

Navigating consumer trends

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Hong Kong Tourism Overview

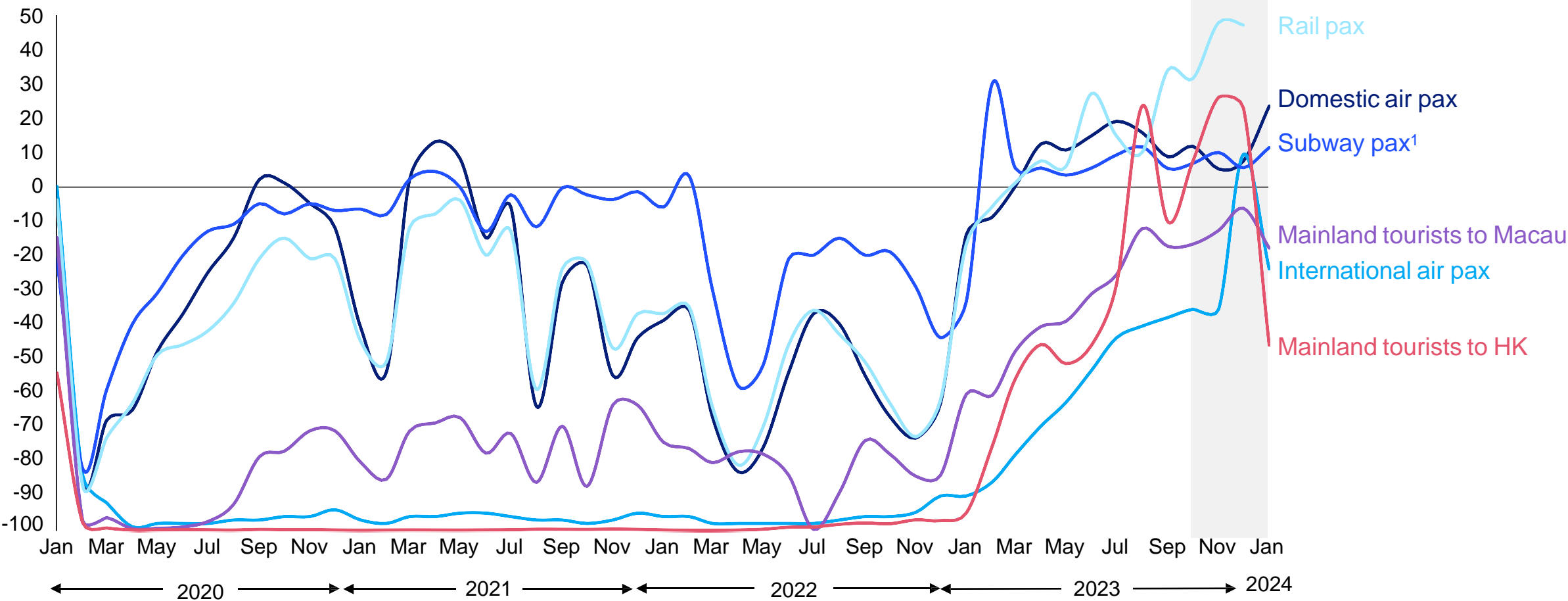
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Travel indicators have picked up since December of 2022, with domestic travel back to 2019 levels

Recovery rate by travel subsectors in China (change over 2019,%)



