

HONG KONG TOURISM BOARD WORK PLAN FOR 2011-12

PURPOSE

This paper presents the work plan of the Hong Kong Tourism Board (HKTB) for 2011-12. The paper also gives an overview of Hong Kong's tourism industry in 2010 and the outlook for 2011, which form the background for developing the objectives, strategic focuses and key initiatives of the HKTB for the year 2011-12.

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 local industry, including travel agencies, airlines, hotel owners and management, retailers, food and beverage caterers, attraction operators, as well as academics.

2010 OVERVIEW

Key Performance Indicators

3. In 2010-11, the HKTB further strengthened its partnership with the travel-related sectors to drive visitor numbers and the growth of the tourism business. Following an extremely challenging year in 2009, Hong Kong's tourism industry enjoyed significant growth in 2010, as supported by improved economic conditions worldwide, the gradual re-instatement of air services to almost the same level as that before the global economic downturn, and the strengthening of most currencies against the Hong Kong dollar. The table below summarises various indicators of the tourism performance in 2010:

	2010 Tourism Performance	2009 Tourism Performance	2010 Vs. 2009
Total Arrivals ('000)	36,030	29,591	+21.8%
Mainland ('000)	22,684	17,957	+26.3%
Other than Mainland ('000)	13,346	11,634	+14.7%
Overnight Visitor Average Length of Stay (LOS)	3.6 nights	3.2 nights	+0.4 nights
Overall Satisfaction Rating* [^] (max: 10)	8.3 pt	8.3 pt	unchanged
Overnight Visitor Per Capita Spending* (HK\$)	\$6,705	\$5,770	+16.2%
Tourism Expenditure Associated to Inbound Tourism* (HK\$billion)	\$212.6	\$162.9	+30.5%

* Estimation as at Nov 2010

[^] Excluding same-day, in-town visitors

4. As the world economy recovered from the global financial crisis, the turnaround in visitor arrivals that began in August 2009 continued to gather momentum during 2010. For the entire 2010, visitor arrivals hit a new record of 36.03 million, representing an annual growth of 21.8% versus 2009.

5. Also reaching record high was vacation arrivals, which soared by 27.9% to 18.67 million. All markets showed positive gain and especially the Mainland China and short-haul markets, such as Taiwan, South Korea and India, as stronger currencies and improved economic conditions stimulated greater number of vacationers from these markets.

6. Business arrivals increased by 14.4% in the past year. A number of markets, such as Japan and South Korea, as well as the long-haul markets, were yet to return to the levels before the global economic downturn in 2008, as corporations changed their business travel policies and maintained a more frugal approach during the downturn. Nevertheless, out of the total business arrivals, the number of MICE (meetings, incentives, conventions and exhibitions) arrivals registered strong growth, benefiting from the robust economic growth in Asia. For the first 11 months of 2010, overnight MICE arrivals surged by 23.3% to around 1.31 million.

7. In terms of individual market performance, growth was recorded across the board, with many running ahead of their performance before the global economic downturn in 2008. While Mainland China remained the key driver, contributing 22.68 million or 63% of total arrivals, all short and long-haul markets showed good growth on their 2009 figures. Below summarise their performances in 2010:

- (a) Mainland China – Arrivals from Mainland China reached 22.68 million in 2010, representing year-on-year increase of 26.3%. Apart from consumers' strong desire for outbound travel, the growth was also fuelled by the further extension of the Individual Visit Scheme (IVS), especially the arrangement for Shenzhen permanent residents to apply for one-year multiple-entry endorsement under the IVS.
- (b) Taiwan – With increased number of cross-strait direct flights, airlines and travel agents were able to make use of the spare seats on the Hong Kong – Taiwan flights to develop competitively priced vacation packages, which were promoted vigorously by the HKTB. Effort was also made by the HKTB to collaborate with the travel trade on enhanced promotions in Taiwan, and to open new visitor sources from other cities besides Taipei. As a result, vacation arrivals from the island surged by 29.0% to 590,000 and overall arrivals by 7.7% to 2.16 million.
- (c) Japan – Boasted by a strong Japanese Yen, arrivals from Japan were 9.3% above the same period in 2009. The prominent growth was also spurred by greater number of excursion tour products featuring Hong Kong, Macau and cities in the Pearl River Delta (such as Guangzhou).
- (d) South Korea – Similarly, with appreciation of the WON currency, South Korea has seen some of the fastest growth of any market in 2010, with arrivals increasing by over 40% to 890,000 and approaching its historic yearly high of 900,000 set in 2008. Riding on the improved consumer sentiments, as well as increased flight capacity during the summer, the HKTB stepped up promotions in the market, targeting the young and free independent travellers (FIT) segments.
- (e) Southeast Asia – Notwithstanding increased competition within the region, arrivals rose by 18.2% to 2.93 million, as brought by increased flight capacity and strong travel sentiments resulting from better exchange rates and consumer confidence on the economy.

