

HONG KONG TOURISM BOARD WORK PLAN FOR 2010-11

PURPOSE

This paper presents the work plan of the Hong Kong Tourism Board (HKTB) for 2010-11. The paper also gives an overview of Hong Kong's tourism industry in 2009 and the outlook for 2010, which form the background against which the objectives, strategic focuses and key initiatives of the HKTB for the year 2010-11 were developed.

BACKGROUND

2. As a statutory body, the HKTB is tasked with marketing and promoting Hong Kong as a preferred travel destination worldwide. Each year, the HKTB undertakes a structured planning process to map out its strategies and initiatives for the year ahead, taking into account various factors in the macro environment, such as global economic conditions and market trends, as well as relevant policy directions of the Government. The planning process also entails a series of formal consultation with stakeholders of the industry, including travel agencies, airlines, retailers, food and beverage caterers, attraction operators, as well as academics.

2009 OVERVIEW

Key Performance Indicators

3. 2009 was a very challenging year for the tourism industry of Hong Kong. The negative trend in international travel that emerged during the second half of 2008 intensified in 2009 as the global economic conditions deteriorated. Further exacerbating the negative impact was the outbreak of human swine influenza in the second quarter of 2009, which led to sharp reduction in visitor arrivals. However, with the support of the travel industry partners and the Government, the negative trend in arrivals was reversed in the latter part of the year, as the world economy showed initial signs of recovery. Besides, the East Asian Games in Hong Kong in December also helped drive arrivals. The table below summarises various indicators of the industry's performance in 2009:

	2009 Tourism Performance	2008 Tourism Performance	2009 Vs. 2008
Total Arrivals ('000)	29,591	29,507	+0.3%
Mainland ('000)	17,957	16,862	+6.5%
Other than Mainland ('000)	11,634	12,645	-8.0%
Average Length of Stay (LOS)*	3.2 nights	3.3 nights	-0.1
Overall Satisfaction Rating* (max: 10)	8.3 pt	8.2 pt	+0.1 pt
Overnight Visitor Per Capita Spending*	\$5,650	\$5,439	+3.9%
Tourism Expenditure Associated to Inbound Tourism* (\$ billion)	\$162.81	\$158.95	+2.4%

* Estimation as at Dec 2009

4. As shown above, Hong Kong recorded a year-on-year increase of 0.3% in visitor arrivals in 2009, and performed better than some other leading destinations in the region that experienced negative growth in 2009¹. The figure has not only passed HKTB's original projection of a 1.6%-drop, but also places Hong Kong ahead of the revised forecast by the World Tourism Organization (UNWTO)² that global tourism would decline by 4% to 6% in 2009, and the latest forecast by the Pacific Asia Travel Association (PATA)³ that the full-year contraction in arrival numbers for the Asia-Pacific region could be as much as 5%.

5. The positive gain in 2009 was largely driven by the growth of arrivals from Mainland China, which contributed almost 61% of total arrivals to Hong Kong. Below summarised the performance of different market regions, and the reasons for their increase and decrease in arrivals:

- (a) Mainland China – Despite the drop in arrivals between May and July due to the outbreak of the human swine flu, yearly arrivals increased by 6.5% to 17.96 million. Apart from greater desire for outbound travel among consumers, another contributory factor was the Mainland's implementation of new measures to further facilitate Shenzhen residents to visit Hong Kong.

¹ Thailand: -7.2%, Singapore: -5.6%, Japan: -21.4% (Sources: based on visitor figures in Jan – Nov 2009 published by the destination's respective tourism organisations)

² UNWTO, June 2009

³ PATA, December 2009

- (b) Short-haul markets – For other short-haul markets (excluding Mainland China), arrivals registered a decrease of 8.8%, as same-day arrivals from Taiwan were impacted by the cross-strait direct links, resulting in a decline of 12.3% in arrivals. In addition, outbound travel from South Korea was seriously affected by the depreciation of the Korean currency.
- (c) Long-haul markets – The economic downturn, coupled with reduction in flight capacity, caused arrivals from these markets to decrease by an average of 6.5%.
- (d) Emerging markets – India, the Middle East and Russia achieved robust growth of 4.6%, 2.0% and 15.7% respectively in 2009, owing to enhanced flight capacity, visa-free access to Hong Kong for Russian travellers and increased marketing effort by the HKTb in these markets.

The breakdown of visitor arrivals by markets in 2009 is set out in Attachment I.

6. On top of arrivals, Hong Kong's tourism also achieved greater yield in 2009, with Total Expenditure Associated to Inbound Tourism (TEAIT)⁴ recording positive growth of 2.4% to HK\$162.81 billion, as compared to 2008. As a result of increased consumption visits by Mainland visitors, the overall per capita spending for overnight visitors rose by 3.9% to HK\$5,650, while that of same-day visitors also increased by 13.5% to HK\$1,700. As for other performance indicators, the average length of stay dropped marginally by 0.1 night as compared to 2008, and slight improvement was shown in visitors' satisfaction rating and intention to revisit Hong Kong.

