

Press release

22 Oct 2020

Learning from crises: Tapping into a sustainable tourism ecosystem

Tourism industry has long been one of the economic drivers for Hong Kong. Unfortunately, social events and COVID-19 pandemic have shaken up most of the industries in Hong Kong over past months, and the tourism industry is no exception. The visitor arrivals to Hong Kong in September was only 9,132. The Bauhinia Foundation Research Centre (the Centre) projected that total visitor arrivals this year will plunge by 94% year-on-year to 3.57 million and tourist spending will fall by HK\$190 billion from the preceding to HK\$12.9 billion, the worst performance in recent 20 years. Even if the figures rebound next year, it is unlikely to restore the performance to pre-pandemic levels.

Being one of the four pillar industries, tourism is undeniably of paramount importance to Hong Kong's economy. Having examined the inbound tourism statistics from 2000 to 2019 and analysed the trends and changes from the perspective of destination life-cycle, as well as integrating with external and domestic situations, the Centre released a study on **'Charting the industry's way forward: Ups and Downs of Hong Kong Tourism Development in the past 20 years'** today in a bid to recommend key vision-driven strategic directions for reconstructing Hong Kong's tourism industry.

The Centre's Chairman Mr Lau Ming-wai said, 'Tourism industry in Hong Kong has proved its worth as a major pillar of our prosperity over two decades. Unfortunately, while running into times of mounting external challenges, we should also address internal weaknesses such as homogenisation of visitor source markets and tourist attractions in the industry. These vulnerable pain points will hold our tourism back from the anticipated increased competition among travel destinations in the world after the pandemic. It is time for Hong Kong to draw up a comprehensive blueprint to reposition its tourism development with a forward-thinking mindset.'

'Hong Kong has to grasp new opportunities amid crisis. We need to rethink, reengineer and reimagine our future,' Lau added. 'Many predecessors, elites, enthusiasts and KOLs are full of passion and creativity. I believe they can rejuvenate our tourism industry and build up tourists' fondness to Hong Kong. Yet, measuring the economic figures is only a part of the bigger picture. The social, cultural and

ecological environment should typically constitute the backbone of a comprehensive development plan.

The bottleneck hampering growth of tourism

The study revealed that Hong Kong tourism industry has experienced five stages: **uprising (2000-2009)**, **development (2010-2014)**, **recession (2015-2016)**, **rejuvenation (2017-2018)** and **stagnation (2019-2020)**, and currently stuck on 'stagnation' stage. Although the inbound tourism in fact generated economic benefits of nearly HK\$100 billion in the past 20 years and created 220-thousand jobs as at 2018, it has currently been hard hit by economic downturn, social incidents and public health crisis. The tourism moratorium is a wake-up call for the sector to revisit the development blueprint of the tourism industry. Hong Kong has to upkeep the inbound tourism revenue and maintain the long-term competitiveness of this pillar industry.

Salient points of the study are highlighted as follows (Please refer to Appendix I for further details):

(i) Growth of visitor arrivals in Hong Kong outperformed neighbouring competitors from 2000 to 2009, yet losing endurance in recent years

For the first decade of the 2000s, Hong Kong performed consistently well as visitor arrivals rose by an average of 9.5% per year, outpacing Taiwan, Mainland China, Thailand, South Korea, Japan and Singapore that registered annual growth rates ranging from 2.6% to 5.9%. However, in the past 10 years (2010-2019), the average annual growth rate was only 5.0%, which is alarmingly lower than the aforementioned Asia neighbours. Besides, Hong Kong tourism competitiveness fell from the 6th place in 2007 to the 14th in 2019. The long-term prospect of Hong Kong tourism is under dark clouds.

(ii) Tourism contributed nearly HK\$100 billion to GDP from 2000-2018, creating 220-thousand jobs

From 2000 to 2018, the added value of inbound tourism jumped from HK\$21.3 billion to HK\$98.3 billion with an average annual growth of 8.9%, higher than that of GDP (4.3%). Tourism boom in Hong Kong also fuelled the growth of tourism-related sectors and enabled a driving force of job creation. As at 2018, 225,000 jobs were safeguarded by the inbound tourism, which means that more than one per 20 employed persons was engaged in a related job. Among them, 67% were in relatively less skilled positions of the retail, accommodation and food services sectors, for example, the sale service and clerical support. Tourism has gradually integrated its business with high technology, and thus may put as many as million jobs at risk. The Government and the tourism industry have to plan as early as

practicable on how to support affected employees to remain competitive, enabling them to change jobs or careers in the labour market.

