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In Zero-COVID China, brands and duty-free pivot from airports to city centers

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Savvy brands are navigating the downturn in Chinese tourism by pivoting from traditional travel retail toward duty-free shops in city centers. Image credit: CDFG via Moodie Davitt

By Kim Leitzes

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Across China, duty-free beauty shops are bringing the concept of travel retail home to Chinese consumers, with outlets opening in the center of metropolitan areas such as Shanghai.

According to a recent report by Daxue Consulting, the duty-free market is expected to reach approximately \$1 billion by 2025. This has led policymakers to support the huge demand for domestic travel retail, particularly as a way to help the country's virus-hit economy recover.

In 2021, the Chinese government introduced new offshore [duty-free regulations](#) that increased the annual duty-free buying allowance from \$4,700 to \$15,600 (30,000 RMB to 100,000 RMB) to stimulate consumption.

Backed by authorities, new duty-free stores have opened in popular tourism destinations such as Shanghai, Guangdong and Hainan.

During this year's Golden Week holiday alone, Hainan Island received 1.32 million tourists and generated total tourism revenue of \$221 million ([1.59 billion RMB](#)) from Oct. 1-7, albeit a fraction of 2021's figures.

With this in mind, brands are now expanding their offerings from traditional airport duty free shops to in-city duty free stores so they can target domestic tourists, as well as local consumers who enjoy shopping in China's major urban epicenters.

Below, we examine how brands have shifted their organizational structure and strategies, to target domestic tourists and city dwellers.

Case Study: Kiehl's Sanya Duty-Free pop-up shops

In January and February, Kiehl's teamed up with Chinese actor Leon Zhang and the China Duty Free Group (CDFG) to open its "Live it up with Kiehl's" pop-ups in Sanya.

Placed in the Sanya International Duty Free Shopping Complex and Haikou's Duty Free Mova Mall where visitors

were welcomed by a giant tiger named Mojo designed by New York-based illustrator Mojo Wang the cosmetics retailer employed separate marketing teams to target consumers in the two locations: a traditional travel retail shop and a duty-free store in the city.

Coinciding with the Lunar New Year, each pop-up featured a series of interactive promotional activities, including a livestream with actor Leon Zhang that generated more than 18 million views across Weibo, Douyin and WeChat.

The pop-ups also embraced the *phygital* physical and digital by connecting online and offline retail experiences via skincare expertise and education.

Meanwhile, Kiehl's standalone travel retail shop presented exclusive products and protocols developed for travelers to help combat post-flight eyebags and puffiness.

As the case study shows, brands are using the help of KOLs to livestream their products directly from duty-free stores in city centers to enhance their brand hype and tempt consumers to pay a visit in person.

At the same time, brands are cultivating exclusive lines, products and services tailored to the needs of travel consumers available exclusively in airport travel retail shops.

At the end of the day, it is key for brands to leverage social channels and find the right mix of marketing strategies to target the different types of consumers frequenting duty-free stores.

This is an op-ed article that reflects the views of the author and does not necessarily represent the views of Jing Daily.

Kim Leitzes is managing director of Asia Pacific at [Launchmetrics](#)

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