Major Marketing Initiatives

7. *Nimble and Flexible Approach* In 2009-10, the HKTb adopted a highly nimble and flexible approach in allocating resources for various markets to counter the market volatility amid the global recession. Such an approach enabled the HKTb to adapt swiftly to unforeseen market changes, most notably the negative impact brought by the outbreak of the human swine influenza in the second quarter of 2009.

8. As the outbreak of human swine flu caused arrivals from different source markets to plummet in May and June 2009, the HKTb redeployed its

⁴ The TEAIT is calculated according to the methodology recommended by the World Tourism Organization (UNWTO). The two components of TEAIT are: (1) Total Destination Consumption Expenditure – the sum of all payments made by visitors for goods and services consumed in Hong Kong, including accommodation, shopping, meals, entertainment and transport; and (2) Passenger International Transportation Expenditure – receipts of Hong Kong-based carriers for cross-boundary transportation of non-resident passengers by air, sea or land. The information for (1) is collected from HKTb's Departing Visitors Survey, while the data on (2) is provided by the Census and Statistics Department of the Hong Kong Special Administrative Region (SAR) Government.

resources and doubled the marketing budget for its summer promotion in the Mainland. Instead of image-building advertising, the HKTB shifted the spending to advertising on tactical packages with the travel trade to drive arrivals. To generate positive publicity, the HKTB rolled out an intensive PR campaign and invited Mainland and overseas travel trade and media to come and experience Hong Kong first-hand, so that they could help spread the message that business remained as usual in Hong Kong. At the destination, the HKTB bundled a wide range of shopping, dining, sightseeing and other offers and presented a first-ever “Summer Pop – Live in Hong Kong” concert to appeal to young travellers in the region. As visitors’ concerns about the outbreak gradually subsided, arrivals picked up and reverted to positive growth in the third quarter.

9. ***New Marketing Theme*** The HKTB also adopted a new marketing approach by using Hong Kong Food and Wine Year as the theme for its year-round promotions in 2009-10. Under this umbrella theme, the HKTB rolled out extensive promotions locally and in key source markets to create new buzz about Hong Kong’s culinary excellence and strong demand for travel to Hong Kong. The highlight of the year was Hong Kong’s first-ever, large-scale outdoor Wine and Dine Festival at the West Kowloon Waterfront Promenade in October and November 2009, which attracted more than 70,000 participants, including some 12,000 visitors from such markets as Mainland China, Taiwan, Japan, South Korea and Southeast Asia. By December 2009, the global publicity value generated by the campaign reached HK\$478.5 million.

10. ***New Promotions and Communication Approaches*** On top of promoting Hong Kong’s wine and dine offerings, the HKTB also implemented various programmes to cater for different interests. In October 2009, the HKTB launched a brand new “Great Outdoors Hong Kong!” promotion to highlight the unique hiking experiences of Hong Kong. To ensure that its promotional messages could reach far and deep, the HKTB stepped up its web and mobile promotions. Among these were the Asia’s first three-dimensional mobile travel guide and other interactive applications for the iPhone. The HKTB also partnered with popular search engines, such as Google, as well as social networking platforms, including YouTube and Facebook, to publicise Hong Kong’s latest offerings.

11. ***Strengthened Partnership*** In driving Hong Kong’s tourism growth during the challenging period, the HKTB relied heavily on the support and collaboration of the local and overseas trade partners. During the year, the HKTB implemented a number of joint initiatives with the travel-related sectors, such as launching the 2009 Hong Kong – Japan Tourism Exchange Year with Japan’s tourism organisations the Japan Tourism Agency under the Ministry of Land, Infrastructure, Transport and Tourism and the Japan National Tourism

Organization; developing the “A Day in Two Cities” tour programme with the Shenzhen Tourism Bureau; joining hands with the Hainan Tourism Development Committee to promote combo visits to Hong Kong and Hainan in Russia; promoting multi-destination itineraries with various Mainland cities; and putting together tactical offers and packages for visitors in different source markets.

OUTLOOK FOR 2010

Risks

12. Looking ahead, the macro environment remains uncertain, as the recovery of the global economy is expected to take a long time. According to the International Monetary Fund (IMF)⁵, the world economy will be weak by historical standards. Below summarised the potential risks that might impact visitor arrivals to Hong Kong in 2010, including:

- (a) Unemployment rate will remain high in the long-haul markets⁶, affecting consumers’ sentiments to travel;
- (b) Consumers have become more frugal and price sensitive and look for greater value. To save costs, they might replace their outbound travel with domestic trips and travel to destinations of lower cost⁷;
- (c) Corporations will also likely maintain their stringent control of budget and business travel, despite a gradual recovery of the economy;
- (d) With rising fuel prices and slow recovery in passenger demand, the flight capacity that had been cut during the recession might not be readily restored;
- (e) The rapid tourism developments in the region, including the completion of major new attractions and implementation of aggressive marketing campaigns by neighbouring destinations, are set to change the region’s tourism horizon; and
- (f) Ongoing threat of the human swine flu, which might undermine consumers’ sentiments to travel if the infection intensifies.

