On Board Surveys

July – August 2017

733 surveys (529 Chinese, 192 Japanese)

Four different cruise routes:

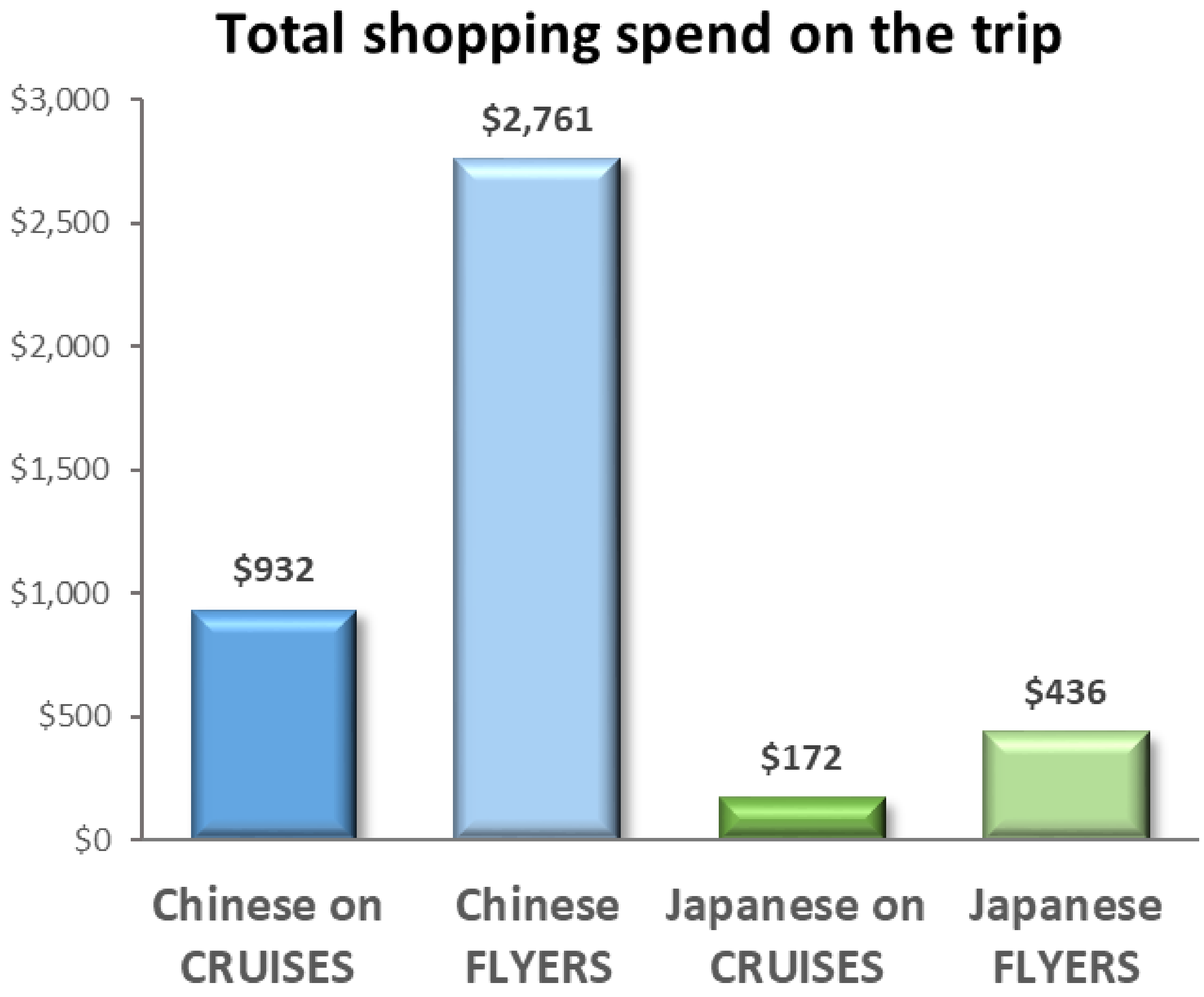
- From: Tianjin, Shanghai, Shenzhen, Fukuoka
- Visiting: Fukuoka, Okinawa, Busan, Jeju Island.

Topics: Cruising and travel experience, shopping perceptions/motivations/attitudes, purchases made and interest in retail related onboard programs

Key Findings

Potential to increase shopping spend is strong

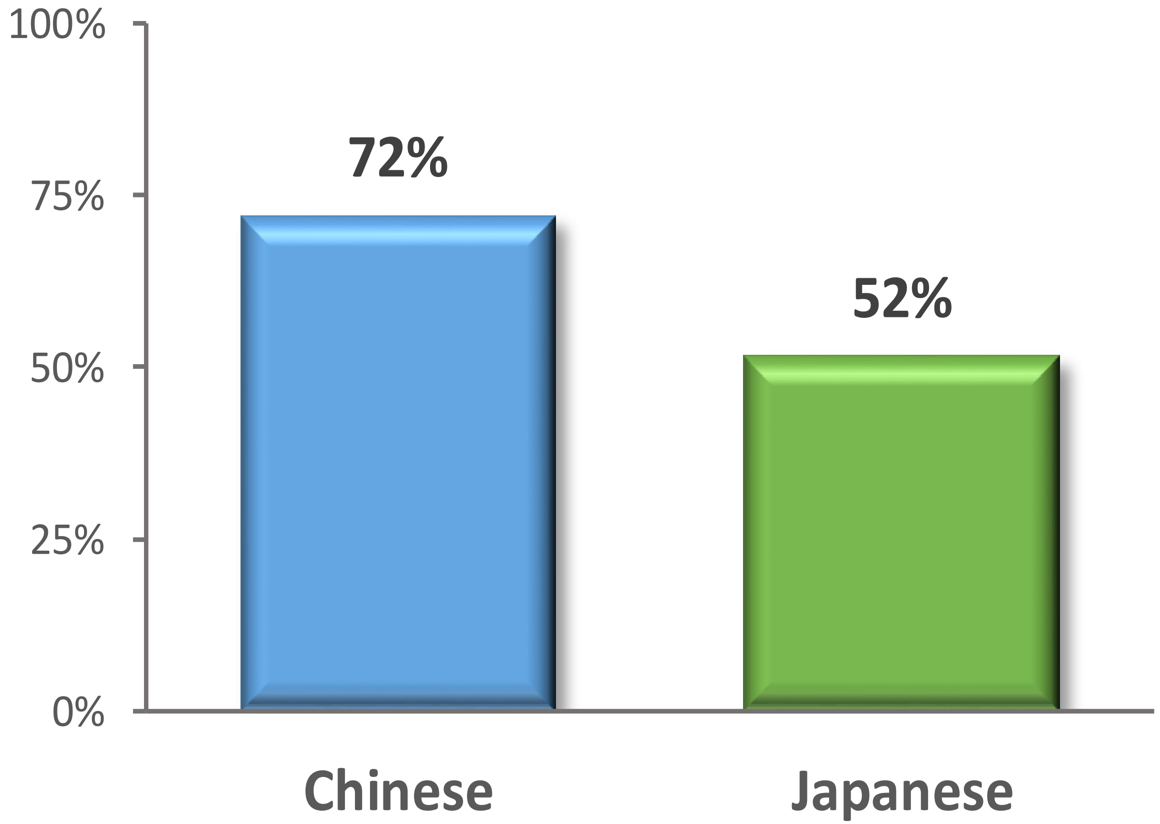
- Chinese cruisers are spending only about 1/3 of their air travelling cousins
- Japanese are spending less than ½ of what they do when they travel by air