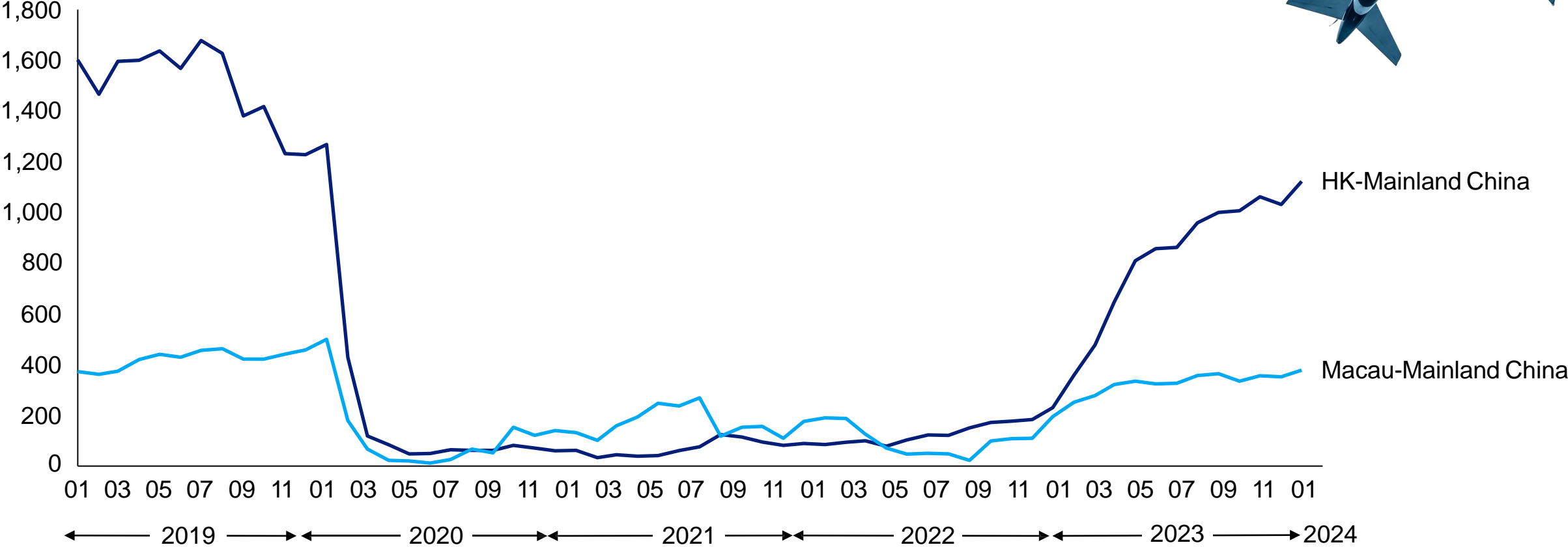
1. Including subway passengers for Shanghai, Guangzhou and Chengdu