Opportunities

13. Notwithstanding the potential risks, there are certain opportunities, either emerging from the travel policies in the source markets or latest tourism trends, on which Hong Kong can leverage:

- (a) According to IMF, the Asian markets will perform better than those in

⁵ IMF, October 2009

⁶ EIU December 2009

⁷ Euromonitor, November 2009

the long-haul regions, and Mainland China and India will continue to power ahead with GDP growth of 9% and 6.4% respectively in 2010. As the hub to travel in the region and the gateway to the Mainland, Hong Kong is well placed to tap on the demand for travel in these two robust economies;

- (b) The exchange rates will work in Hong Kong's favour, as the currencies of many key source markets, such as Euro and Australian dollar, are expected to appreciate against the US dollar in 2010, making trips to Hong Kong much cheaper. Findings by a global survey⁸ showed that consumers' desire for travel has not diminished during the recession, although they have become more frugal and price sensitive and might select destinations that are more value for money;
- (c) A number of major international events will take place in Mainland China in 2010, including the World Expo 2010 Shanghai and the 2010 Asian Games in Guangzhou. Along with the 2010 Chinese and Ethnic Chinese Tourism Year pioneered by the Guangdong province, these will create ample opportunities for increasing international traffic to the region and promoting multi-destination itineraries featuring Hong Kong and Mainland cities; and
- (d) The implementation of new travel policies by the Mainland, such as allowing eligible non-Guangdong residents in Shenzhen to apply for endorsement under the Individual Visit Scheme (IVS) and permanent Shenzhen residents to apply for one-year multiple-entry Individual Visit endorsement to Hong Kong, have opened up new visitor sources for Hong Kong and will continue to provide the momentum for growth of the Mainland market.

Projections

14. According to the UNWTO⁹, international travel will grow moderately between 1% and 3% in 2010. Asia will show the strongest rebound, while Europe and the Americas will probably take longer to recover. Assessment by the HKTB shows that the Mainland China will continue to be the driver of Hong Kong's tourism growth, particularly with the implementation of measures to further facilitate entry by Shenzhen residents. Other growth contributors include such emerging markets as India and Russia, as well as South Korea. On the other hand, the long-haul markets are expected to achieve moderate or small gain owing to the slow economic recovery. Outbound travel from Japan will also remain weak, while arrivals from Taiwan will be affected by the direct links. Taking into account various factors of the macro environment, including the risks and opportunities mentioned above, the

⁸ Nielsen Global Survey, June 2009

⁹ UNWTO, October 2009

impact of the travel-related policies, tourism trends and patterns of major source markets, as well as analysis and projections by international organisations, the HKTB projects that total visitor arrivals in 2010 will increase by 5.2% to 31.14 million. Below summarised HKTB's forecast for various key indicators in 2010:

Key Indicators	2010 Forecast	Vs. 2009
Total Arrivals ('000)	31,139	+5.2%
Mainland ('000)	19,303	+7.5%
Other than Mainland ('000)	11,836	+1.7%
Average Length of Stay [^] (LOS)	3.2 nights	Same
Overall Satisfaction Rating [^] (max: 10)	8.3	Same
Overnight Visitor Per Capita Spending [^]	\$5,790	+2.5%
Tourism Expenditure Associated to Inbound Tourism (\$billion)	\$174.0	+6.9%

[^]Excludes same-day in-town arrivals

2010-11 WORK PLAN

MARKET PRIORITISATION & INVESTMENT STRATEGIES

15. In allocating resources for different markets, the HKTB will continue to adopt a flexible approach so that it can swiftly respond to unforeseen changes in the macro environment, and minimise the risks emerging from them. The HKTB will also review regularly the market priorities and identify new opportunities. As well as driving tourism growth, the HKTB remains committed to maintaining a diverse portfolio of visitors, in keeping with Hong Kong's status and positioning as an international cosmopolitan city and travel destination.

16. In 2010-11, the HKTB will deploy its resources strategically and invest in 18 key source markets that account for 94% of the arrival base. These are categorised into five key groups, namely growth, emerging, established, secondary and non-key markets. The categorisation is based on the 2009-2011 mid-range forecast by the PATA, which takes into account the markets' current tourism contribution in terms of arrivals and destination spending, their strategic importance, as well as immediate and future potential. Below highlights the relevant market investment in 2010-11:

Growth Markets	Emerging Markets	Established Markets	Secondary Markets	Non-key Markets
Mainland China Taiwan Australia South Korea Philippines	India The Middle East Russia	USA Japan UK Canada Singapore	Malaysia Germany Thailand France Indonesia	Examples: Central and South Americas Netherlands Italy
2010-11 Budget*				
56.5%	9.8%	25.1%	8.3%	0.3%

* (exclude \$2 million for exchange reserve)

Focus Investment in Growth Markets

17. Priority will be given to the growth markets, which together contribute 75% of overall arrivals. These markets include:

- (a) Mainland China – The Mainland contributed almost 61% of total arrivals to Hong Kong in 2009 and remains the most important growth market in terms of arrivals and spending. Capitalising on the latest IVS arrangements for permanent Shenzhen residents and non-Guangdong residents in Shenzhen, the HKTb will step up marketing efforts in Shenzhen to encourage more frequent visits to Hong Kong. In addition, leveraging the World Expo 2010 Shanghai, which will likely draw a large number of Mainland participants from different provinces and cities, the HKTb will launch an image-building campaign in Shanghai to promote Hong Kong to the Mainland visitors, as well as to overseas visitors who attend the Expo in Shanghai.
- (b) Taiwan – The introduction of scheduled air services between Taiwan and the Mainland has led to decline in arrivals, especially same-day arrivals from Taiwan in 2009. It is expected that the trend will continue in 2010, with the regularisation of the scheduled services. To compensate for the loss, the HKTb will continue to grow the overnight vacation segment, targeting the family and young travellers. As a matter of fact, total vacation arrivals from Taiwan reached 456,000, representing an increase of 9.5% in 2009, confirming the potential of the vacation segment. The HKTb will also increase its penetration in the secondary cities, such as Taichung and Kaohsiung.
- (c) South Korea – Outbound travel from South Korea suffered severe decline in 2009 as a result of the depreciated Korean currency. As the currency continues to appreciate in recent months, the shortfall has narrowed, with arrivals increasing by 13.9% in December 2009, the first time the country has recorded positive growth during the year.

In anticipation of improved outbound travel of Koreans in 2010-11, the HKTB will vigorously drive arrivals from the market, leveraging the annual marketing theme to stimulate interest among the target segments.

Accelerate Development of Emerging Markets

18. Capitalising on the economic growth and flight capacity increase in the emerging markets, namely India, the Middle East and Russia, as well as the SAR Government's policy initiative of encouraging more enterprises from these markets to invest in Hong Kong, which will encourage greater travel to Hong Kong, the HKTB will increase its investment in the emerging markets in 2010-11. The strategies for these markets are:

- (a) India – Maintain investment focus on two key cities, namely Mumbai and New Delhi, which have high concentration of affluent middle-class and direct flights to Hong Kong. Through collaboration with the travel trade, including airlines and attractions, bundle value-added offers for the family visitors.
- (b) The Middle East – Build trade networks in four countries of the Gulf Co-operation Council region, namely United Arab Emirates, Saudi Arabia, Bahrain and Qatar. Develop tour packages for the family segment and promote Pearl River Delta (PRD) excursions, given that a large percentage of the vacation visitors from the region also travelled to the PRD cities on the same trip to Hong Kong.
- (c) Russia – Grow business and young travellers from Moscow and St Petersburg. Leveraging the mutual visa free arrangement between the SAR and Russian governments, join hands with Hainan province to promote city and beach breaks to Russian travellers.

Strengthen Promotional Effort in Southeast Asia

19. In the light of the new tourism offerings in the region, the HKTB will increase its investment in Malaysia, Thailand and Indonesia in 2010-11 to maintain its share of arrivals. Targeting the high-potential cities and segments in these markets, the HKTB will widely publicise the festive celebrations and family attractions in Hong Kong, and collaborate with the travel trade to roll out packages during festive and peak travel periods to drive arrivals.

Resume Investment in Long-haul Markets

20. Given the impact of the global economic downturn on the long-haul markets, the HKTB adopted a conservative approach in investing in these markets in 2009-10. As the economy gradually improves, the HKTB will

resume its investment in the long-haul markets in 2010-11 to sustain awareness of Hong Kong's destination brand and to promote travel to Hong Kong. In particular, the HKTB will capitalise on the 2010 Chinese and Ethnic Chinese Tourism Year in Guangdong and promote to the ethnic Chinese in the long-haul markets.

21. As for other non-key markets, the HKTB will invest prudently in these markets and on an ad-hoc basis to capture any new or short-term opportunities. Attachment II sets out the proposed marketing budget for different source markets.

STRENGTHEN HONG KONG'S DESTINATION APPEAL

22. Building on the experiences and positive feedback on the 2009 Hong Kong Food and Wine Year, the HKTB will maintain a focused approach and spotlight one of Hong Kong's core tourism strengths. In 2010-11, the HKTB will adopt "Festive Hong Kong 2010" as its annual marketing theme. This theme highlights Hong Kong's wide array of festivals and cultural celebrations, which are unique not just in Asia but also around the world. It conveys the fascinating cultural fusion, deep-rooted heritage, as well as vibrant living culture of the city, inspiring global travellers to come for an unforgettable cultural immersion experience that can be found nowhere but in Hong Kong. The objectives of this annual marketing platform are three-fold:

- (a) Address consumers' desire and interests, who are increasingly seeking for a wide range of experiences, especially authentic experiences, of a destination;
- (b) Build hype and buzz about Hong Kong's distinctive cultural appeal; and
- (c) Create a business platform for the tourism-related sectors to develop and package new offers, products and itineraries.

23. All of HKTB's promotions will pivot around this theme, which will be geared towards encouraging visitors to come experience the unique cultural fusion, deep-rooted heritage and colourful living culture of Hong Kong. As the anchor programme of Festive Hong Kong 2010, the HKTB will bring the International Dragon Boat Races back to Tsim Sha Tsui. The event will be staged in a form of a large-scale carnival at the promenade, offering the excitement of dragon boat races and the fun of a world party.