(iii) Four issues affecting the development of the industry

(1) Tourists-residents imbalance

In 2018, the ratio of visitors to residents in Hong Kong was 9:1, much higher than Singapore (3:1), London (2:1), New York (2:1) and Tokyo (1:1). As a compact high-density city, Hong Kong should not ignore the negative impacts of continuous growth in visitor number on residents' livelihood.

(2) The lack of diversity in the tourist source market

The diversity of tourists is an important indicator to reflect the development of the industry. Since 2014, Mainland visitors accounted for more than 75% of the total visitor arrivals. Total number of visitors from 'South Asia and Southeast Asia' and 'Japan and South Korea', which are the 2nd and 3rd largest source markets, accounted for about 10% only. If the industry exhibits excessive inertia, the sector will be less sensitive to changes in the external environment and will be less motivated to think innovatively. As a result, it is getting more difficult to transform their business or open up new source markets of visitors.

(3) High spending does not mean higher added value. Visitors from America and Europe made a greater contribution to economy

In 2019, Mainland tourists' spending on shopping accounted for about 70% of their total consumption. The study found that among the overnight visitors in 2018, Mainland tourists recorded the 3rd highest per capita consumption among 11 source markets (HK\$7,029), but ranked the 4th lowest in terms of the value-added per capita (HK\$2,071). Its per capita value-added rate (that is, the ratio of value added to consumer expenditure) was ranked amongst the bottom (29%). It is far below from that of visitors from America (48%) and Europe (47%). A review on the positioning of Hong Kong tourism as a 'shopping paradise' is worth considering.

(4) More visitors did not entail more jobs. Boosting visitor arrivals without target is not a wise strategy

The study found that the number of visitor arrivals and amount of their spending increased in 2017 and 2018, but the number of job openings in the related industries remained unchanged without observable growth. In 2018, retail jobs of tourism-related amounted to 44.5% of all inbound

tourism employment, representing a drop of more than 10,000 jobs compared with 2014. In brief, the surge in visitor numbers did not bring about continued job creation, but when the number of visitors plummeted, related jobs were at risk.

The Centre believes that Hong Kong tourism industry should fend off stiff competition with a visionary and innovative plan in the long term. Two strategic directions are recommended to formulate long-term planning for the tourism industry:

(i) Reposition and reshape the tourism ecosystem

While the industry has been facing the predicament, the Government should take the lead and set tourism revival as the prioritised policy agenda to help the industry tide over difficulties. We need to transform our tourism today for a better tomorrow. In addition to devising a comprehensive plan for tourism development and establishing a more suitable positioning for the city's tourism industry, the Government should collaborate with stakeholders to enhance their abilities and resilience capacities to create a sustainable tourism eco-system.

(ii) Turn crisis into opportunities, create new resources for innovation in tourism

Playing a leading role, the Government should facilitate cross-sectoral collaboration and encourage the sector, together with academics and stakeholder groups in the community to work jointly on the redevelopment of the industry. Efforts should be made to consolidate available resources, by utilising the technology and innovative strategies. The collaboration should help enhance the attractiveness, competitiveness and resilience of our tourism industry. (please refer to Appendix II for details)

The global tourism has been at a standstill since the COVID-19 pandemic. Rebuilding tourism globally is expected to come soon. It is vital for Hong Kong to start over and revisit the blueprint for development. The Centre will detail how Hong Kong's tourism industry should seize the post COVID-19 opportunities and make itself a long-lasting positive force in society in the upcoming report.