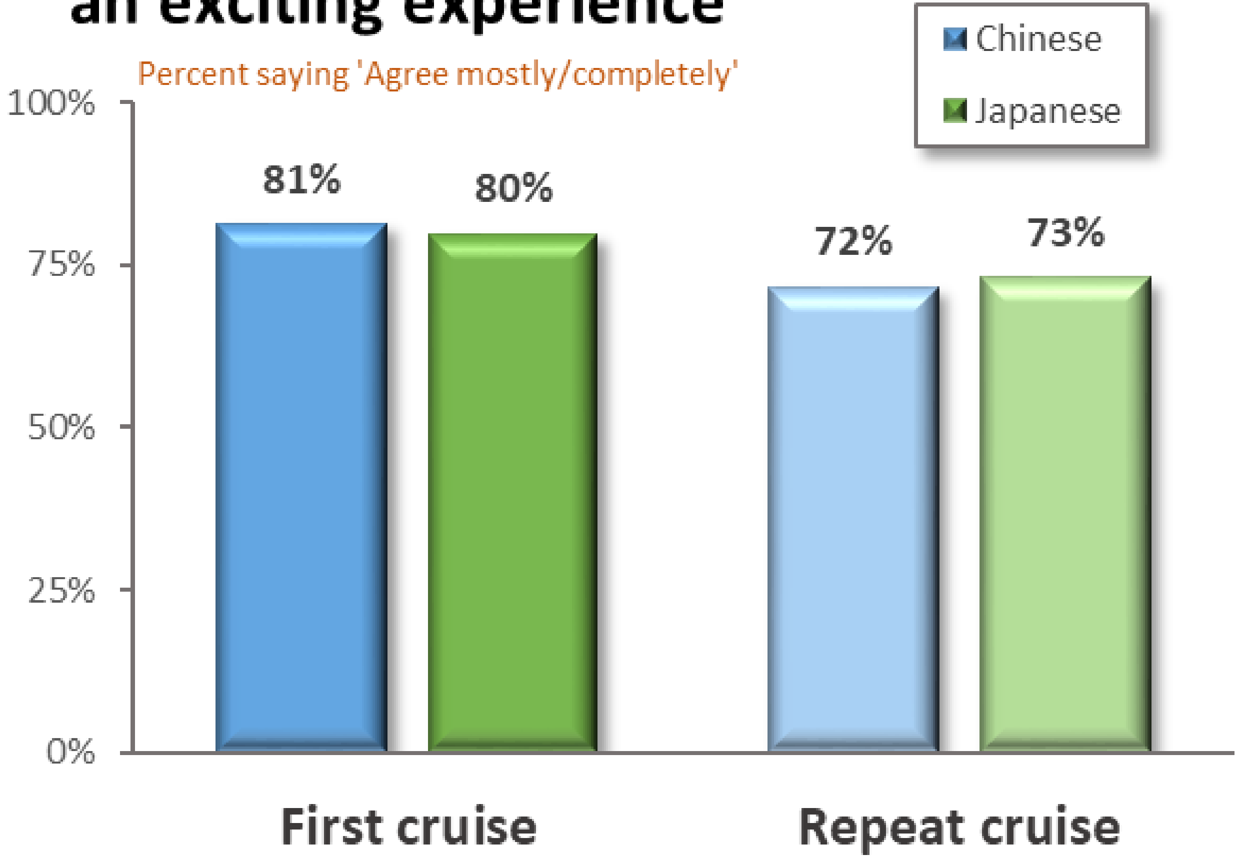
The Novelty of Cruising May Hinder On Board Shopping

- There is no question that cruising is a novelty, especially for Chinese cruisers.
- There is also no question that the first experience of cruising is an exciting one, for both Chinese and Japanese

First time cruise passengers



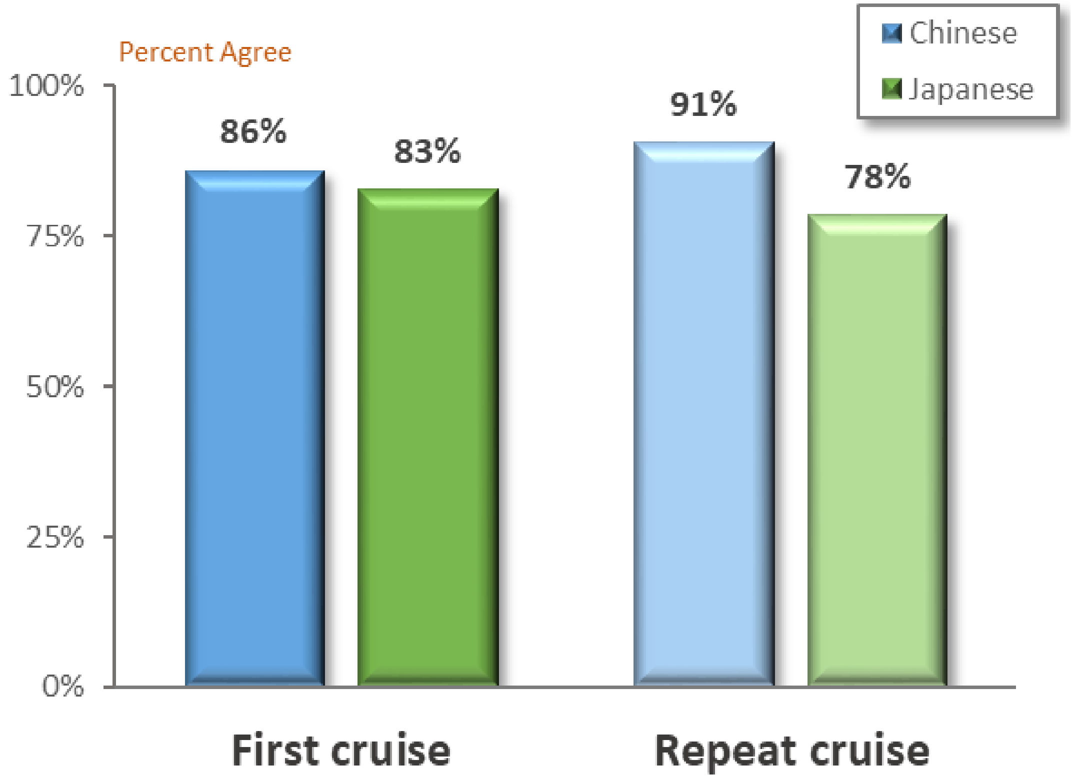
Going on a cruise for the first time is an exciting experience