Airline seat capacity is recovering



Seat capacity on HK and Macau routes

2019 – 2023 monthly seat capacity by route, both directions, 000s

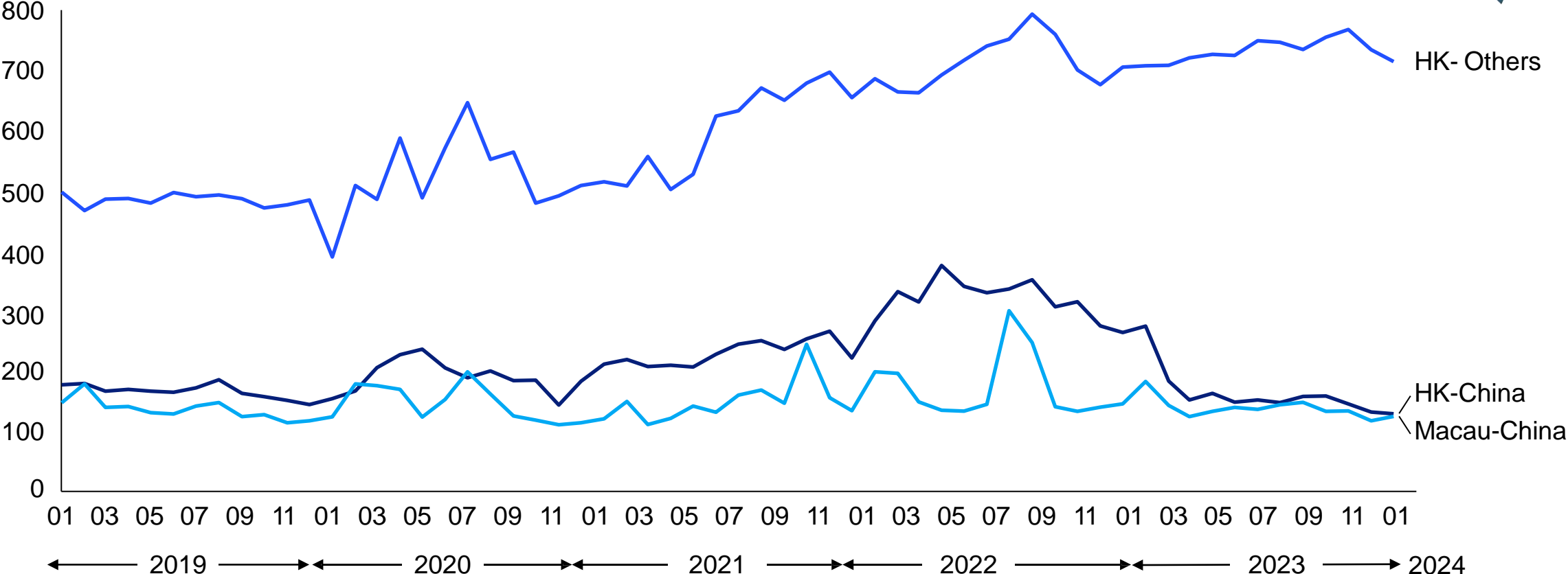


Mainland to Hong Kong air fares are competitive with pre-COVID levels



Air fare on HK and Macau routes for China mainland travelers

HK-Mainland China, both directions, monthly average air fare, USD

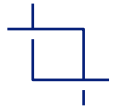


Source: IATA MarketS

How is aviation different post COVID?

Some things are not different

1



The airline sector remains structurally challenged and under-performs others in the value chain

2



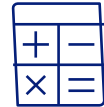
There continue to be some airlines which do create economic profits: they excel on six factors

3



Demand recovery has been quicker than capacity recovery, leading to elevated yields across the industry, and the industry paying back much of its debt
Capacity is almost fully back; Q4 2024 could be weak

4



Some competitors have radically restructured cost bases, e.g., through bankruptcies renegotiating leases
Others are seeing costs inflate, e.g., pilot wage deals

5



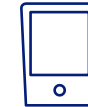
Sustainability is increasingly a license to operate, and SAF is the main solution

6



New technology developments mature, with applications for aviation, e.g., GenAI for trip planning; artificial intelligence in revenue management; digital twins in operations

7



Online booking boomed in the pandemic, and direct channels will continue to dominate
Customer data allows airlines to personalize experience, offers and response

8



New media channels are the new must-win battlefield

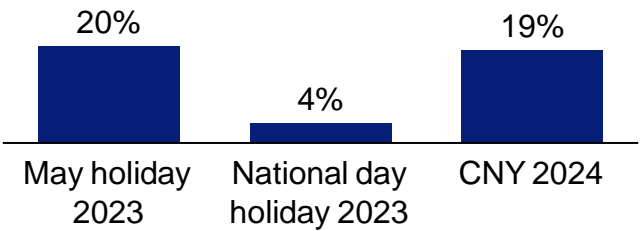
In other areas, the industry is different post-COVID

Chinese New Year 2024 was a new high in domestic travel

Chinese New Year 2024 was the best ever for domestic travel

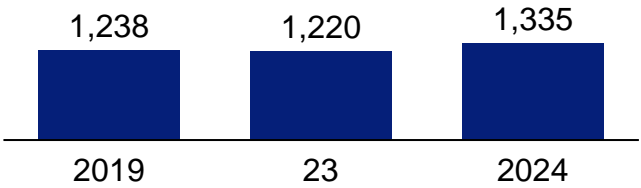
Number of holiday trips recovered from the same period in 2019

% increase compared to 2019



Average domestic tourist spending during the Chinese New Year holiday

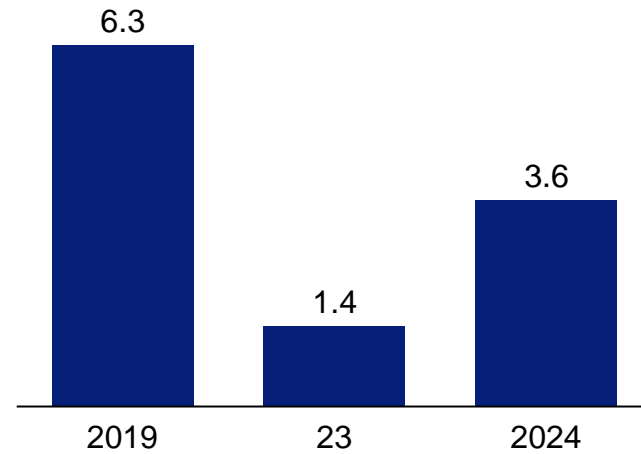
CNY per person



Outbound travel in terms of trips during the CNY 2024 is recovered to around 60% vs pre-Covid level

Number of outbound trips during the Chinese New Year holiday

millions



Top 5 popular outbound destinations during the holiday on Tongcheng

- ① Hong Kong
- ② Macau
- ③ Thailand
- ④ Vietnam
- ⑤ Singapore

The recovery of the Chinese tourism industry in 2023 has coincided with the emergence of three new tourism themes



Speedy tourism

Visiting multiple scenic interests in a short, intense period

特种兵式
旅游

一天步数4W+, 24小时逛遍北京
极限5天逛遍6个省
爬完泰山爬黄山, 逛完杭州逛苏州
.....