24. Altogether there will be six promotional windows during the year, each anchoring on HKTB's mega event or key promotion and tied with traditional festivals and cultural celebrations. Besides bundling shopping and dining programmes, the HKTB will capitalise on third-party events, such as

Hong Kong Marathon, Hong Kong Arts Festival and Rugby Sevens, to enrich the offerings and attract visitors with special interests. The table below sets out the six promotional windows:

Month	Apr – May	Jul – Aug	Sep – Oct	Nov	Dec	Jan – Feb
HKTB Mega Event & Promotion	Traditional Festivals	Hong Kong Summer Spectacular	Halloween Treats	Wine & Dine Month	Hong Kong WinterFest	Chinese New Year Celebrations
Anchor Festivals	<ul style="list-style-type: none"> ▪ Cheung Chau Bun Festival ▪ Birthdays of Tam Kung, Tin Hau and Lord of Buddha 	<ul style="list-style-type: none"> ▪ Dragon Boat Festival 	<ul style="list-style-type: none"> ▪ Halloween 	<ul style="list-style-type: none"> ▪ Wine & Dine Festival 	<ul style="list-style-type: none"> ▪ Christmas ▪ New Year Count-down 	<ul style="list-style-type: none"> ▪ Chinese New Year Parade and Carnival
Other Events	<ul style="list-style-type: none"> - HK Sevens - Entertainment Expo HK - HK International Film Festival - Le French May Arts Festival - Art HK - International <i>a cappella</i> Festival - HK Musical Festival - Mui Wo Lantern Festival 	<ul style="list-style-type: none"> - Attractions' Summer Events - Summer Pop Concert - Lan Kwai Fong Beer & Food Festival - Summer International Film Festival - HK Computer & Comm Festival - Consumer Expos 	<ul style="list-style-type: none"> - Attractions' Themed Events - Lan Kwai Fong / SoHo Party - National Day Fireworks Display - Mid-Autumn Festival - HK International Jazz Festival - HK Cricket Sixes - Louis Vuitton HK Trophy 	<ul style="list-style-type: none"> - HK International Wine and Spirits Fair - Food Districts' promotions - Great Outdoors Hong Kong! - HK International Kung Fu Festival - Symphony Under the Stars 	<ul style="list-style-type: none"> - Attractions' X'mas Events - Hong Kong Mega Showcase / Food Festival - HK International Races - HK Brands & Product Expo - Wild Day Out 	<ul style="list-style-type: none"> - Flowers Markets - Fireworks Display - CNY Race Day - CNY Soccer Tournament - CNY Lantern Carnival - HK Marathon - HK Arts Festival - HK Salsa Festival - HK Tennis Classic

25. For the recurrent mega events, the HKTB will inject new elements into them to create novelty and excitement. For example, the Chinese New Year celebrations will be extended to Sha Tin with float display and stage performances and the Wine and Dine Festival will be held in even greater scale and for a longer period.

26. While festivals and cultural celebrations will be the focus of HKTB's marketing activities in 2010-11, the HKTB will actively promote other core strengths, as well as emerging appeals of Hong Kong, including nature, arts and culture. To highlight Hong Kong's natural attractions, including its hiking trails, outlying islands and the newly established Hong Kong National Geopark, the HKTB will make use of the "Great Outdoors Hong Kong!" promotional platform introduced last year and co-operate with the travel trade to

package and promote these attractions, as well as the tours under the existing Nature Kaleidoscope programme.

27. In the area of arts and culture, the HKTB will leverage various PR vehicles and activities to underline Hong Kong's creative landscapes, so as to brand Hong Kong as the Cultural and Arts Capital of Asia in the longer run. For example, an Art and Culture Guidebook will be created to help free independent travellers (FIT) explore Hong Kong's art galleries, architectural structures, arts and cultural activities and establishments. Riding on the renowned Hong Kong Arts Festival and Hong Kong International Film Festival, media and bloggers from source markets will be invited to take part in the events to generate coverage and publicity.

ADOPT CREATIVE AND EFFECTIVE COMMUNICATION APPROACH

Digital marketing

28. To expand the reach and impact of its promotions in a cost-effective manner, the HKTB will continue to identify new and effective communication channels and adopt an integrated digital marketing approach. The cornerstone strategy is to empower the DiscoverHongKong.com website, turning it into a powerful one-stop information dissemination platform. This will be complemented by search engine marketing, database marketing, social media, mobile applications and strategic partnerships. Key initiatives include:

Web

- (a) Develop an interactive mini-site on Festive Hong Kong 2010 with a range of interesting features, such as interactive Festival and Event Calendar;
- (b) Introduce content sharing functions on DiscoverHongKong.com to encourage consumers to share their experiences of Hong Kong, which can help create strong word-of-mouth and advocacy for Hong Kong;
- (c) Further explore promotions through social networking channels, such as blogs and discussion fora; and
- (d) Expand the "Discover Great Value" platform on DiscoverHongKong.com website to greater number of trade partners. In addition to shopping malls and merchants accredited under the Quality Tourism Services (QTS) scheme, open up the platform to hotels and overseas travel agencies so that they can also input promotional messages and offers directly onto the website for visitors' information.

Mobile

- (e) Continue the development of mobile applications, such as interactive travel guides, for major mobile platforms; and
- (f) Explore collaboration with local WiFi network operators on the provision of free or low-cost WiFi connections for visitors so that they can access location-based tourist information and download travel guides and applications onto their mobile phones.