- (f) Long-haul markets – The long-haul regions showed a more moderate growth of 10.5% in 2010. While Canada and Australia enjoyed growth rates of 11.7% and 8.4% respectively, arrivals from the UK were affected by the economic instability and implementation of Air Passenger Duty (APD). Introduced by the British Government to cut carbon emissions from aviation, the APD have discouraged consumer sentiments for outbound travel, especially to the Asian destinations.
- (g) Emerging markets – All emerging markets, namely India, Russia and the Middle East, showed impressive growth of 44.8%, 102.0% and 20.7% respectively due to increased flight capacity and improved economy. For Russian travellers, visa-free access to Hong Kong remained a big draw, while multi-destination travel itineraries to Hong Kong and the Pearl River Delta captured much interest among visitors from India and the Middle East.

The breakdown of visitor arrivals by markets in 2010 is set out in Attachment I.

8. The improved economy and robust growth in arrivals in 2010 also brought about a 30.5%-increase in the Total Expenditure Associated to Inbound Tourism (TEAIT), which reached HK\$212.6 billion. The per capita spending of overnight visitors enjoyed a double-digit increase of 16.2% to HK\$6,705. Milder growth of 4.8% was registered for per capita spending among same-day visitors, which stood at HK\$1,884.

9. In 2010, the average length of stay among overnight visitors increased by 0.4 night to 3.6 nights. Overnight visitors from both Mainland China and the long-haul markets made the longest stay at 3.9 nights, as compared to 3.4 nights in 2009.

10. Visitor satisfaction stood at 8.3 points based on a 10-point scale. While the proportion of visitors who would recommend Hong Kong to friends and relatives remained at 96%, those with the intention of revisiting increased by four percentage points to 96%.

Adapting to Changing Market Needs and Latest Trends

11. In tandem with the evolving market demands and latest trends, as brought by the ups and downs of the global economy, the HKTb has initiated a series of changes to its marketing strategy in the past few years, as it strived to minimise the impact of the economic downturn and maximise the cost-effectiveness of its marketing spend. Underpinned by a ‘focused’ approach, these changes were made possible by optimising the marketing dollar and increasing the share of commercial sponsorships, which rose significantly from HK\$9 million in 2007-08 to an estimated HK\$39.55 million in 2010-11. They laid the strategic framework for driving the HKTb’s marketing effort forward in the coming years. Below are highlights of the changes:

- (a) Re-deployed resources and re-focused market priorities to drive growth – In the past two years, the HKTb has continued to increase the total overseas marketing budget, from HK\$176.3 million (actual spending) in 2008-09 to HK\$184.2 million (revised estimates) in 2010-11, so that it could capitalise on the market opportunities.

In order to maximise the effectiveness of marketing resources, the HKTb re-focused its market priorities and directed resources to 18 key markets (from 27 markets prior to 2008) that accounted for 94% of its arrival base. Alongside increasing spending in Mainland China and other markets that presented opportunities for growth, investment was made in three new emerging markets, namely India, Russia and the Middle East.

- (b) Introduced annual tactical marketing theme to generate greater excitement for the destination – To create greater buzz and strengthen the communications cut-through, the HKTb adopted the annual tactical marketing theme ‘Hong Kong Food and Wine Year’ in 2009, focusing its resources on promoting Hong Kong’s culinary strength. This was followed by the ‘Festive Hong Kong’ theme in 2010, which highlighted the city’s strength in culture and festivals.

Throughout 2010, impactful campaigns and PR promotions were developed under this umbrella theme to showcase the city’s vibrant celebrations of Chinese and Western festivals to travel trade, media and consumers in different markets. For example, major consumer promotions were staged in Mainland China, Japan, South Korea, Australia, India and Russia.