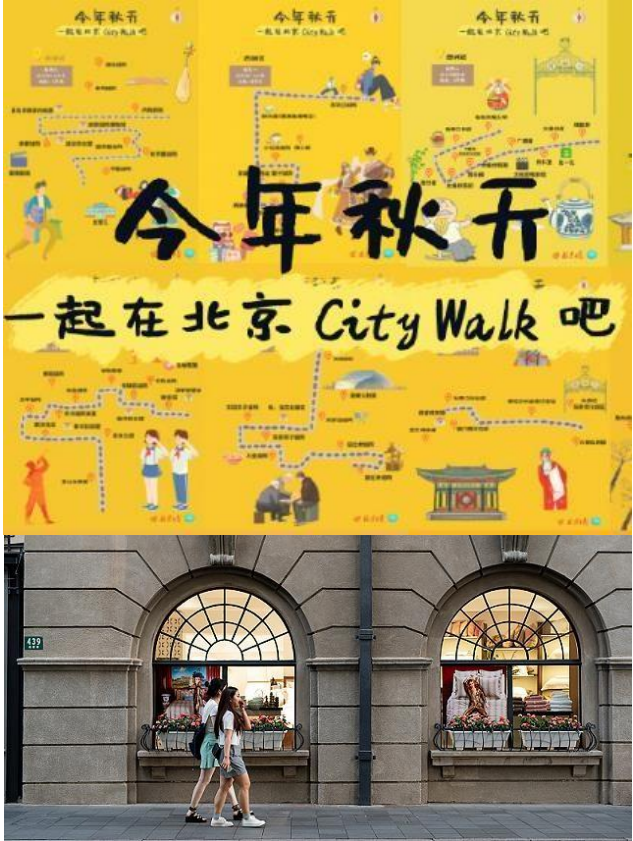
Concerts / shows

Concerts bring considerable ticket revenue, and gather massive tourists in a short period of time



City walk

Taking a leisurely stroll through the streets in a city



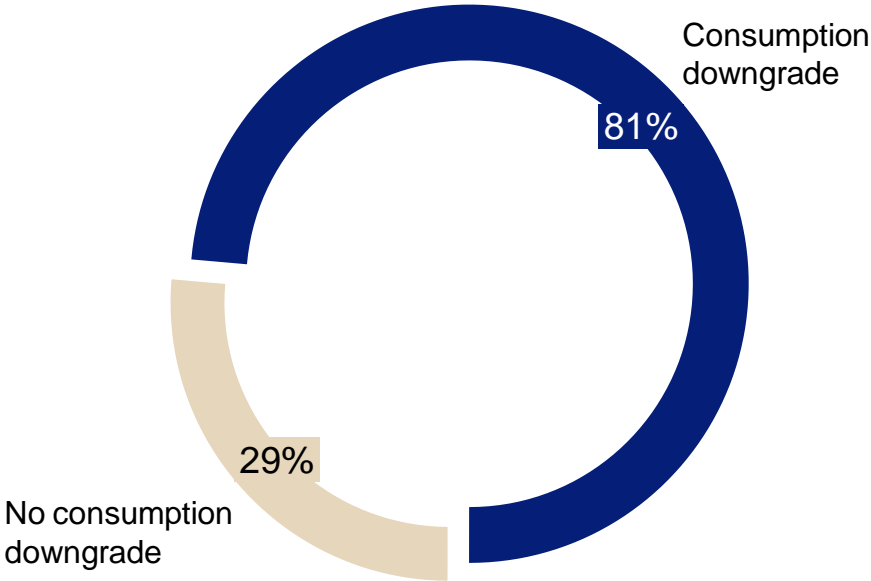
Looking ahead, consumers plan to spend less

More than 80% of consumers interviewed are experiencing consumption downgrade...