PR activities

29. To maximise international exposure and publicity for Hong Kong, the HKTB will invite regional or global networks, such as Discovery Channel, CNN, BBC and National Geographic, and famous lifestyle TV programmes to feature the colourful celebrations and festivals. The HKTB also intends to lobby the support of influential travel guides to include in the guidebooks an event calendar on Festive Hong Kong 2010. Given the synergy between movies and tourism, the HKTB will explore co-operative opportunities with international movies, TV dramas and comics to feature Hong Kong in the productions so as to maximise the global presence of the city.

DRIVE MULTI-DESTINATION CO-OPERATION WITH MAINLAND CITIES, MACAU AND SELECTED SOUTHEAST ASIAN DESTINATIONS

30. In terms of creating demand and business growth, the HKTB will strengthen its effort to develop and promote multi-destination itineraries, capitalising on the complementary strengths of the Mainland, Macau and selected destinations in Southeast Asia. Key initiatives include:

Multi-destination itineraries

- (a) Expand partnership with Mainland cities – In 2009-10, the HKTB rolled out the “Hong Kong Plus” programme, partnering with Guangdong, Shanghai, Beijing and Hainan to promote multi-destination products in the long-haul markets and North Asia. In 2010-11, the HKTB will expand the programme to cover Guangxi, Yunnan and Xian.
- (b) Leverage major international events in Mainland China – Riding on the 2010 Chinese and Ethnic Chinese Tourism Year by the Guangdong province, the HKTB will join force with the Guangdong Provincial Tourism Authority (GDPTA) to organise roadshows in the long-haul markets, targeting the ethnic Chinese. Another important event is the World Expo 2010 Shanghai. To encourage pre- and post-Expo visits to Hong Kong, the HKTB will co-operate with the travel trade to develop Hong Kong/Shanghai combo packages in

various long-haul markets, such as the US, Canada and Australia. As a further stimulant, the HKTB will co-operate with the SAR Government to present each tourist with a pack of exclusive and attractive offers.

- (c) Strengthen marketing collaboration with selected Southeast Asian destinations – Targeting the interest of long-haul travellers, the HKTB will increase its co-operation with selected destinations in Southeast Asia, such as Thailand, to promote Hong Kong combo packages through international marketing platforms, such as the “Asia Now” programme in the US and Canada.

PRD Excursions

- (d) Capitalise on the Mainland’s expanded 144-hour facilitation visa for Guangdong – In 2010-11, the HKTB will develop an even greater diversity of PRD excursion products through co-operation with GDPTA and the Macau Government Tourist Office (MGTO). The HKTB will also widely publicise the 144-hour facilitation visa arrangement, such as communicating the policy to MICE participants through convention and exhibition organisers and multi-national corporations in Hong Kong.

FOSTER STRONGER PARTNERSHIP WITH THE TRAVEL TRADE

31. In 2010-11, the HKTB will further strengthen its partnership with the travel trade and related sectors. Through various initiatives, the HKTB will create an effective business platform for the travel trade. These include:

- (a) Tap market potential – Organise travel missions by local travel trade to the emerging markets and new secondary cities in key source markets. As for trade partners in source markets, arrange visits, product updates and briefings to familiarise them with Hong Kong’s latest tourism products.
- (b) Promote value-added offers and packages to drive arrivals – Develop packages themed on festivals and celebrations, as well as value-added packages. To drive arrivals from the family segment, beef up the “Child Goes Free” programme to provide free offers for children visitors from short-haul region, and launch a family promotion featuring local cartoon characters McDull and McMug in the Mainland China and short-haul markets during the Hong Kong Summer Spectacular.
- (c) Bundle year-round offers to stimulate visitor spending – Collate offers from strategic partners, such as credit card companies and shopping malls, and especially festive offers during festivals and peak travel seasons to give visitors added incentives of visiting and

spending in Hong Kong. Leveraging the Guangdong Citizen Leisure Travel Card Scheme, launch a spending stimulation programme where Guangdong visitors holding this card are entitled to offers from QTS merchants in the most desired product categories, such as cosmetics and jewellery.

- (d) Enhance communication with travel trade – Upgrade PartnerNet – a tool for information dissemination to travel trade managed by the HKTB – and turn into an interactive business-to-business marketing platform between the Hong Kong and overseas travel trade partners.

GROW MICE AND CRUISE BUSINESSES

MICE

32. The establishment of the Meetings and Exhibitions Hong Kong (MEHK) office in November 2008 and the subsequent global launch in the first quarter of 2009 created extensive exposure and publicity for Hong Kong's MICE development and advantages. Making use of the additional funding from the Government, the HKTB will continue to reinforce Hong Kong's position as the ideal MICE destination in the region. An integrated awareness campaign comprising advertising, direct mail and search engine marketing will be rolled out in target markets, while promotions tailored for different segments of MICE will be undertaken in the strategic markets. The HKTB will also continue to work with the Mainland and overseas networks of the SAR Government's Economic and Trade Offices, Hong Kong Trade Development Council and Invest Hong Kong to promote Hong Kong's MICE tourism.

