



Analysis of the Factors Affecting the Development of Hainan Duty-Free Economy

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Abstract. Under the background in the outbreak, duty free market outside, so Hainan islands duty-free shops has become an important place. This paper explores the factors that affect the development of Hainan's duty-free economy. It is found that Hainan's duty-free economy is mainly affected by four factors: tourism, luxury consumption demand, overseas COVID-19 situation and national policies. At the same time, in view of the shortcomings in the development of Hainan's duty-free economy, this paper puts forward three suggestions: reasonable layout and further improvement of duty-free shops and surrounding supporting facilities, extension of shopping hours and increase delivery points, and strengthening multi-channel publicity.

Keywords: Duty-free · Economy · Hainan Free Trade Port

1 Introduction

Economic development speed of the led to the increasing demand of high quality and ability of the consumer has given rise to the consumer demand for duty free. According to the Ministry of Commerce, Chinese tourists in consumption abroad each year about 1.2 trillion yuan, bought 46% of the world luxury. Overseas shopping consumption amount showed a trend of rising year by year, consumption outflow phenomenon is serious. Outflows if consumption trends are not reversed for a long time, will bring great negative influence to China's economy, affected by the outbreak of the new champions league in recent years, to go out shopping impeded, a large number of consumers focused attention on the tax exemption on the market at home, so Hainan become consumer return accept one of hainan duty-free economy have good development prospect.

2 Literature Review

Liu HuaXin [1] 10believes that tourism provides the possibility for the development of the duty-free market, and the two are interdependent and promote each other. Tang WanFeng [2] proposed that the duty-free industry has been closely related to international tourism since its birth, and tourism has brought a strong user base to the demand side of

duty-free industry in Hainan Island. Zhao Tong [3] believes that the start and development of the duty-free industry in China cannot be separated from the policy support of the government and relevant departments. Wang Ying[4] believes that Hainan Island, with its geographical advantages, can get strong support from the country in the process of developing duty-free economy against the background of the rapid development of domestic economic environment, Guo YiLu [5] and duty-free tourism industry such as the two complement each other, The outlying island tax exemption policy in Hainan is a policy opportunity given by the state to Hainan to build international shopping centers. Based on the analysis of the tax exemption data on outlying islands, Shi JianXun and Xu Ling [6] believe that the outlying island tax exemption policy should be further liberalized to promote consumption return.

After a large number of literature reading, found that the existing research mainly concentrated in the tourism industry of duty-free on the leading role of economic development, less study of other related factors, tax-free economic as hainan new formats in the growth stage, help free trade port in hainan province and the construction of the center for international tourism consumption, therefore, It is of great significance to study the influence of various factors on the development of duty-free economy in Hainan.

3 Theoretical Analysis

3.1 Hainan Duty-Free Concept

Allows the 16 one full year of life, to have bought air tickets, train tickets, tickets of isolated islands, and hold a valid identity certificate (the domestic passenger hold resident identity card, Hong Kong, Macao and Taiwan passenger travel documents, foreign guests' passport), away from Hainan island, but not the departure of tourists at home and abroad, including residents of Hainan province, the limit, limit, the limit of varieties of import duty free shopping and to give tax breaks.

3.2 Characteristics of Duty-Free Economy in Hainan

3.2.1 Late Start and Slow Development

Hainan only began to pilot the implementation of the off-island duty-free policy in April 2011. After the implementation of the policy, it was not until 2014 that the first entity duty-free shop in Hainan province was opened in Sanya. Up to now, Beijing, Shanghai and Shenzhen have more than 50 duty-free shops for departure tax rebate, while Hainan has only 10 duty-free shops.

3.2.2 Market Concentration is High, with China Free Group as the Main One

Hainan currently a total of 10 duty-free shops, there are six to exempt group holdings, exempt group is a global well-known duty-free operator, has a strong ability of business planning and marketing ability, at the same time has established good relations of cooperation with global brands, leading edge, deep tillage tax-free industry innovation and development, is committed to promoting the international competitiveness of Hainan duty-free shops.