The proportion of consumption downgrades increased in all age groups (except Gen-Z), and increased significantly in high-income groups

Proportion of respondents who changed consumption behavior

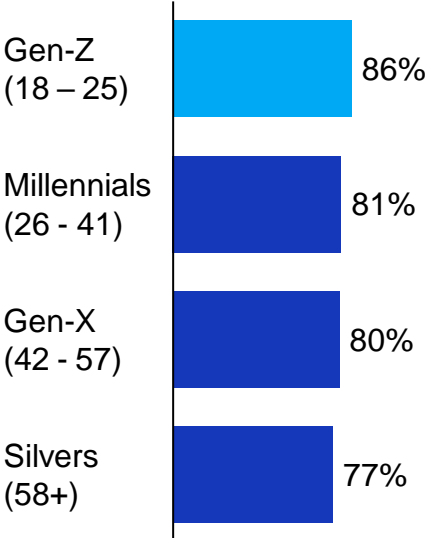
% of respondents



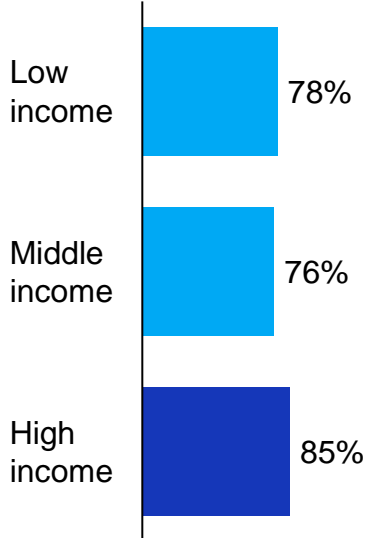
Proportion of respondents of different age groups and income levels who experience consumption downgrade

% of respondents

% of consumption downgrades by age group



% of consumption downgrades by income level

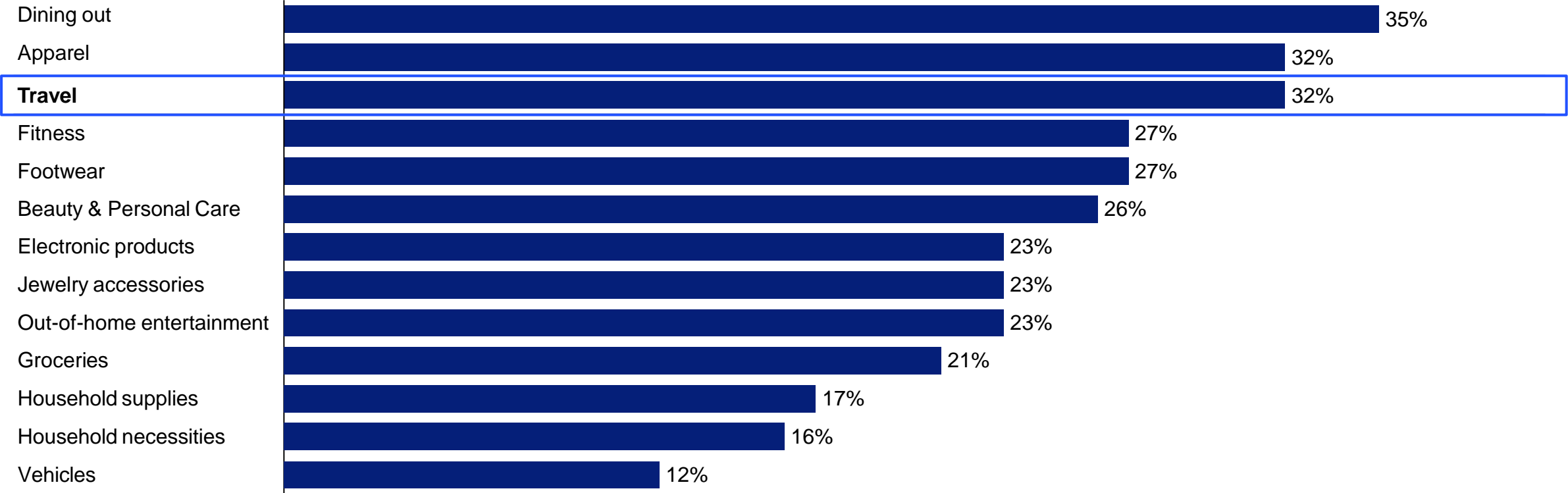


Source: McKinsey ConsumerWise Global Sentiment Data, Aug 2023 (n=1,161)