- (c) Built annual events calendar for tactical promotions in source markets – In the past few years, the HKTb has introduced a number of new mega events and injected new elements to existing events, as well as actively promoted the events by third parties, to ensure that Hong Kong is in the limelight of international media coverage, and is consistently viewed by visitors as an exciting and vibrant destination.

For example, the Chinese New Year promotion was expanded from the International Chinese New Year Night Parade lasting for one night to a week-long fiesta featuring float display and performances in 2009; and a brand new Hong Kong Wine and Dine Festival, as well as Great Outdoors Hong Kong promotion was introduced in 2009. In May 2010, the HKTb bundled four traditional festivals into a ‘Hong Kong Cultural Celebrations’ campaign. This was followed by another mega event Dragon Boat Carnival in July 2010.

The result of these efforts was an integrated ‘annual events calendar’ that spanned across six major promotional campaigns throughout the year. Featuring a diverse range of unique, home-grown events, traditional festivals, as well as international arts, sports and cultural events, each of these promotional campaigns or windows highlighted different core strengths of Hong Kong, such as culture and festivals in April and May and Wine and Dine in November, allowing the HKTb and travel trade to promote Hong Kong and package tourism products under different themes.

- (d) Pilot-tested digital marketing and new PR approach to reach potential visitors effectively – As social media became a key marketing communication tool, the HKTb devised a comprehensive digital marketing strategy. With the HKTb’s DiscoverHongKong.com website as the backbone, the HKTb explored promotions through the travel portals, social network channels, such as Twitter, Facebook, YouTube and Weibo, as well as mobile phone platforms, to expand its reach.

In terms of public relations activities, increasing focus was placed on TV, given its mass global audiences. Creative co-operative programmes were initiated with national and regional TV networks to profile Hong Kong, such as on popular reality shows. Among the examples were *We’ve Got Married* and *Dream Team* on MBC of South Korea, *勇往直前* on Hunan TV in Mainland China and *Passport to Asia* featuring Samantha Brown on Discovery Channel in the US, which generated massive exposure and publicity for Hong Kong.

- (e) Delivered further business growth opportunities through strategic alliances on multi-destination itineraries – To deliver further business growth, the HKTb stepped up its co-operation with seven Mainland provinces and cities, as well as Macau, to develop and promote multi-destination travel to Hong Kong and neighbouring destinations. Under the strategic partnership, multi-destination travel itineraries and products featuring Hong Kong, such as city and beach itineraries on Hong Kong and Hainan, were created and marketed in overseas destinations with matched funding from the relevant tourism bureaux.

Leveraging on the ‘2010 Chinese and Ethnic Chinese Tourism Year’ campaign by Guangdong, the HKTb joined hands with the Guangdong Provincial Tourism Administration (GDPTA) and the Macau Government Tourist Office (MGTO) to develop new Hong Kong-Guangdong-Macau combo itineraries of different new themes, which were promoted during a series of co-funded roadshows in North America and Europe.

To make use of the opportunities offered by the World Expo 2010 Shanghai, the HKTb joined hands with travel trade in various long-haul markets, including the UK, the US, Canada, Germany and France, to promote multi-destination itineraries featuring Hong Kong and Shanghai. In Shanghai, a major consumer promotion was staged in Xintiandi to reinforce the destination brand of Hong Kong among overseas and Mainland visitors.

- (f) Strengthened effort to grow MICE through dedicated Meetings and Exhibitions Hong Kong Office – In 2008, the SAR Government allocated additional funding of 150 million for strengthening MICE promotions in the coming five years. In the same year, the HKTb established the Meetings and Exhibitions Hong Kong (MEHK) office to promote Hong Kong as a leading MICE destination and to provide dedicated professional support to event organisers. As mentioned, the number of overnight MICE visitor arrivals enjoyed a 23.3%-rise between January and November 2010. During the year, Hong Kong hosted many prestigious MICE events, such as Cartes in Asia, XXVII Collegium Internationale Neuro-Psychopharmacologicum World Congress, 14th Congress of Asia Pacific League of Associations for Rheumatology, Retail Asia Expo, InfoComm Asia and GSMA Mobile Asia Congress 2010.

In order to attract more MICE events to Hong Kong, MEHK adopted a segment-specific approach when devising its publicity strategies. For example, for the convention sector, MEHK focused on bidding mega congresses in six priority industry sectors, namely medical, medical science, social science, computer science, engineering and sports-leisure-culture. As well as actively engaging the local chapters of the professional associations, MEHK organised a forum for Hong Kong's medical industry in September last year to encourage them to bid for conventions.