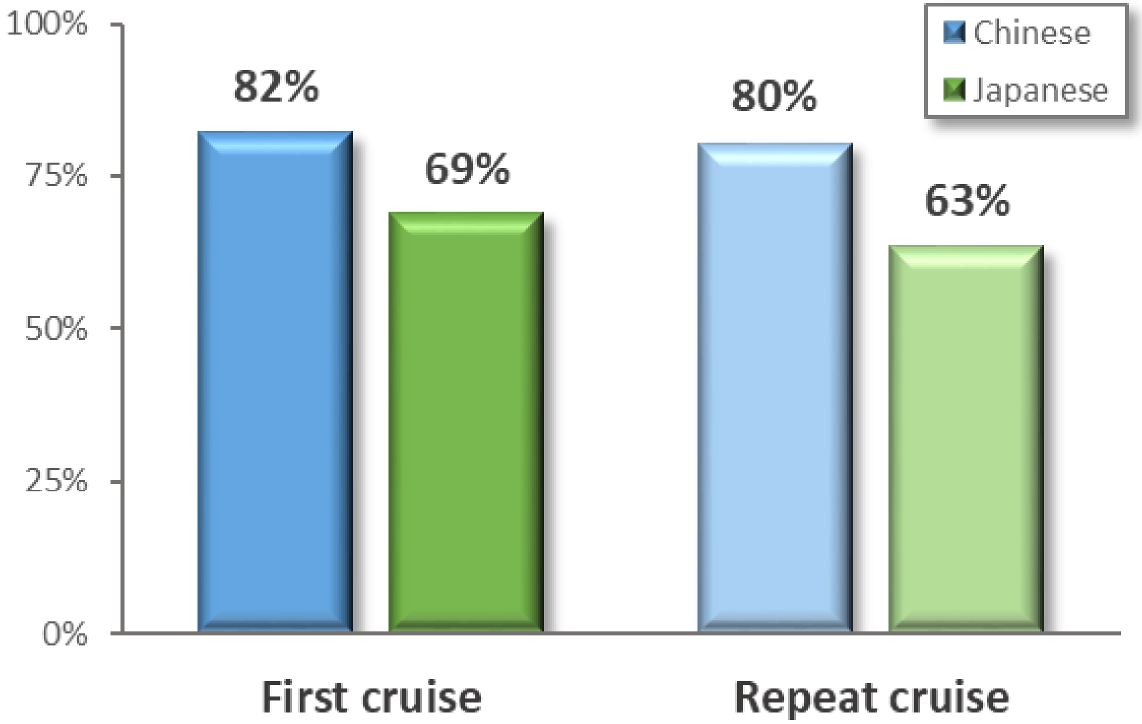
The Novelty of Cruising May Hinder On Board Shopping

- Most cruisers have expectations that the shopping onshore will be better than aboard ship, which leads to a reluctance to shop aboard ship before experiencing the first ports of call.
- Most cruisers agree that they mostly window shop on board before getting to their first foreign port of call.

I expected the shopping onshore to be much better than the shopping

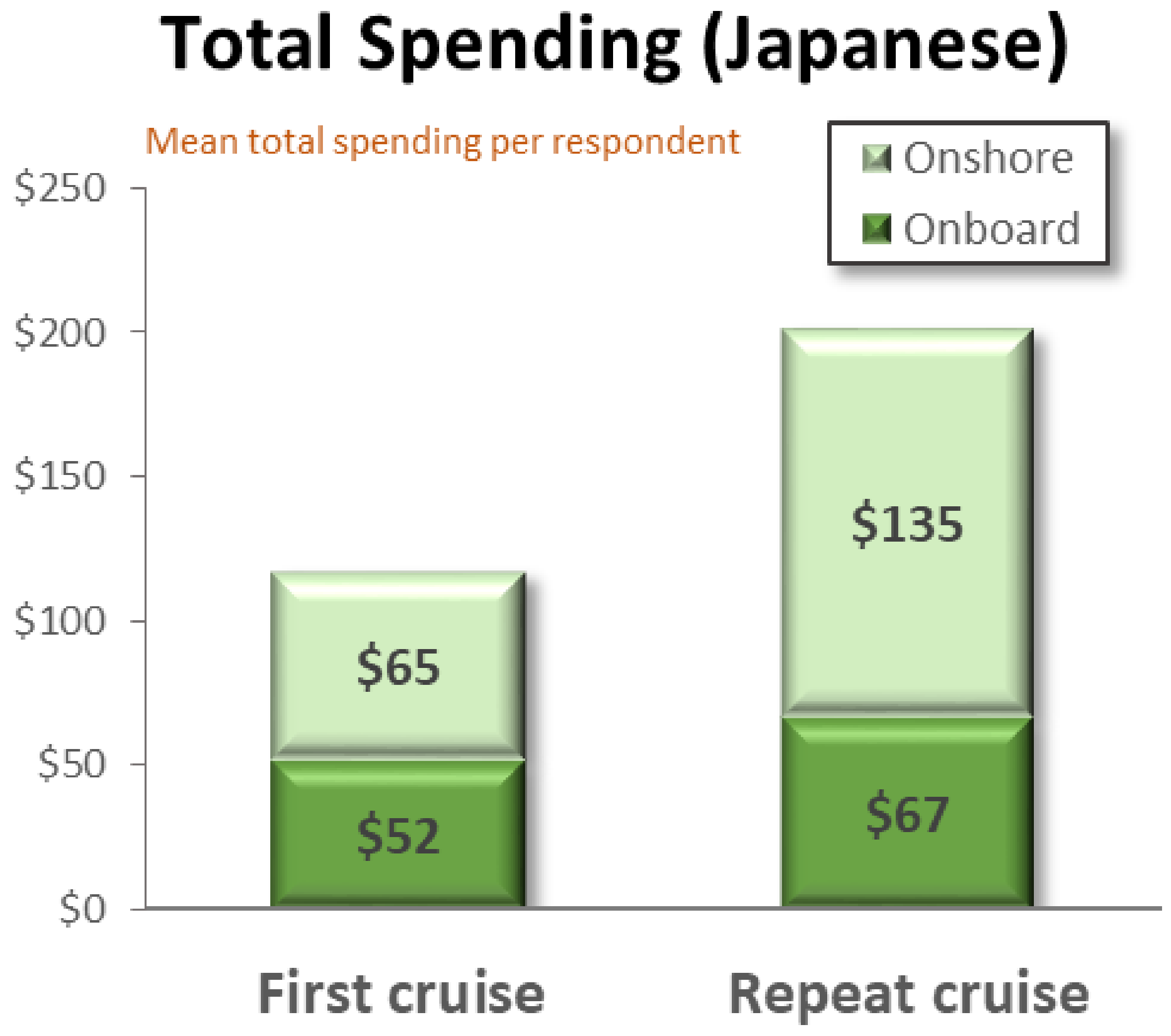


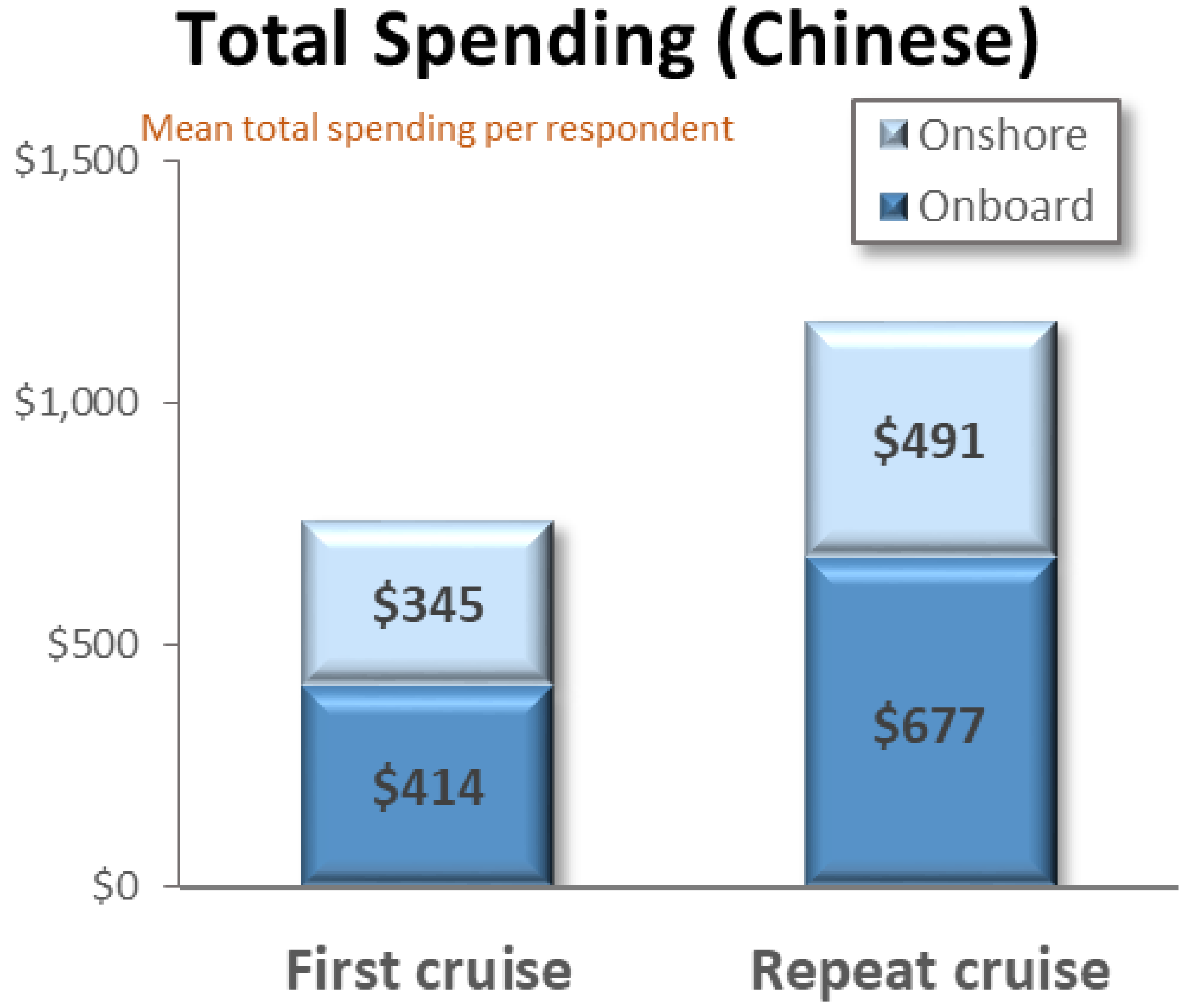
Prior to the first port of call, the shopping I did onboard was mostly to check prices