Despite overall spending reduction, travel remains a high priority

Spending categories that consumers want to "treat themselves"

Among the respondents who plan to purchase luxury goods and upgrade consumptions

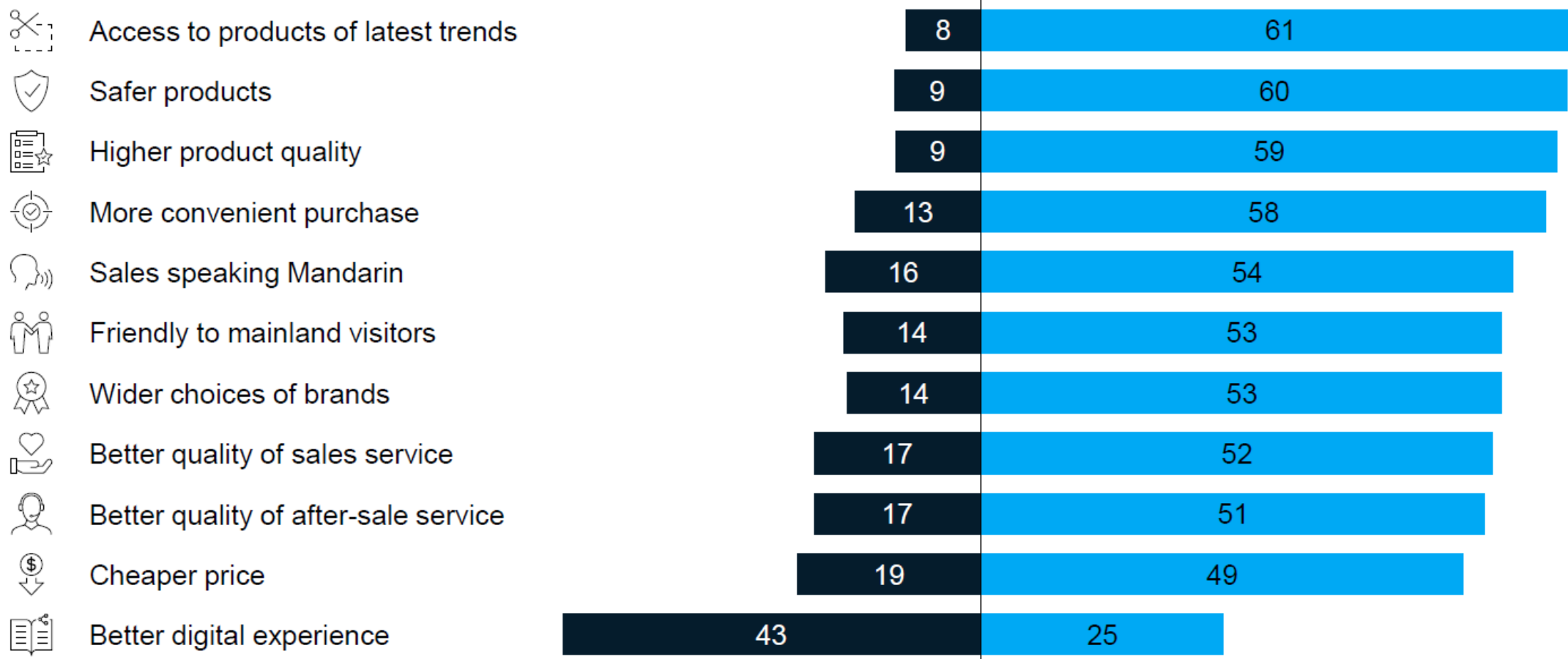


Source: McKinsey ConsumerWise Global Sentiment Data, Aug 2023 (n=1,161)

Hong Kong retail industry remains competitive in their products, but needs to improve on services and digital experience for tourists

■ Strongly disagree/disagree ■ Strongly agree/ agree

Q: Why do you choose to shop in Hong Kong?, %
n=1,002



Travel and tourism providers can up-sell or cross-sell experiences and entertainment