In 2010, under the collaborative effort of the Government, MEHK and the trade, Hong Kong secured numerous large-scale MICE events. These include SIGGRAPH Asia 2011 Hong Kong (approx. 6,000 pax), Vitafoods Asia 2011 (a food expo, approx. 2,000 pax), the 2012 Junior Chamber International Asia-Pacific Conference (approx. 3,500-5,000 pax) and World Dental Federation (FDI) Annual World Dental Congress 2012 (approx. 12,000 pax).

- (g) Expanded quality service platforms – The HKTb's commitment to enhancing Hong Kong's image as a quality destination was strengthened through a number of initiatives. In Mainland China, the coverage of the 'Quality and Honest Hong Kong Tours' programme was not only extended from 18 to 27 Mainland cities, but also launched online. Through travel portals, virtual counters were available to visitors nationwide. The expansion was supported by extensive educational and publicity programmes that aimed at encouraging consumers to select quality tours.

Back in Hong Kong, the HKTb expanded the Quality Tourism Services (QTS) scheme to cover the hair salons last year, as past visitor surveys showed that there was great demand for hairdressing services among visitors. Altogether more than 7,200 outlets of retail and catering sectors, visitor accommodation establishments and hair salons were accredited under the QTS scheme.

The Hong Kong Pals programme, first introduced in 2009, allows local residents to interact and share their recommendations on travel in Hong Kong with visitors at HKTb's Visitor Centres. With positive feedback from visitors, the programme was extended to 2010, with the frequency of service by Hong Kong Pals increased from three days a week to daily.

- (h) Promoted collaborative industry approach – In the past few years, the HKTB put in place various measures to deepen its partnership and expand collaboration with the local industry partners. For example, the HKTB has institutionalised its consultation with partners of the travel-related sectors on its annual work plan and major promotions.

In 2009, the HKTB made use of its reserves (HK\$14.7 million in 2009-10) to provide a series of concessions to trade partners so as to lessen their marketing expense during the financial crisis. These concessions included waiving of annual QTS membership renewal and new application fees and discount on the participation fee for joining the HKTB promotions at travel trade shows and overseas travel missions.

On top of organising travel missions and promotions, especially in the emerging markets, for the travel trade to build new business, the HKTB also supported local trade partners on their promotions, such as by sharing the costs of advertising, production of publicity materials, etc.

OUTLOOK FOR 2011

12. Looking ahead, the global economy is expected to enjoy stable but more subdued growth in 2011, following a year of strong recovery in 2010. According to the International Monetary Fund (IMF), the world GDP will increase by 4.2% in 2011, as compared to 4.8% in 2010.

13. While economies around the world continue to recover, growth remains moderate and unbalanced – sluggish in advanced economies and relatively stronger in developing and emerging economies. Mainland China and India will enjoy a robust growth rate of 8%. As for the long-haul markets, the US economy will continue to be clouded by the problematic housing finances. In Europe, fiscal tightening measures will weigh on the economic growth in many countries.

14. Most currencies are expected to maintain their strength vis-à-vis the US-dollar-pegged Hong Kong currency, favouring inbound travel to Hong Kong. Nevertheless, possible intervention by policy-makers may cause drastic movements in exchange rates and impact on tourism.

15. Below sets out the key parameters and influences that underpin the planning of the HKTB:

Risks

- (a) Consumers, especially those in the long-haul regions, will remain value-conscious in terms of travelling cost under the tight job market. The unemployment rates will be a major challenge in 2011, denting consumers' confidence and holding back their consumption, such as selecting short-haul and domestic rather than long-haul travel destinations.
- (b) The region will continue to undergo rapid tourism developments, including the completion of new tourism infrastructure and the implementation of aggressive marketing campaigns by destinations, which will make the competitive environment even tougher.

Opportunities

- (a) Mainland China continues to gain eminence as an inbound travel destination. Within the Mainland, the Pan Pearl River Delta (PPRD) offers huge potential for the development of multi-destination itineraries. Comprising nine provinces, as well as Hong Kong and Macau, the region features a diverse range of tourism assets, such as the renowned *diulou* in Kaiping, the beach resorts in Hainan and the ethnic minorities in Yunnan.