The Novelty of Cruising May Hinder On board Shopping

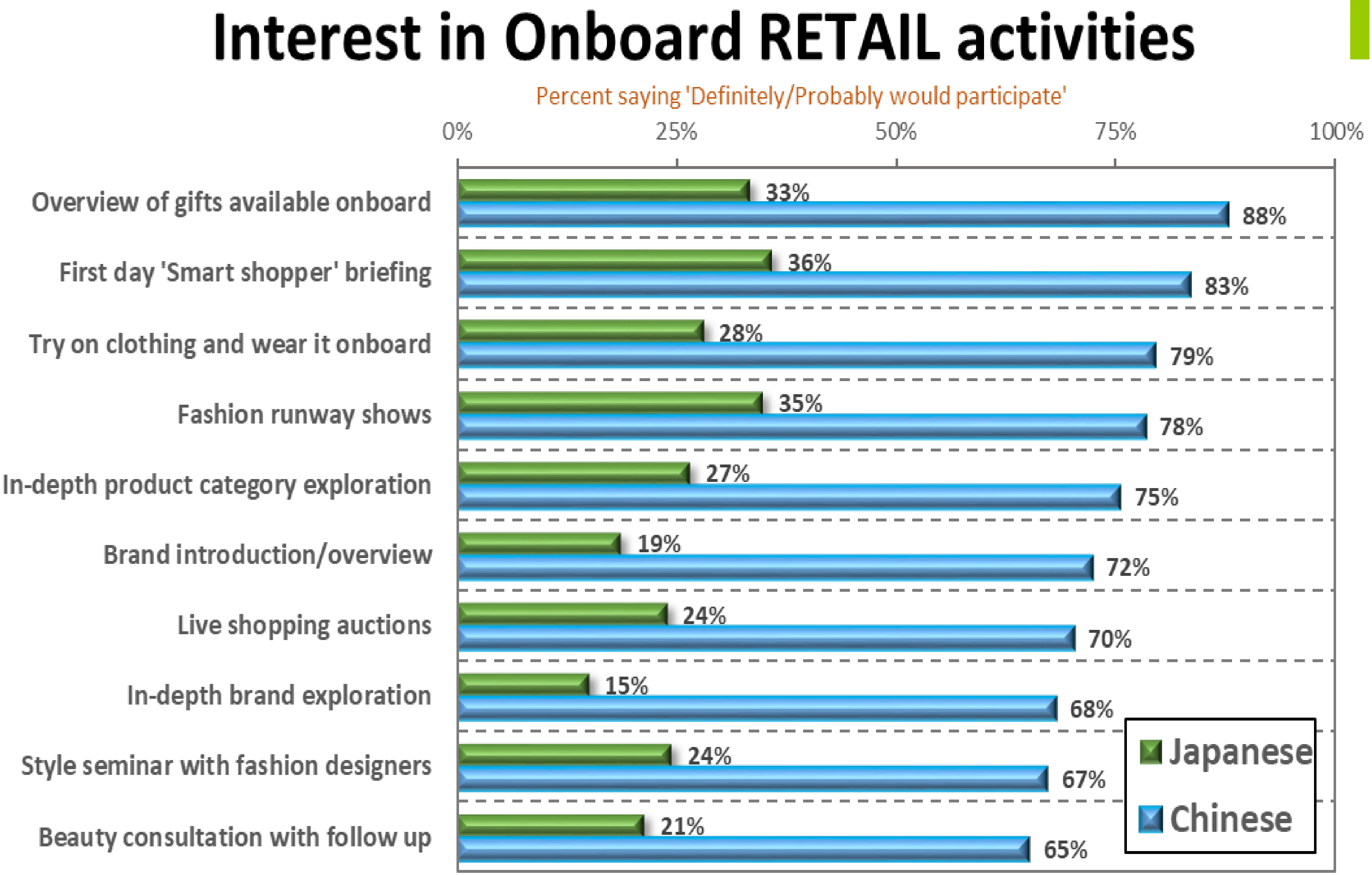
- First time cruisers tend to spend less overall than repeaters





For Chinese, Cruising is a ripe venue for on-board retail events, activities and education

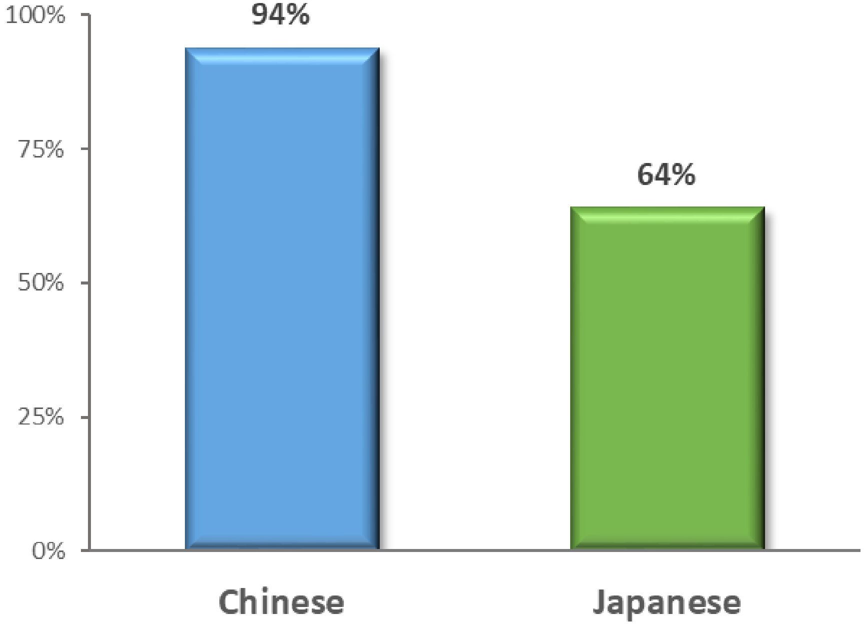
- While Chinese are most interested in straightforward seminars about shopping, they also show strong interest in brand and category specific seminars.
- Japanese are much less interested than Chinese in onboard retail activities, but 1-in-3 still show interest in shopping seminars.



