The Impact of China on Wellness... and Everything Else

Catherine Feliciano-Chon, founder & managing director, CatchOn & Company Ltd., Hong Kong
CHINA TRAVEL PHENOMENON

WELLNESS HEALTH & FITNESS SPAS IN CHINA

8 “HOT BUTTON” ISSUES = OPPORTUNITIES
“Let China sleep, for when she wakes she will shake the world.”

Napoleon Bonaparte
Crazy Rich Asians
NUMBER OF OVERSEAS CHINESE TRAVELLERS BY 2020

200 mil by 2020
NUMBER OF OVERSEAS CHINESE TRAVELLERS BY 2020

200 mil by 2020 = [Italian flag] [Spanish flag] [German flag] [British flag]
ANNUAL OVERSEAS VISITS (MILLIONS)

- 2000: 10.5
- 2001: 12.1
- 2002: 16.6
- 2003: 20.2
- 2004: 28.9
- 2005: 31
- 2006: 34.5
- 2007: 41
- 2008: 43.8
- 2009: 47.7
- 2010: 57.4
- 2011: 70
- 2012: 83.2
- 2013: 98.2
- 2014: 114.6
- 2015: 133.2
- 2016: 136.9
- 2017: 145
- 2018 (forecast): 156

COTRI (China Outbound Tourism Research Institute)
NUMBER OF OVERSEAS CHINESE TRAVELLERS BY 2030

400+ mil by 2030

- 145mil Overseas trips by Chinese residents
- 1400mil All other overseas trips

2017

2030
China’s Middle-Class

430 mil (today) → 780 mil (mid-2020s)
International Tourism Expenditure by Country

Total Spending by Tourists in 2016

- China: $124 billion
- US: $81 billion
- Germany: $64 billion
- UK: $40 billion
- France: $30 billion
- Australia: $28.7 billion
- Canada: $27.2 billion
- South Korea: $27.2 billion
- Italy: $25 billion

UNWTO

Chinese citizens passport holders: 7%
CHINA’S INTERNATIONAL TOURISM EXPENDITURE

$261 billion 2016

$429 billion 2021
BREAKDOWN OF ON-LOCATION SPENDING HABITS BY OUTBOUND CHINESE TOURISTS

- Shopping
  - Post-90s: 25%
  - Post-80s: 15%
  - Post-70s: 14%

- Accommodations
  - Post-90s: 19%
  - Post-80s: 16%
  - Post-70s: 16%

- Dining
  - Post-90s: 17%
  - Post-80s: 16%
  - Post-70s: 16%

- Tourist Attractions
  - Post-90s: 15%
  - Post-80s: 15%
  - Post-70s: 8%

- Local Transportation
  - Post-90s: 10%
  - Post-80s: 8%
  - Post-70s: 6%

- Recreation
  - Post-90s: 10%
  - Post-80s: 8%
  - Post-70s: 6%

- Communications/Internet Charge
  - Post-90s: 10%
  - Post-80s: 8%
  - Post-70s: 6%

- Others
  - Post-90s: 10%
  - Post-80s: 8%
  - Post-70s: 6%

Source: Nielsen
### Top 10 Departure Cities in terms of Growth Rate (2017)

1. Shanghai  323%
2. Beijing  235%
3. Chengdu  112%
4. Guangzhou  106%
5. Shenzhen  103%
6. Hangzhou  86%
7. Nanjing  75%
8. Wuhan  51%
9. Tianjin  48%
10. Xian  37%

### Top 20 Departure Cities (2017)

1. Shanghai
2. Beijing
3. Chengdu
4. Guangzhou
5. Shenzhen
6. Hangzhou
7. Nanjing
8. Wuhan
9. Tianjin
10. Xian
11. Changsha
12. Chongqing
13. Xiamen
14. Kunming
15. Wuxi
16. Harbin
17. Shenyang
18. Hefei
19. Fuzhou
20. Zhengzhou
Travelers from second-tier cities tend to spend more than those from first-tier cities.
| 1. Thailand (unchanged from 2016) | 11. Cambodia |
| 2. Japan | 12. Russia |
| 3. Singapore | 13. The UAE |
| 5. Indonesia | 15. Egypt |
| 6. Malaysia | 16. Australia |
| 7. The Philippines | 17. Germany |
| 8. USA | 18. Sri Lanka |
| 9. South Korea | 19. Turkey |
| 10. Maldives | 20. The UK |