Travel and tourism providers should invest in polishing product offerings

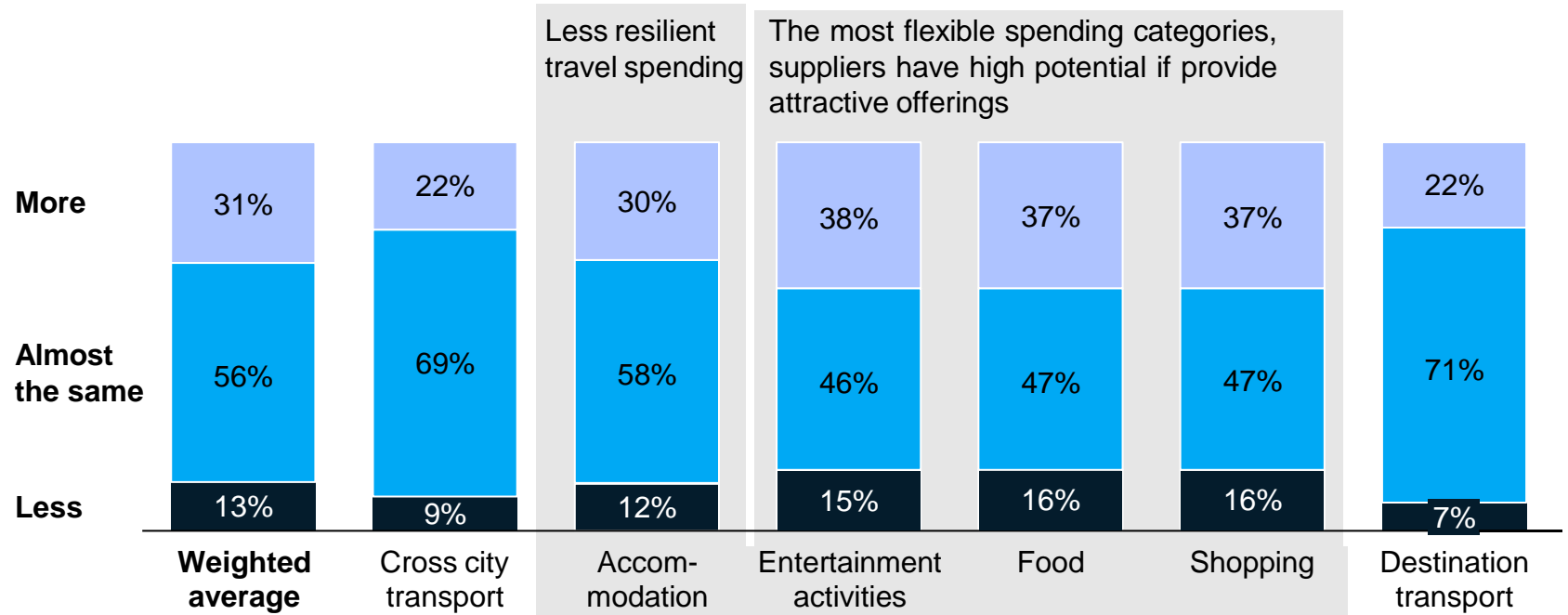
- Craft an authentically local offering that appeals to experience-driven Chinese travelers
- Social media is emerging as one of the most important sources of inspiration for travel
- Scale with the right channel partners
- Create a seamless travel experience for the digitally savvy Chinese tourist



Entertainment activities, food, shopping could be up-sell experience

How will your next trip budget differ from previous travel experience?

Weighted % of respondents



In summary

Travel recovery is well underway, with China mainland domestic recovered, and international growing back

Previous barriers to international travel recovery are gone

But, there remains overall caution on spending in mainland; travel may be somewhat insulated

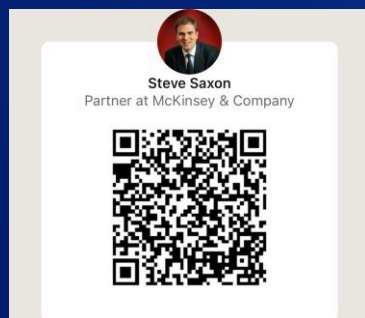
Hong Kong remains a popular destination, especially for shopping and sightseeing

Connectivity to HK is good: similar to pre COVID, and affordable

Opportunities to further develop in digital ecosystem, and marketing through newer video channels and mainland OTAs, and driving engagement in entertainment and experiences

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