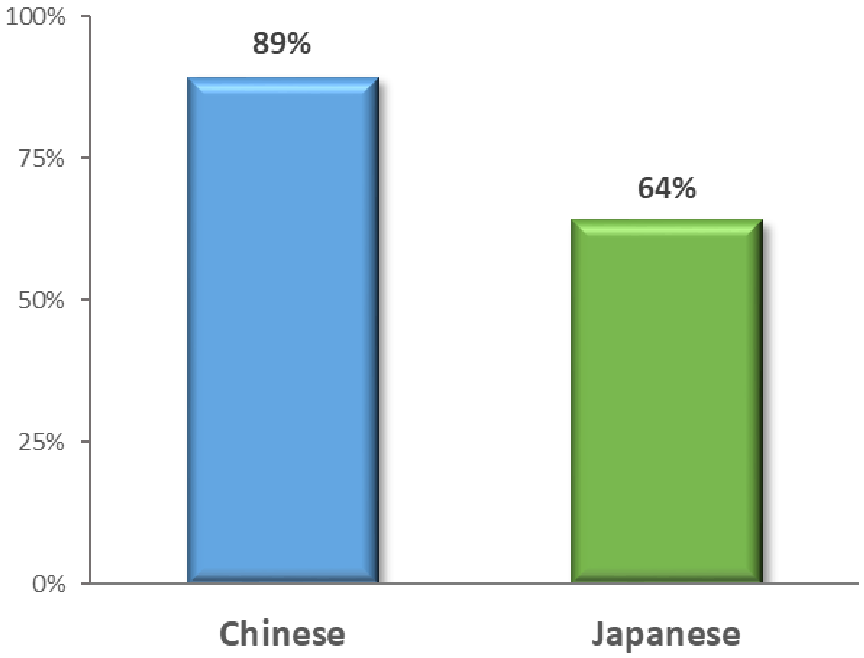
Potential to capture on-shore spend

- Shopping in the ports of call comes with high expectations, but is limited in time.
- For many cruisers, shopping in the port is a necessity because they can't find everything they want to buy in the on board shops, some of which is items that the countries they are visiting are well known for.

The shops onboard should stock more products that the countries visited are well known for