With the inscription of Danxia (丹霞) on the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage List in 2010 and the opening of the Dapeng Geological Park Phase 1 (深圳大鵬半島國家地質公園) in Shenzhen in 2011, there are further opportunities for Hong Kong to expand the multi-destination travel product offerings.

Currently, there are about 200 flights per week between Hong Kong and the PPRD cities. The completion of the Wuhan-Guangzhou-Shenzhen high-speed rail in May 2011, which will provide easier access to and from Central China, is set to enhance the connectivity between Hong Kong and PPRD. This will lend opportunities to position and promote Hong Kong as the southern gateway to the PPRD and indeed the entire Mainland.

- (b) The Central Government announced in December 2010 the expansion of the scope for non-Guangdong residents in Shenzhen to apply for endorsement under the IVS with effect from 15 December 2010. According to data by the Shenzhen authority, an additional four million non-Guangdong residents in Shenzhen are eligible under the expanded scheme. This will certainly provide new sources of visitors for Hong Kong.
- (c) As mentioned, the launch of competitively priced vacation packages by the trade has been conducive to the increase in vacation arrivals from Taiwan to Hong Kong. Meanwhile, the HKTB will proceed with upgrading its representative office in Taipei to a full-fledged office. This will help bolster the HKTB's image in Taiwan and in turn enhance the effectiveness of its promotional activities.
- (d) New attractions, including the sky100 observation deck atop International Commerce Centre, and the newly added facilities in the expanded theme parks, such as Aqua City and Rainforest in Ocean Park and Toy Story Land in Hong Kong Disneyland, will serve to enhance Hong Kong's tourism appeal.

Projections

16. According to the United Nations World Tourism Organization (UNWTO), international travel will increase moderately in the range of 4% to 5% in 2011. Asia is expected to achieve the best performance among all market regions, largely driven by the revitalised demand for intra-regional travel. The positive trend is echoed by the International Air Transport Association (IATA), which forecasts a growth of 6% in the global air capacity in 2011.

17. Taking into account various factors of the macro environment, including the risks and opportunities mentioned above, the impact of the travel-related policies, tourism trends and patterns of major source markets, as well as analyses and projections by international organisations, the HKTB projects that visitor arrivals in 2011 will increase by 10% to 39.64 million. Below summarises HKTB's forecast for various key indicators in 2011:

Key Tourism Industry Performance Indicators	2011 Forecast	Vs. 2010
Total Arrivals ('000)	39,645	+10.0%
Mainland ('000)	25,411	+12.0%
Other than Mainland ('000)	14,234	+6.7%
Overnight Visitor Average Length of Stay (LOS)	3.6 nights	unchanged
Overall Satisfaction Rating [^] (max: 10 pt.)	8.3 pt	unchanged
Overnight Visitor Per Capita Spending (HK\$)	\$7,217	+7.6%
Tourism Expenditure Associated To Inbound Tourism (HK\$billion)	\$243.9	+14.7%

[^] Excluding same-day, in-town visitors

2011-12 WORK PLAN

INCREASE MARKET INVESTMENT

18. In marketing Hong Kong worldwide, 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. While focusing its investment on the growth markets, the HKTB will identify further new market opportunities.

19. In 2011-12, the HKTB plans to invest 56% or HK\$192 million of its total marketing budget to the source markets, an increase of 4.3% over the revised estimates in 2010-11. The increased budget will enable the HKTB to expand its marketing to two new markets, namely Vietnam and the Netherlands, bringing the overall geographic coverage from 18 to 20 markets (which accounted for 95% of total visitor arrivals to Hong Kong), as well as enlarge the coverage and/or publicity effort in three existing emerging markets (namely India, Russia and the Middle East). Below highlights the relevant market investment in 2011-12:

Growth Markets	Emerging Markets	Established Markets	Secondary Markets
Mainland China Taiwan Australia South Korea Philippines	India Russia The Middle East Vietnam (<i>new</i>) The Netherlands (<i>new</i>)	Japan Singapore USA Canada UK	Germany France Malaysia Thailand Indonesia
2011-12 Budget			
50.9%	17.2%	24.6%	6.2%

Note: The remaining 1.1% of marketing budget is allocated for non-key markets (e.g. Central and South Americas and Italy) and exchange reserve.