3.2.3 Outlying Islands Are Mainly Duty-Free, and Cross-Border E-commerce Retail is Still in the Promotion Stage

Hainan make full use of its geographical advantages, development of offshore duty-free, offshore duty-free is given a special policy in Hainan state, the implementation of the offshore duty-free policy to promote the whole body the growth of total retail sales of social consumer goods, Hainan in 2018 is listed as cross-border electricity after comprehensive experimental zone pilot cities, increase cross-border electricity enterprise, has a certain scale.

3.3 Development Status of Duty-Free Economy in Hainan

According to the data of Haikou Customs, as of June this year, the sales amount of duty-free goods in outislands has exceeded 90 billion yuan, and the number of duty-free goods sold has reached 125 million. The proportion of duty-free shopping in Hainan's economy has gradually increased, and the proportion of Hainan's duty-free market in the whole country has also gradually increased. The tax exemption policy of outlying islands has been adjusted for 8 times. Through the continuous opening-up of the policy, more convenience has been provided to consumers to expand the duty-free consumer market in Hainan. The Plan of Hainan Province to build an International Tourism Consumption Center during the 14th Five-Year Plan also proposes that it hopes to attract consumption back to Hainan by means of the duty-free platform.

3.4 Factors Influencing the Development of Duty-Free Economy in Hainan

3.4.1 Track Travel

Before the establishment of duty-free shops in Hainan, people usually met the needs of purchasing duty-free products by means of tourism. Therefore, duty-free consumers accounted for a large proportion of overseas travel consumption of Chinese consumers. Hainan the geographical position is superior, has rich tourism resources, as a free trade port. The establishment of Hainan duty-free provides people with a platform in the country can buy duty free, in recent years, Hainan has struggled to find the possibility of optimizing tourism consumption environment, to promote the reasonable combination of tourism and shopping, and stimulate the growth vitality of tourism consumption in Hainan by building an international tourism and consumption center. Sanya Haitang Bay International Duty-free City is located in the hotel cluster along the coast of Sanya. Tourists who stay in some high-end hotels can exchange the discount coupons for duty-free shopping with their hotel vouchers. This discount to Sanya duty-free city sales increase also has the promotion effect.

3.4.2 Luxury Consumption Demand

Data from the National Bureau of Statistics shows that the scale of China's personal luxury market exceeded \$150 billion, and Chinese consumers accounted for more than 30% of global luxury consumption in 2019. In the future, China will become the largest luxury consumption market. Hainan duty-free relies on the advantages of free trade

port construction to attract a large number of luxury brand layout. At the same time, China Free Trade Group uses its own resources to strengthen cooperation with luxury industry giants and continuously expand the luxury sales territory. Sanya in the second and third tier cities luxury sales in a leading position, has become China's fifth largest luxury shopping city, obviously, Hainan is an excellent place, meet the demand of luxury consumption based on the background of consumption upgrade, the future will have more high luxury brands in Hainan duty-free continue to inspire luxury consumption potential.

3.4.3 Overseas COVID-19 Situation

China is not the main luxury goods producers, so in order to meet the demand of high-end consumption, consumers had to act as purchasing agency in a foreign country to purchase products they need, however, affected by the outbreak of the new champions league, foreign infections has risen sharply, the form is not optimistic, goods bought difficulties, form give the Hainan duty-free more customers and development opportunities, in under the background of the outbreak of epidemic several scattered, Hainan become major consumers return to receive, in 2020 the Chinese luxury consumption of luxury consumption in China accounted for 56%, the majority of consumption in Hainan islands duty-free shops, begin from the end of 2020, "buy" Hainan gradually replace "overseas purchase", during the Spring Festival in 2022, although outbreaks repeatedly, Hainan duty-free still attracted many customers, As the epidemic continues overseas, Hainan provides consumers with an opportunity to buy duty-free products in China. Therefore, consumers are more inclined to go to duty-free shops on outlying islands of Hainan as their first choice.