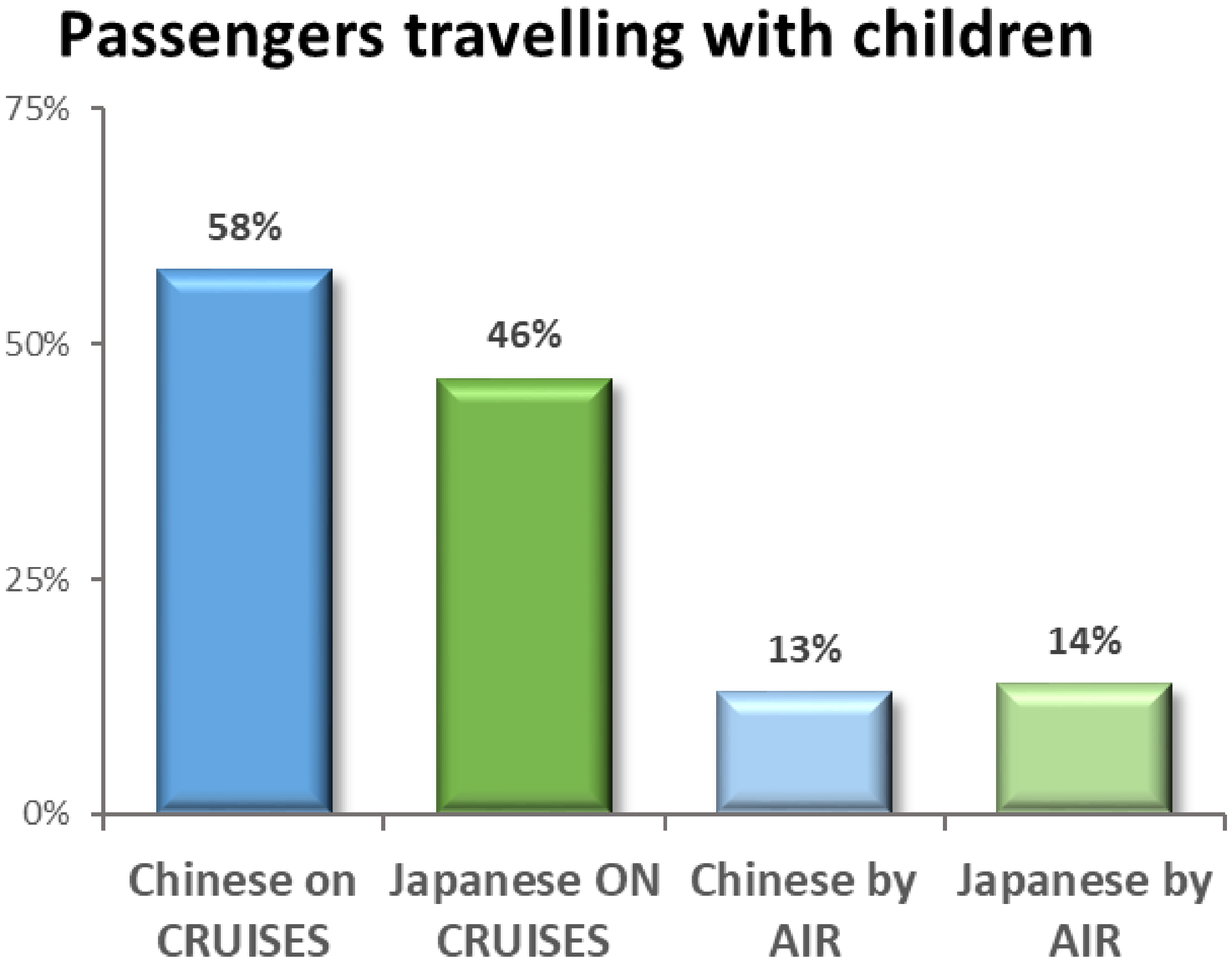


I couldn't find all the things I wanted to buy in the onboard shops



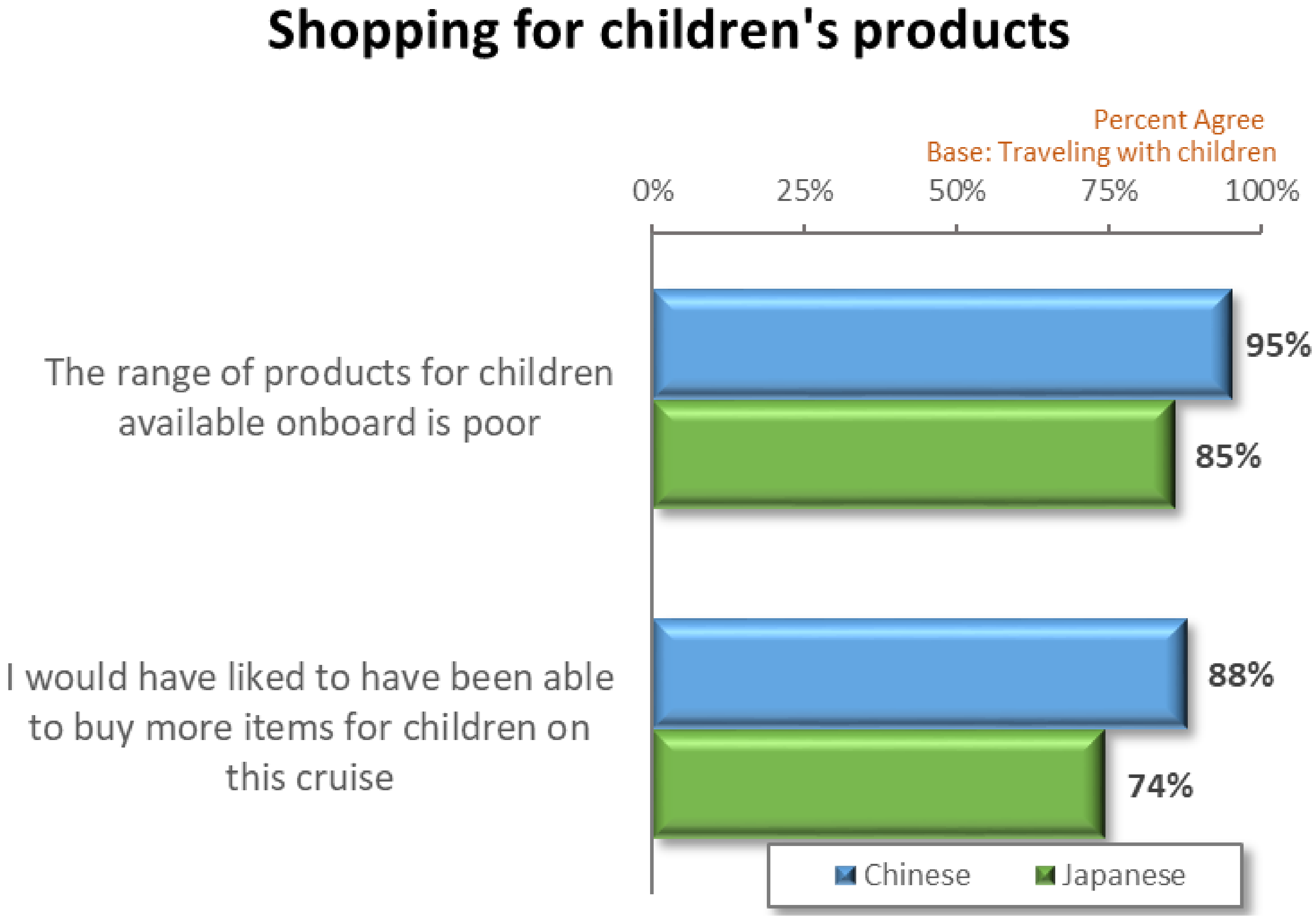
Children are a huge missed opportunity

- The presence of children on cruises with Chinese and Japanese parents is **3-4 times higher than air travellers globally**.



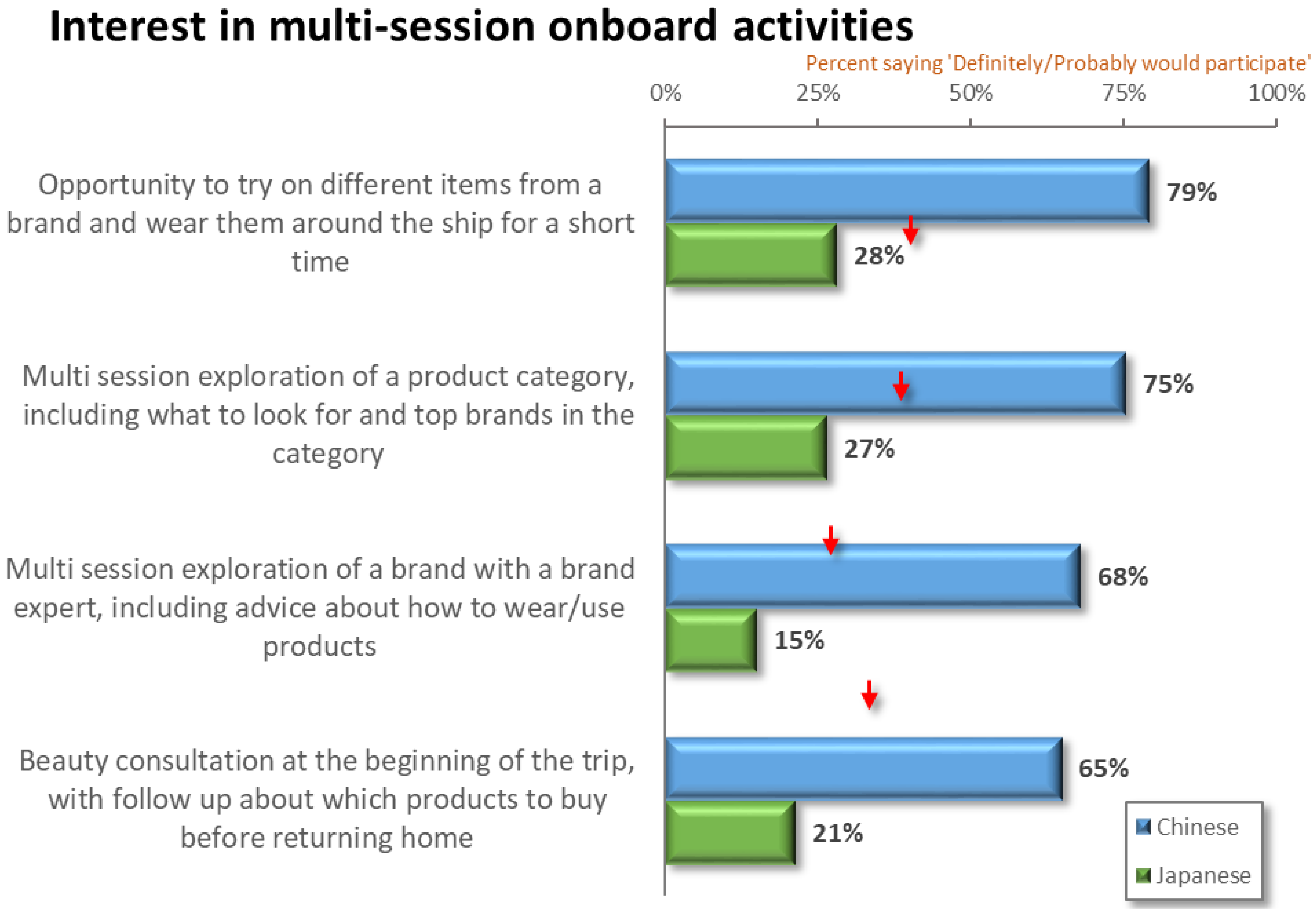
Children are a huge missed opportunity

- The overwhelming majority agree that the range of children’s products available on board is poor and that they would have liked to be able to buy more items for children on the cruise.
- The paucity of items available for children manifests itself in terms of the amounts that cruisers spend on the children that are with them.



