Nielsen: Non-Tier 1 Chinese Tourists Are The Fastest Growing Tourist Segments

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The Evolution of the Mainland Chinese Shoppers, the new sophisticated Tier 1 Chinese shoppers are looking for greater niche and exclusive products

Social Media, Brand and variety of Product offerings are the key to capitalize on the potential arising from the evolution

The latest Mainland Chinese Visitor study released today by Nielsen, a leading global provider of information and insights into what consumers watch and buy, has unveiled new spending and shopping habits of Hong Kong fastest growing inbound tourism segment since last year â€“ 8.88 million overnight visitors from Chinaâ€™s non-Tier 1 cities (all Chinese visitors excluding Shanghai, Beijing and Guangzhou).

The number of overnight Mainland visitors from non-Tier 1 cities reached 8.88 million in 2011, making up 65% of total overnight Mainland Chinese Visitors in Hong Kong and is up 43% from the previous year.

Oliver Rust, Managing Director, Nielsen Hong Kong noted,
â€œNon-Tier 1 city visitors are the new and important emerging consumer segment for HK retailers. They are outstripping the growth of Tier 1 visitors by and are expected to continue.â€• observed Rust.
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â€œIt would be wrong for HK retailers who are dependent on Chinese tourist sales to assume that shoppers from non-Tier 1 cities have similar shopping and consumption habits as Chinese Tier 1 visitors,â€• said Rust.

According to Nielsen, shopping remains the number one reason (90%) for Mainland Chinese to visit Hong Kong with each Tier 1 and non-Tier 1 visitors spending an average of HKD 35,640 and HK$ 22,000 respectively per visit, of which 60% for Tier 1 and 71% for non-Tier 1 spend respectively is on shopping.Â The spending allocation on shopping of non-Tier 1 visitors has increased from 60% to 71% in the last 2 years.

Nielsenâ€™s annual Mainland Visitors Study, revealed distinct differences visitors across Tier 1 and non-Tier 1 overnight visitors. â€œNon-Tier 1 visitors spend less compared to those from Tier 1 cities who are more exclusively orientated, less brand driven and looking for greater personalization.â€•

â€œFrom a retail perspective in the last year, visitors from Tier 1 cities, with their accumulated repeat shopping trips to Hong Kong and higher expectations of retail experience, have evolved from "Novice" to "Sophisticatedâ€• shoppers. Conversely, visitors from non-Tier 1 cities (the new Novice shoppers) exhibit similar needs, expectations and habits of visitors from Tier 1 cities from a few years agoâ€•.

With their increasing exposure and knowledge of different retail brands, the needs and preferences of visitors from Tier 1 cities have become more sophisticated than ever, Rust observed. Tier 1 visitors have outgrown well-known, popular luxury brands and are attracted to more exclusive and niche brands, for instance Hermes (31%) for luxury branded fashion, Cartier (25%) for jewelry & watches and Guerlain (14%) and La Mer (8%) for cosmetics. â€œSeasoned shoppers from Tier 1 cities now have less inclination to be defined by the brands they use instead they are aspiring to be seen as unique and different, and thus prefer brands which carry those attributes.

Visitors from Non-Tier 1 cities, on the other hand, are still predominately driven by brand image and reputation. With the desire to be associated with the brands they use, they are attracted to popular and mass brand names such as Louis Vuitton (51%), Gucci (24%), Olay (13%), Neutrogena (8%) etc.

Meeting the New Mainland Chinese Visitors ---Again
When it comes to the choice of retail outlets and shopping environment, visitors from Tier 1 cities value a retailerâ€™s reputation and trustworthiness significantly more, almost double that of visitors from non-Tier 1 cities, 43% vs. 24%, while visitors from non-Tier 1 cities place more emphasis on customer service, price and promotions.

While there are significant differences between the two segments, some similarities prevail.Â In trip planning and information gathering, both segments rely heavily on word of mouth as their main source of information. The use of WOM through different mediums of social media (e.g. Weibo) and online channels (e.g. online travelers' blogs, discussion forums) has risen from 36% to 73% and from 38% to 74% amongst visitors from Tier 1 and non-Tier 1 cities respectively in the last two years.

Availability of stock and is also a critical important channel outlet criteria for visitors from both Tier 1 (51%) and non-Tier 1 (37%) cities.Â â€œA retailerâ€™s ability to manage the inventory to ensure availability or swift movement of stock between stor is crucialâ€• said Rust. â€œThe mainland visitors have plenty of retail choices in Hong Kong and the need for stock and variety

of products in the store are significant differentiating factors.â€•

When it comes to forms of payment, credit card is the most popular across visitors from both Tier 1 (56%) and non-Tier 1 (48%) cities. â€œThis indicates a growing need for banks and retailers to understand how credit card usage influences purchase behaviorâ€• said Mr. Rust. China Union Pay and Visa are the two most commonly used credit cards and is evenly split amongst visitors from Tier 1 cities (50% vs. 45% respectively) although those from non-Tier 1 cities tend to be more dependent on China Union Pay (85%).

Opportunities for Retailers
The Mainland Chinese Tourist market has evolved and become more complicated than ever. Yet Nielsenâ€™s latest study found that there are indications of opportunities that any business can leverage on for growth in spite of the difficult times.

â€œWith a more diversified and segmented consumer population, we are seeing an increased market demand to embrace a wider range of brands and products that differentiate from what is being offered by retailers in China,â€• said Rust. Â

â€œTo expand their reach with Mainland Chinese visitors, retailers are expected to come up with targeted, specific, and customized strategies at retail service and brand level to deliver against both the different and the similar needs and wants of both segments of Mainland Chinese visitors. With the speed of urbanization in Mainland China, the number of visitors from non-Tier 1 cities will increase significantly. It is also important to target your communication strategies, messages and platforms to best capture these opportunities with social media such as weibo and renren and search engines like Baidu being key touch-points for Mainland visitors prior to their trip.â€•

About Nielsen Mainland Chinese Visitors Study
The Nielsen Mainland Chinese Visitors Study provides depth and breadth into understanding the shopping behavior and experience in Hong Kong among different segments of Mainland Chinese visitors, and how each segment has evolved since 2010. It is a useful and resourceful asset for any interested business to succeed in targeting different distinctive segments of Mainland Chinese visitors.

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