“2017 China Outbound Tourism Travel Report”
China National Tourism Administration (CNTA)
### 20 MOST POPULAR DESTINATIONS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Thailand (unchanged from 2016)</td>
<td>11.</td>
<td>Cambodia</td>
</tr>
<tr>
<td>2.</td>
<td>Japan</td>
<td>12.</td>
<td>Russia</td>
</tr>
<tr>
<td>3.</td>
<td>Singapore</td>
<td>13.</td>
<td>The UAE</td>
</tr>
<tr>
<td>5.</td>
<td>Indonesia</td>
<td>15.</td>
<td>Egypt</td>
</tr>
<tr>
<td>6.</td>
<td>Malaysia</td>
<td>16.</td>
<td>Australia</td>
</tr>
<tr>
<td>7.</td>
<td>The Philippines</td>
<td>17.</td>
<td>Germany</td>
</tr>
<tr>
<td>8.</td>
<td>USA</td>
<td>18.</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>9.</td>
<td>South Korea</td>
<td>19.</td>
<td>Turkey</td>
</tr>
<tr>
<td>10.</td>
<td>Maldives</td>
<td>20.</td>
<td>The UK</td>
</tr>
</tbody>
</table>

- Fastest growing markets in tourist numbers
MEDICAL TOURISM

Drivers:
• Growing middle class & urbanization
• Strained healthcare system
• Rapid aging market
• Distrust in domestic healthcare
MEDICAL TOURISM

Top 10 Destinations
1. Japan
2. South Korea
3. US
4. Taiwan
5. Germany
6. Singapore
7. Malaysia
8. Switzerland
9. Thailand
10. India

500,000 medical travellers
2017

900,000 medical travellers
2020

Ctrip
“Overtourism”

Rafat Ali, SKIFT
THE COMPLEXITY OF CHINESE TOURISTS
THE (TRAVEL) FUTURE IS...
THE FUTURE IS F.I.T. (Frequent Independent Travellers)
78 mil Independent Travellers vs 52 mil Group Travellers

- Online bookings
- Multiple entry visa
- Higher disposable income
- Chinese FIT are time poor not money poor
- Digitally savvy
THE FUTURE IS
THE FUTURE IS FEMALE

• 73mil female travellers vs 57mil male travellers

• 34mil more males than females yet females are the majority travellers

• By 2019, 59% of outbound travellers will be female
Whether it's Girlfriend Getaways or Multigenerational Travel, Chinese women will continue to drive this trend.
THE FUTURE IS
THE FUTURE IS FILIAL

- 4-2-1 family nucleus
- Continued rise of multigenerational travel
Health & Fitness Boom in China
“Wellness”
“Wellness”

Nurture

Nutrition

Life

Vitality
China’s new luxury status symbol: “A curvy butt”
• Gym memberships doubled since 2008 to 6.6mil in 2016

• More than 37,000 fitness clubs in China

• More than 100 marathons held last year compared with 51 in 2014.

• Number of football pitches will rise from roughly 50,000 to 70,000 by 2020
• Sportswear sales rose 11% to $27 billion in 2017

• Greater China is the 2nd largest market for Adidas and Nike, which together account for about a third of the country’s sportswear sales.

• Fitness apps
CHINA: The New Yoga Superpower

- 10,800 yoga schools
- 12mil practitioners (from 4mil in 2009)
- Affluent females between the ages of 25-40
- An estimated 3,000 Indian yoga teachers in China
“China’s First Yoga Village”
China’s Beauty Ideal

- Double Lids
- High Nose
- Oval Face Shape
- Sharp Chin
- No Muscle Definition
# of Chinese people receiving some form of cosmetic surgery (2017)

Global Total Breakdown

- China: 41%
- Rest of the world: 59%

- 14mil
- 42% ↑ YOY
COSMETIC SURGERY IN CHINA

- China ranks third in the world, behind the US and Brazil
- Growing 6x faster than global average
- 14 million Chinese people were expected to receive some form of cosmetic surgery in 2017
- Consumers under the age of 35 account for 96% of total treatments
- 10% were men – hair, beard and breast transplants & Botox
CHINA’S BEAUTY & SPA MARKET