3+ days to engage with potential buyers is currently a missed opportunity, for Chinese

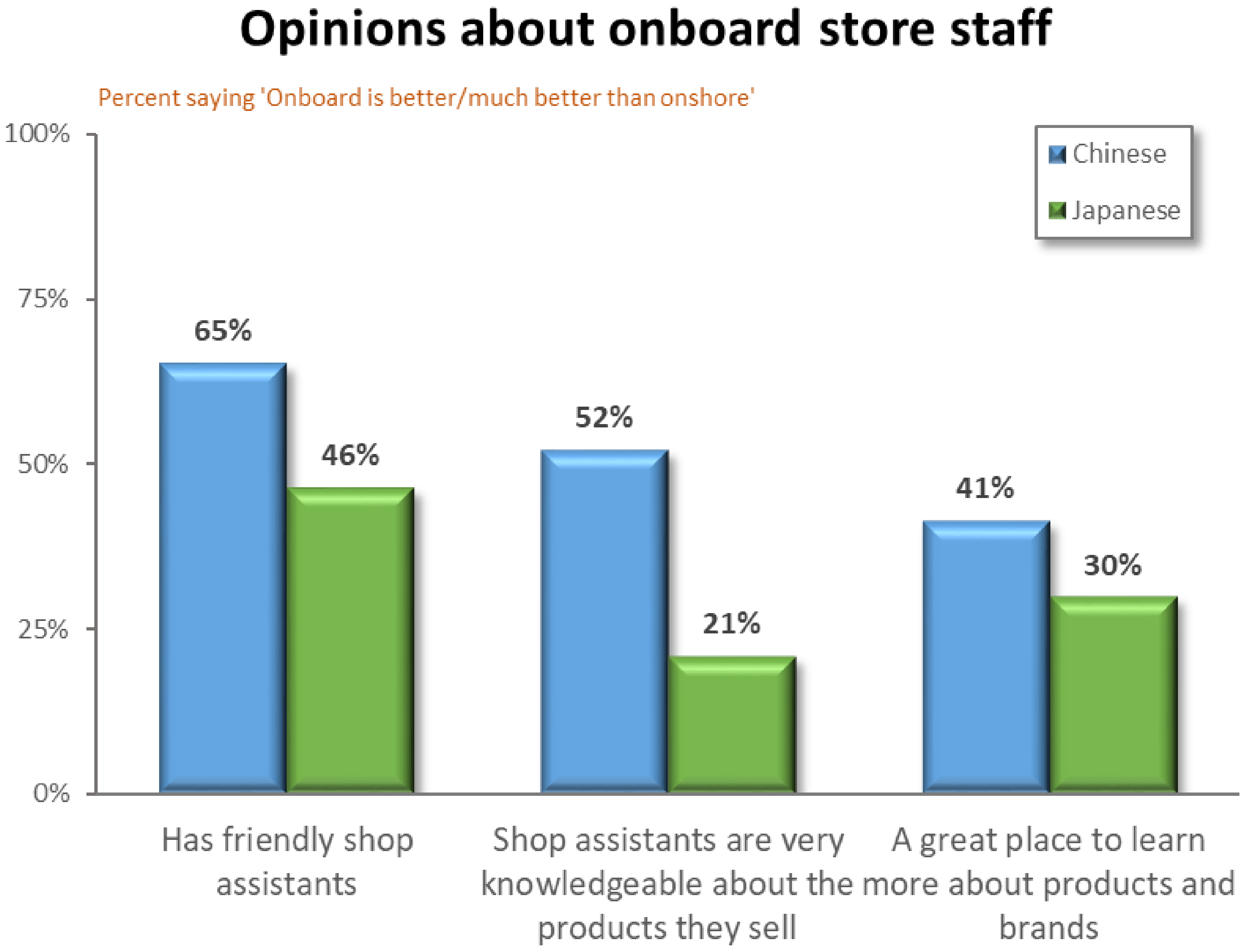
- The time available on-board is unique compared to any other location where travellers are exposed to brands.
- With 3+ days, brands can aim for more intimacy with shoppers than usual. Cruises may be THE BEST retail environment for BAs and product knowledge experts.
- Currently, cruise retail does little to convince passengers to spend more time in-store, to consider new brands/product or to revisit stores throughout the journey. But, the appetite for events and activities that spread over multiple days is very strong, among Chinese cruisers



3+ days to engage with potential buyers is currently a missed opportunity, for Chinese

- While cruisers tend to believe that the on board staff are friendly, they are less convinced of their product knowledge and unconvinced that, currently, the environment on board is a good place to learn about products and brands

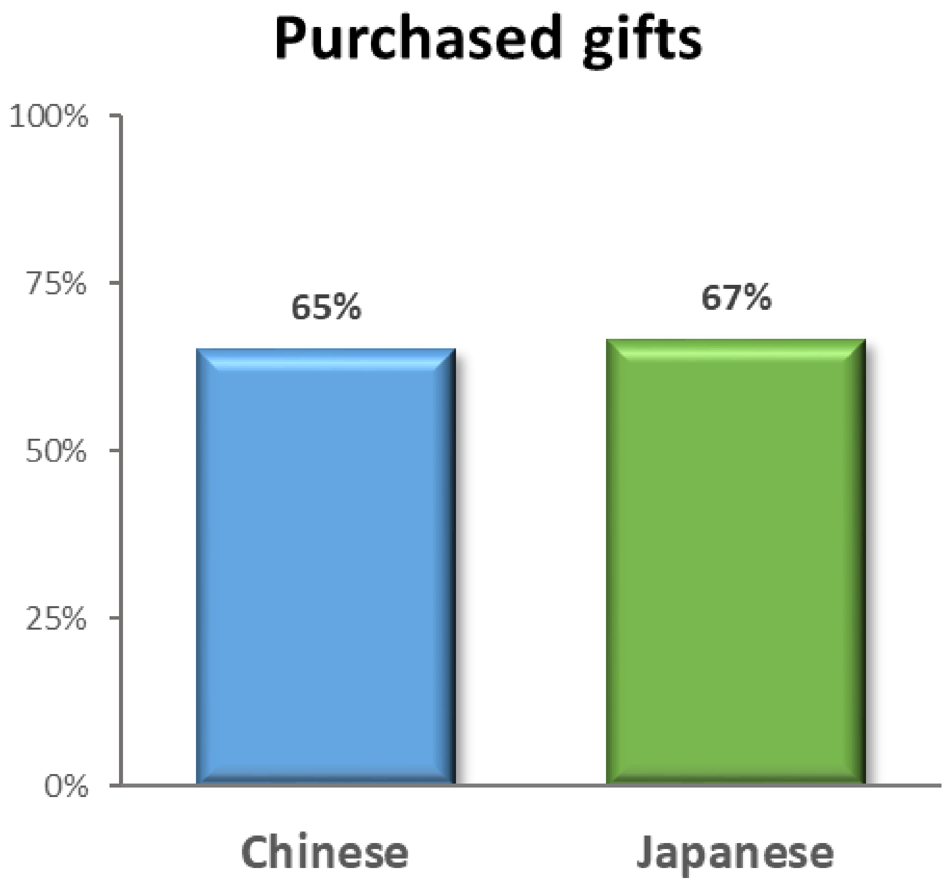
- On board seminars, that take advantage of the length of time available on a cruise, could go a long way to overcoming these perceived deficiencies.