Meetings & Incentives

- (a) Strengthen partnership with the travel trade through participation in MICE trade shows, travel missions to strategic markets, such as Japan, South Korea and India, and familiarisation tours for trade and corporations;
- (b) Launch a new "Hong Kong Rewards!" scheme by lowering the minimum requirements for enjoying standard value-added offers and adding new privileges, so as to enhance Hong Kong's attractiveness as a meeting and incentive destination; and
- (c) Generate sales leads through an outreach programme to the targeted industries, including pharmaceutical, finance and banking, and education.

Conventions

- (a) Work with the Professional Convention Organizers and Association Management Companies to lobby for more events; and

- (b) Generate business interest by making sales calls and organising engagement activities, focusing on mega conventions of strategic sectors with attendance of more than 2,000 participants in the US and Europe.

Exhibitions

- (a) Offer one-stop, customised support to event organisers to retain current shows and grow new industry shows;
- (b) Through the “Business Right Here” campaign, extend exclusive travel packages with destination shopping and dining offers to facilitate exhibition buyers to participate in trade fairs; and
- (c) Extend a range of hospitality arrangements, such as dedicated immigration counters at the airport and visitor counter at the venue, and enrich the value-added offers from travel and non-travel related partners to enhance exhibition visitors’ experiences of Hong Kong.

Cruise

33. In view of the commissioning of the first berth of the new cruise terminal at Kai Tak in 2013, the HKTB will enhance communication and engagement with the cruise industry to cultivate demand for home-porting and drive the development of fly/cruise itineraries. Key initiatives in 2010-11 include:

- (a) Partner with travel agents and cruise companies to launch tactical advertisements and consumer education programmes on the Hong Kong/Taiwan itineraries in 2010 so as to publicise the itineraries, and make use of creative PR and media angles to market Hong Kong as a cruise hub for the Mainland market;
- (b) Develop rail/cruise packages from southern and eastern Mainland cities, such as Shenzhen and Guangzhou and fly/cruise packages from Shanghai and Beijing.
- (c) Collaborate with neighbouring Mainland coastal provinces, such as Hainan province, for developing and promoting multi-destination cruise itineraries. For example, the HKTB intends to organise joint cruise promotions at selected trade shows (such as ITB in Germany) to promote Hong Kong/Hainan sailings;
- (d) Co-operate with target cruise lines to develop fly/cruise packages in established cruise markets, such as the US and UK, targeting the achievers and seniors; and
- (e) Launch aggressive travel agent training programme to equip agents for selling cruise products featuring Hong Kong.

ENHANCE QUALITY SERVICES PLATFORMS

34. Another important area of HKTB's work is enhancing the delivery of visitor services, which play a critical part in giving visitors a memorable first encounter with Hong Kong and its hospitality culture. In 2009-10, the HKTB launched the "Hong Kong Pals" programme. Under this programme, passionate Hong Kong residents were invited to enrol as volunteers known as Hong Kong Pals and introduce the city to visitors. Stationing at the HKTB's Visitor Centres, they will share Hong Kong's way of life and culture, as well as make travel recommendations to visitors based on their own favourite sites and activities. Their presence gives visitors the opportunity of interacting with local residents and understanding Hong Kong in greater depth. With enthusiastic feedback from visitors, the HKTB will increase the scale of volunteer services by the Hong Kong Pals in 2010-11, such as increasing the days of services each week by the Hong Kong Pals.

STRENGTHEN CORPORATE GOVERNANCE

35. In implementing its marketing initiatives, the HKTB remains committed to enhancing its corporate governance. In addition to conducting regular audit reviews to ascertain compliance and ensure stringent internal control, the HKTB will regularly review and further enhance its financial policies and procedures. Furthermore, the HKTB will identify areas for streamlining the operational procedures with a view to enhancing its overall efficiency. Another key focus is engagement with stakeholders. The HKTB attaches great importance to communication and collaboration with stakeholders, and will continue to closely engage them, such as soliciting their input and comments on HKTB initiatives through a structured process.

COST MANAGEMENT

36. The HKTB's projected marketing budget for the Mainland and overseas markets and the Head Office in 2010-11 is HK\$367.9 million (including overseas representative fees and exchange reserve). Out of this budget, 52% will be allocated to promotions by the Worldwide Offices. The amount, which totalled \$190.5 million, represents an increase of 5.5% over the amount in 2009-10. As for the remaining 48%, a significant portion is for initiating global and regional promotions in the key source markets, and for implementing mega events and other initiatives at the destination. Attachment III sets out the detailed breakdown.

37. The HKTB will continue to adopt a prudent approach in investing its marketing resources and vigorously control cost. Currently the HKTB has a worldwide network of 15 offices and has representatives in five different markets. There are no plans to increase the headcount in its Head Office and Worldwide Offices in 2010-11, which will remain at 325 established posts. As well as enhancing its promotional activities through innovative and cost-effective channels as mentioned above, the HKTB will make the best endeavour to solicit sponsorships for funding its events, activities and communication materials, and increase the revenue of advertising in HKTB publications and website, as well as in the venue of HKTB's mega events. In 2010-11, the HKTB aims to achieve over \$24.5 million of sponsorship income, an increase of 138% over the amount in 2009-10.