<table>
<thead>
<tr>
<th>Service</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beauty &amp; Body Shaping</td>
<td>$52.6 billion</td>
</tr>
<tr>
<td>Nail &amp; Eyelash</td>
<td>$17.5 billion</td>
</tr>
<tr>
<td>Medical Beauty</td>
<td>$26.3 billion</td>
</tr>
<tr>
<td>Hotel &amp; Resort Spas</td>
<td>$3.3 billion</td>
</tr>
</tbody>
</table>

Mei Tuan & Spa China 2017
Spa
High labour costs
Lower than expected revenues
Difficulty in recruitment

HIGHLY COMPETITIVE:
39% new openings vs 34% closures

Spa China
Born in ‘70s

• “Spiritual Health”
• TCM
• Essential Oil Massage
Born in ‘70s

• “Spiritual Health”
• TCM
• Essential Oil Massage

Born in ‘80s

• Anti Aging
• Acne Removal
• Body Shaping
<table>
<thead>
<tr>
<th>Born in ‘70s</th>
<th>Born in ‘80s</th>
<th>Born in ‘90s</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Spiritual Health”</td>
<td>Anti Aging</td>
<td>“Try Everything”</td>
</tr>
<tr>
<td>TCM</td>
<td>Acne Removal</td>
<td>Facials</td>
</tr>
<tr>
<td>Essential Oil Massage</td>
<td>Body Shaping</td>
<td>Acne Removal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Body Shaping</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fitness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Selfies”</td>
</tr>
<tr>
<td>Born in ‘70s</td>
<td>Born in ‘80s</td>
<td>Born in ‘90s</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>“Spiritual Health”</td>
<td>Anti Aging</td>
<td>“Try Everything”</td>
</tr>
<tr>
<td>TCM</td>
<td>Acne Removal</td>
<td>Facials</td>
</tr>
<tr>
<td>Essential Oil Massage</td>
<td>Body Shaping</td>
<td>Acne Removal</td>
</tr>
</tbody>
</table>

“89% of hotel and resorts spas today offer treatments aimed at satisfying the 1970s generation only. This is why customers say their treatments lack innovation.”

Fifi Kao, Spa China
Drivers of Health and Wellness in China

Aging Population

Urbanisation

Growing Middle Class

One Child Policy
8 "Hot Button" Issues / Opportunities

- Obesity
- Device Addiction
- Sleep Deprivation
- Spirituality
- Dental & Oral Care
- Healthy Aging
- Food Safety
- Pollution
Obesity

Largest overweight population in the world
10.8% men
14.9% women
Device Addiction

- 800 Million Internet Users
- 98% Mobile
- "Internet Addiction Disorder"
- 24 mil sufferers
- 300 Centres

China Internet Network Information Center (CNNIC)
Sleep

6.5 hours per night (8.8 hours in 2013)
Nearly 40% have sleeping issues
60 mil with sleep apnea
Lack of medical facilities
Spirituality

New Moral Compass
“Christian Revival”
Buddhism Boom
Dental & Oral Care

“Golden Age for China’s Dental and Oral-Care Market”
2017-2021

RMB100 billion (US$14 billion)
RMB400 billion by 2020
Healthy Aging

35% of China’s population will be over 60 by 2050

China National Committee on Aging (CNCA)
POPULATION HISTORY AND PROJECTIONS FOR CHINA (1970 TO 2050)
Food Safety

Food Scandals have increased demand for:
Foreign food brands
Organic farming
Breastfeeding
Proof of Provenance
Pollution

Year 5 “War on Pollution”
Environmental Tax
Green Investments
Global leader in Electronic Vehicle sales since 2015
7 million annual sales target by 2025
Perils, Pitfalls & Potential

Heightened regulatory impediments
Shrinking labour pool
Intellectual property laws
Bureaucracy
Perils, Pitfalls & Potential

Fastest Growing Sectors:
- Technology
- New Energy
- Healthcare
- Entertainment
- Culture
- Biotechnology

Heightened regulatory impediments
Shrinking labour pool
Intellectual property laws
Bureaucracy
“As China opens wider to the outside world, its transition to a new model of development means huge opportunities for many new industries. It means opportunities for businesses not just in China but across the world.”

Vice Premier Liu He, World Economic Forum, Jan 2018
Email insights@catchonco.com to receive the full report
www.catchonco.com