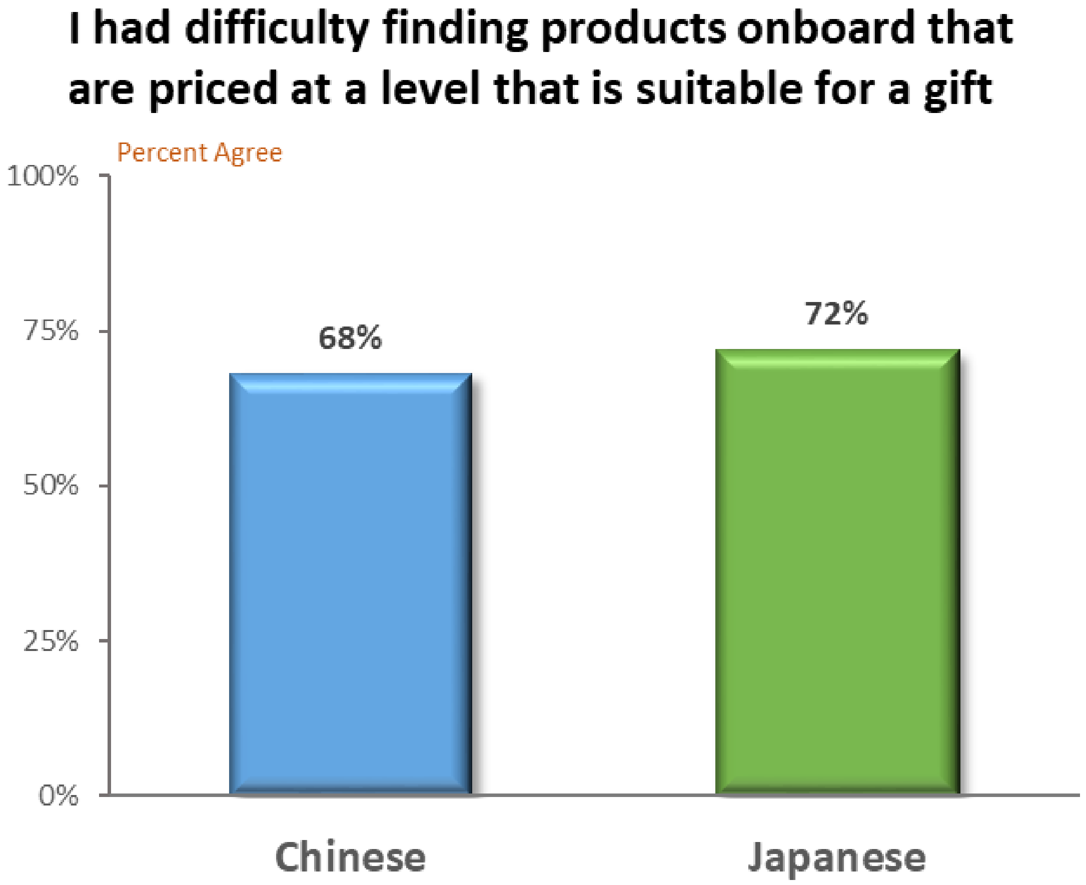


There is strong potential for gift items at accessible prices

- Two thirds of Chinese and Japanese cruisers purchased at least one item for a gift.
- Yet, majorities of both Chinese and Japanese had difficulty finding products on board that are priced at a level suitable as a gift.

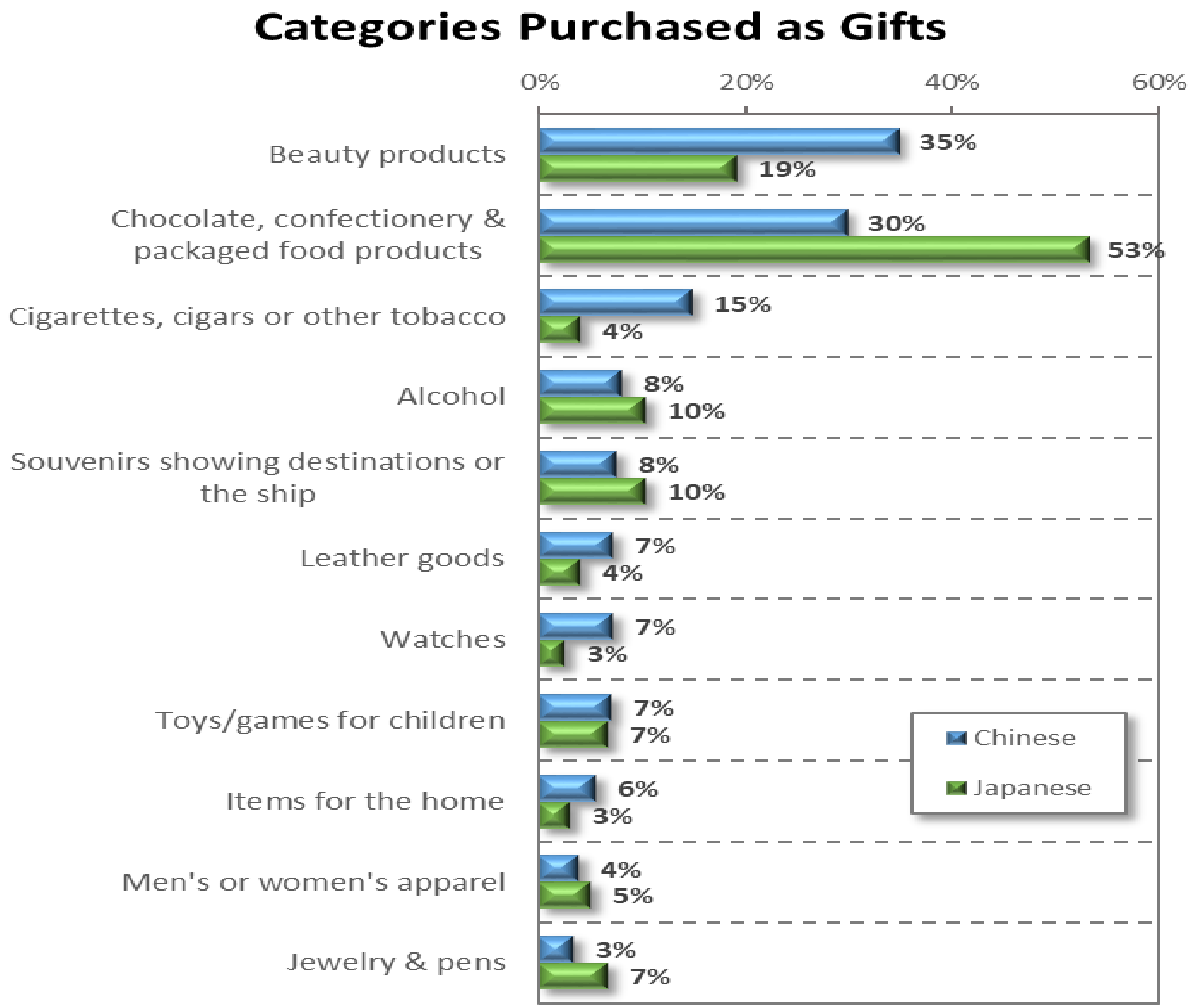
"We are all so connected these days, everyone knows I'm away, so some gifts are needed. Cheap, easy and different products are best."





There is strong potential for gift items at accessible prices

- The way Chinese and Japanese cruisers have solved their problem of finding gift items at accessible prices is to buy in categories that have a range of products at lower prices – beauty products and confectionery.



There is strong potential for gift items at accessible prices

- "Accessible" gift prices for the most popular gift items are:
  - Confectionery: Chinese are willing to spend about $35 and Japanese $19.
  - Beauty: Chinese are willing to spend more - $140 vs. $45 for Japanese.
  - Souvenirs: Chinese are willing to spend $30 and Japanese $18.

How much do you think is the right amount to spend on each category for GIFTs?

Median gift estimate per category buyer	Nationality	
	Chinese	Japanese
Minimum Base: Category gift buyers	**10**	**10**
Watches	290	*
Leather goods	220	*
Eyewear or sunglasses	142	*
Beauty products	141	45-
Electronics & electrical goods	102	*
Jewelry & pens	81	18
Cigarettes, cigars or other tobacco	70	*
Men's or women's apparel	44	27
Alcohol	43	19
Chocolate, confectionery & packaged food products	35	18
Toys/games for children	30	27
Souvenirs showing destinations or the ship	30	18-

Tested to 0.950 significance level.

+/- Indicates significantly higher/lower value from the comparison.

Cells with size less than 10 are displayed as *

Comparing 'Japanese' to 'Chinese'

There is value in highlighting popularity of products

- The vast majority of Chinese and a strong majority of Japanese agree that it would be helpful to know which products available on board are the most talked about at home.

- This has both positive impact and a defensive benefit
  - A positive impact in that they appreciate knowing what is popular before they buy
  - It potentially counters a negative perception of the fashion offering in the store if the store is offering new items that are not yet available in China

To decide what to buy onboard, it would be helpful to know which products are most talked about online in my country