PERFORMANCE MEASUREMENT

38. In 2009-10, the HKTB introduced a new performance measurement framework. In addition to four groups of key performance indicators of the tourism sector, the HKTB brought in a second tier of corporate performance indicators to measure the effectiveness and performance of the HKTB's marketing programmes and activities by strategic focuses. Based on the strategic focuses of 2010-11, the HKTB has drawn up a set of objectives and results for measuring the effectiveness of its promotions and hence efficient use of public resources. The HKTB will continue to consult the academics and other stakeholders, and identify areas of further improvement, so as to continuously enhance the HKTB's accountability.

**Hong Kong Tourism Board
January 2010**

2009 TOTAL ARRIVALS BY MARKET

(`000)	2009	2008	Vs 2008
The Americas	1,568	1,685	-6.9%
USA	1,070	1,146	-6.7%
Canada	362	379	-4.5%
Central America	39	53	-25.4%
South America	97	107	-9.5%
Europe, Africa and the Middle East	1,969	2,094	-6.0%
Europe	1,611	1,711	-5.9%
United Kingdom	514	564	-8.9%
Netherlands	99	102	-2.8%
Nordic Countries	130	132	-1.3%
Germany	211	225	-6.2%
France	218	229	-5.1%
Italy	103	111	-6.6%
Iberia	71	75	-5.2%
Russia	43	37	+15.7%
Europe Others	221	236	-6.5%
South Africa	62	65	-4.3%
Africa Others	121	146	-17.2%
Middle East	175	172	+2.0%
Australia, N.Z. and S. Pacific	708	763	-7.2%
Australia	600	644	-6.8%
New Zealand	102	114	-10.9%
South Pacific Others	6	6	+10.7%
North Asia	1,823	2,229	-18.2%
Japan	1,204	1,325	-9.1%
South Korea	619	904	-31.6%
South & Southeast Asia	2,885	2,936	-1.7%
Southeast Asia	2,477	2,541	-2.5%
Indonesia	354	349	+1.3%
Malaysia	442	491	-10.0%
Philippines	564	569	-0.8%
Singapore	624	633	-1.4%
Thailand	388	403	-3.9%
S.E.A. Others	106	97	+8.9%
India	367	351	+4.6%
Other Asian & Indian Sub.	42	44	-5.2%
Taiwan	2,010	2,240	-10.3%
Macau	671	697	-3.7%
World excl. China	11,634	12,645	-8.0%
The Mainland	17,957	16,862	+6.5%
TOTAL	29,591	29,507	+0.3%

2010-11 PROPOSED MARKETING BUDGET

	2010-11 Proposed Budget (HK\$M)	2009-10 Revised Estimates* (HK\$M)
<i>Growth Markets</i>	<i>106.5</i>	<i>102.8</i>
Mainland China	61.1	63.7
Taiwan	19.7	18.8
Australia	10.7	9.3
South Korea	10.5	6.4
Philippines	4.5	4.5
<i>Emerging Markets</i>	<i>18.4</i>	<i>15.2</i>
India	10.0	8.2
Middle East	4.3	3.5
Russia	4.1	3.5
<i>Established Markets</i>	<i>47.4</i>	<i>46.3</i>
USA	16.1	16.3
Japan	14.3	14.3
UK	8.8	7.9
Canada	4.6	4.1
Singapore	3.6	3.7
<i>Secondary Markets</i>	<i>15.6</i>	<i>12.7</i>
Malaysia	4.2	3.2
Germany	3.4	3.6
Thailand	3.3	2.2
France	3.2	3.0
Indonesia	1.6	0.6
<i>Non-key Markets</i>	<i>0.6</i>	<i>1.5</i>
Total Marketing Budget for Source Markets	188.5	178.5
Exchange Reserve	2.0	2.0
Total Marketing Budget for Head Office	139.4	141.0
Total Proposed Baseline Marketing Budget	329.9	321.5
<i>Others – MEHK, Food & Wine Year Support etc.</i>	<i>38.0</i>	<i>56.5</i>
Total Proposed Marketing Budget	367.9	378.0

* Revised estimates as of Oct 2009

2010-11 TOTAL PROPOSED MARKETING BUDGET
BY STRATEGIC FOCUS AREA

Strategic Focus	Head Office (HK\$M)	Worldwide Offices (HK\$M)	Total (HK\$M)
1. Strengthen Hong Kong's destination appeal	50.1	77.8	127.9
2. Adopt creative and effective communication approach	16.8	55.4	72.2
3. Drive multi-destination co-operation with Mainland cities, Macau and selected Southeast Asian destinations	1.0	10.2	11.2
4. Further foster strong partnership with the trade	15.7	18.9	34.6
5. Grow MICE and cruise businesses	47.6*	11.5	59.1*
6. Enhance quality services platforms	16.4	1.0	17.4
7. Drive organisational excellence	29.8	3.3	33.1
8. Others (a) Agency rep fee (b) Exchange reserve (c) Non-key market reserve	0.0	12.4	12.4
Grand Total	177.4*	190.5	367.9*

** Amount includes additional funding earmarked for MEHK*