###

Media contact: Ms Hui King-lam
Tel : 3182 1110
Email : kinglamhui@bauhinia.org

Data Highlight and Insight of the study

1. Hong Kong tourism outperformed its neighbouring competitors, but lacked the stamina in recent years	
9% vs 3%	5% vs 16%
From 2000 to 2018, visitor arrivals in Hong Kong grew by an average of 9% annually, well above the international increasing rate (3%)	Over the past 10 years (2010-2019), the average annual growth rate of visitor arrivals in Hong Kong dropped to 5%, alarmingly lower than Japan (16%), Thailand (11%), Taiwan (9%), South Korea (8%) and Singapore (6%)
2. Value added of tourism grew by an average of nearly 10% annually, majority of the 220-thousand employed persons were low-skilled workers	
9% vs 4%	> 1/20 vs 67%
From 2000 to 2018, value added of Hong Kong's inbound tourism grew by an average of 9% annually, higher than that of GDP (4%)	In 2018, more than one per 20 employed persons (225,000 in total) was engaged in inbound tourism. Among these employed, 67% were in relatively less skilled jobs of retail, accommodation and food services sectors
3. An imbalanced tourist to resident ratio was perceived, visitor source markets lacked diversity	
9 times vs 1 time	> 75% vs 10%
In 2018, the ratio of visitors to residents in Hong Kong was 9:1, much higher than that of international counterparts, Singapore (3:1), London (2:1), New York (2:1) and Tokyo (1:1)	Since 2014, Mainland visitors accounted for more than 75% of total visitor figures; 'South Asia/Southeast Asia' and 'Japan/South Korea' represented the 2nd and 3rd largest visitor source markets respectively, amounting to some 10%
4. High-spending Mainland visitors did not generate more added values, economic contribution diminished in spite of high spending on shopping	
~ 50% vs 29%	\$63 > \$40 > \$17
Among the overnight visitors in 2018, those from America and Europe had the highest ratio of value added to spending (48% and 47% respectively), generating larger contributions to Hong Kong's economy; Mainland visitors were the lowest (29%)	From 2000 to 2018, visitors contributed HK\$63 and HK\$40 to GDP for every HK\$ 100 spent on accommodation and food services; while the economic contribution generated by retail sector diminished - visitors brought HK\$17 to the local economy for every HK\$100 spent on retail (e.g. shopping)
5. More visitors did not mean entailing more jobs, the worst tourism performance over two decades is forecast	
45% vs > 10,000 jobs	94% vs 54 billion
In 2018, jobs in the retail industry amounted to 45% of all inbound tourism employment, less than that in 2014 by over 10,000 jobs	It is estimated that 2020 visitor arrivals in Hong Kong will decrease by 94% compared with 2019, leading to a loss in revenue of HK\$54 billion, equal to 1.9% of 2019 GDP

Bauhinia's suggestions for reshaping the tourism eco-system

Cross-sectoral collaboration	1. Reset the tourism agenda by transformation and repositioning	2. Turn crisis into opportunities with joint efforts to reinvent tourism resources
Government and public sector	<ul style="list-style-type: none"> ◇ The Government and tourism sector should proactively change its modus operandi, step out of the comfort zone and venture to respond to challenges flexibly in the face of a changing environment ◇ The Government should take the lead to put tourism revival as a prioritised policy agenda, to help the industry survive tough times. It should also manage, promote, and study tourism development initiatives by taking a comprehensive and forward-looking approach 	<ul style="list-style-type: none"> • Act as a facilitator and advocator, to plan and improve hardware and software development, and provide more financial resources. For example, <ul style="list-style-type: none"> ◇ Re-engineer traditional tourism products and identify potential tourism resources in consultation with the sector and local community ◇ Encourage the tourism sector to use emerging technologies in an innovative way ◇ Forge industry-academia partnerships to launch more forward-looking research on tourism strategy, manpower planning and training ◇ Reorient the tourism value chain towards sustainability by developing and applying relevant indicators like Portuguese Government's 'Sustainable Tourism Indicator System', to monitor and improve the sector's performance continuously ◇ Join hands with the sector and relevant public and private organisations to ensure that visitor questionnaires are set with a right research direction and scope that can keep abreast of the latest development (e.g. purposes of visiting Hong Kong and reasons for re-visiting), and thus improving the quality of data collection and analysis in exploring themes such as in-depth tourism and smart tourism ◇ Consider introducing a tourism recovery fund and setting up a framework to help the tourism industry anticipate possible risks, and improve their management and the overall impression
Tourism industry and related private organisations	<ul style="list-style-type: none"> ◇ Joint efforts of the Government and the industry are necessary to push for transformation in the tourism sector with no delay. The Government should work with stakeholders to enhance their abilities of resistance and resilience to adversity and establish a sustainable tourism eco-system 	<ul style="list-style-type: none"> • Act as a coordinator to explore and introduce innovative tourism products to improve market competitiveness. For example, <ul style="list-style-type: none"> ◇ Proactively use new technology, design attractive new products and explore multi-dimensional marketing strategies ◇ Work closely with the Government and academia in grooming talent that meets the manpower needs arising from the industry transformation
Academia		<ul style="list-style-type: none"> • Take the leadership role to conduct forward-thinking research to adapt to market needs. For example, <ul style="list-style-type: none"> ◇ Obtain more government funds to conduct more tourism-related research on topics such as crisis management, in-depth tourism, smart tourism, visitors' demand, industry trends
Community stakeholders		<ul style="list-style-type: none"> • As stakeholders, they should participate in consultation and share their innovative ideas, and rejuvenate the community. For example, <ul style="list-style-type: none"> ◇ District Councils and local organisations can promote public engagement, identify their own natural attractions, historical and architectural values ◇ Encourage residents to design tourism routes with community characteristics and guided tours with designated themes