3.4.4 National Policies

Hainan islands duty-free shops from the start date of establishment has been the strong support of national policy, the offshore duty-free policy experience multiple adjustments during the implementation, make it more matching with the development of Hainan duty-free, Hainan islands duty-free shops open early, quota control at 5000 yuan per person per year, unable to meet the needs of some consumers to buy luxury goods, Tax since 2020, after the release of the New Deal, purchases have raised to 100000 yuan per person per year, at the same time to cancel the single items \$8000 tax-free limit regulations, further stimulated the Hainan tax-exempt market consumption of energy, as the tax exemption to broaden the guest unit price will also increase, further satisfy consumer demand and create more sales growth, At the same time, the categories of duty-free products on the outlying islands are becoming diversified. Seven categories of goods, including electronic products, have been included in the scope of duty-free products. Two years after the implementation of the new duty free policy, the cumulative sales amount has exceeded 90 billion yuan.

4 Countermeasure Analysis

4.1 Problems in the Development of Duty-Free Economy in Hainan

4.1.1 Duty-Free Shops Lack Relevant Supporting Facilities

Hainan island's most isolated islands duty-free shops are set up location are in the suburbs, such as Sanya Haitang bay, duty-free shops, though a layout in the hotel group, but the interior of the duty-free shops and peripheral catering, theaters and other recreational facilities is less, can't well meet the demand of consumers other than shopping entertainment, at the same time, the transportation is convenient degree is reduced. It takes a long time to travel from the city center to Sanya Haitang Bay duty free shop. During the peak consumption season, it is "difficult to take a taxi", and most tourists are stranded in the duty free shop waiting for their return trip from time to time.

4.1.2 Duty Free Shops Have Low Shopping Convenience and Long Waiting Time for Taking Delivery

Restricted by distribution limitation, in Haikou passengers should be at least 24 h in advance of order of isolated islands duty-free goods, from passengers should be at least 12 h in advance order in Sanya duty-free, in boao, it needs at least 40 h in advance orders duty-free goods, or risk can't extract the goods in time, strict shopping requirements for shopping experience. At the same time, Haikou Meilan Airport and Sanya Phoenix Airport only set up one pickup port for each duty free shop in the city. Therefore, in order to pick up the goods in time, passengers sometimes need to go to the airport to queue up 4 h in advance. Long waiting time often leaves a bad impression on passengers.

4.1.3 Insufficient Publicity and Low Popularity

Hainan islands duty-free shops set up time is not long, construction of duty-free shops in the early brand less unattractive cause the overall awareness is low, and the government in Hainan islands duty-free shops in the promotion of the region still exist limitations, most offline advertising delivery only in Hainan island, to Hainan islands duty-free shops out of the, to the domestic market and is known in the international market.

4.2 Hainan Duty-Free Economy Development Countermeasures and Suggestions

4.2.1 Reasonable Layout and Further Improvement of Duty-free Shops and Surrounding Supporting Facilities

Increase the number of duty-free shops in urban areas, strengthen the construction of entertainment facilities such as restaurants and cinemas around duty-free shops, further optimize the consumption system of duty-free shopping, meet the other entertainment needs of passengers in addition to shopping, and improve the convenience of transportation by increasing the number of duty-free shops and bus lines.

4.2.2 Extend Shopping Hours and Increase Pick-Up Points

Optimize the distribution and logistics system of duty-free goods, improve the distribution efficiency by encryption of distribution frequency, and increase the number of pickup points corresponding to each duty-free shop in the city to disperse the passenger flow and reduce the waiting time for pickup.

4.2.3 Strengthen Multi-channel Publicity

The advantages of duty-free shops in Hainan's outlay islands are publicized by means of online and offline combination, and duty-free carnival activities are held timely. In addition, the star resources are fully utilized to coordinate the star to carry out the pop-up activities of duty-free shops at irregular times.

5 Conclusion

Under the background of the new development pattern of "double cycle", the rise of duty-free shopping industry in Hainan has made outstanding contributions to the vigorous development of the whole island economy, and various duty-free preferential policies have fully stimulated the consumption potential of residents. It is found that the development of duty-free economy in Hainan is mainly affected by tourism, luxury consumption demand, overseas COVID-19 situation and national policies. In addition, due to the late start of duty-free industry in Hainan, there are still shortcomings in infrastructure and publicity. This paper puts forward three policies: reasonable layout and further improvement of duty-free shops and surrounding supporting facilities, extension of shopping hours and increase pick-up points, and strengthening multi-channel publicity, so as to further consolidate the development achievements of duty-free industry in Hainan at this stage.

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