Increase Investment in non-Southern China Regions

20. Mainland China contributed 63% of total arrivals to Hong Kong in 2010 and remains the most important growth market in terms of arrivals and spending. In 2011-12, the HKTB will maintain investment in 42 high-potential cities across the Mainland. Out of the total Mainland budget, about 70% will be allocated to non-Southern China regions. Since 2007, the HKTB has been shifting its investment towards these regions. As a result, overnight arrivals from these regions have been growing at an average annual rate of over 30%.

21. In 2011-12, effort will be stepped up to promote the Quality and Honest Hong Kong Tours and run consumer education programmes in Central and Northern China. For example, in Northern China, the HKTB will make use of the channels of the Public Security Bureaux and develop media co-operative programmes to promote thematic tours. In Central China, on top of running consumer education programmes, the HKTB will co-operate with the trade to highlight the benefits of travelling to Hong Kong via the high speed rail.

22. As for Southern China, the HKTB will enhance awareness of the latest IVS arrangements among non-Guangdong residents employed in Shenzhen. Through various channels, such as the TV news programme in Shenzhen (深圳第一現場), the HKTB will highlight the major events and latest product offerings in Hong Kong, including the celebratory programmes at the theme parks and various consumer fairs. The HKTB will also co-operate with local attractions, retail and catering sectors on enticing offers to drive consumption visits.

Expand Geographic Coverage in Emerging Markets and Tap New Markets

23. In view of the strong performance of the emerging markets in 2010, the HKTB will increase investment in these markets to enhance market penetration and capture new growth opportunities. As well as expanding its marketing presence in India and the Middle East, the HKTB will tap into Vietnam and the Netherlands, which according to the Oxford Economics / Tourism Decision Metrics, offer great development potential. The strategies for these markets are:

- (a) India – Expand promotions from Mumbai and New Delhi to Bengaluru and Chennai, thereby covering all Indian cities with direct flights to Hong Kong and 80% of total Indian arrival base. Besides strengthening trade network in the two newly added cities, the HKTB will co-operate with leading trade partners, including airlines and travel agencies, on integrated campaigns and tactical packages to drive incremental arrivals. The HKTB will also work with local attractions and neighbouring destinations to promote multi-destination itineraries.
- (b) The Middle East – The HKTB appointed a representative in the United Arab Emirates (UAE) in 2008 to oversee the marketing and promotional activities within the Gulf Cooperation Council (GCC) region. In 2011, the HKTB plans to appoint another representative in Saudi Arabia, which enjoys positive economic outlook and 49.2%-growth of arrivals last year, and is the largest source of arrivals in the GCC region. Focusing on Riyadh and Jeddah of Saudi Arabia, the HKTB will enhance knowledge of Hong Kong among the travel trade, engage major carriers and key operators in tactical co-operative promotions during the two major travel windows of April and October, and organise travel missions for Hong Kong travel trade to meet their Middle East counterparts.
- (c) Russia – Owing to the implementation of visa-free access arrangement in July 2009 and expansion of direct flight capacity since the summer of 2010, arrivals from Russia have exhibited strong growth, reaching 102.0% last year. In 2011-12, the HKTB will heavy up its investment in the market to boost consumer awareness and interest through tactical co-operative promotions with the travel trade and online promotions. The HKTB will also continue its partnership with Hainan to promote city and beach multi-destination itineraries to Russian travellers.

- (d) Vietnam – With rapid economic growth, increasing disposable income and large share of young population, Vietnam is seen as a booming outbound travel market. Last year, arrivals from Vietnam to Hong Kong increased by 33.1% to 102,217. Taking into account the country’s economic potential and good connectivity with Hong Kong (52 direct flights weekly), as well as feedback from the travel trade, the HKTB will launch into Vietnam. As a start, the HKTB will build trade networks in two key cities, namely Hanoi and Ho Chi Minh City, enhancing knowledge of Hong Kong’s tour products among the travel trade.
- (e) The Netherlands – The Netherlands accounts for a sizable arrival base at around 100,000 each year, and enjoyed a growth of 7.1% in 2010. The country also has good connectivity with other popular European leisure destinations, apart from 14 direct flights to Hong Kong per week. To tap into the market, the HKTB will initially focus on Amsterdam, and will establish network with the travel trade through travel mission and participation in Vakantiebeurs, the top trade and consumer travel fair in the Netherlands.

Attachment II sets out the proposed marketing budget for different source markets.

STRENGTHEN HONG KONG’S DESTINATION APPEAL

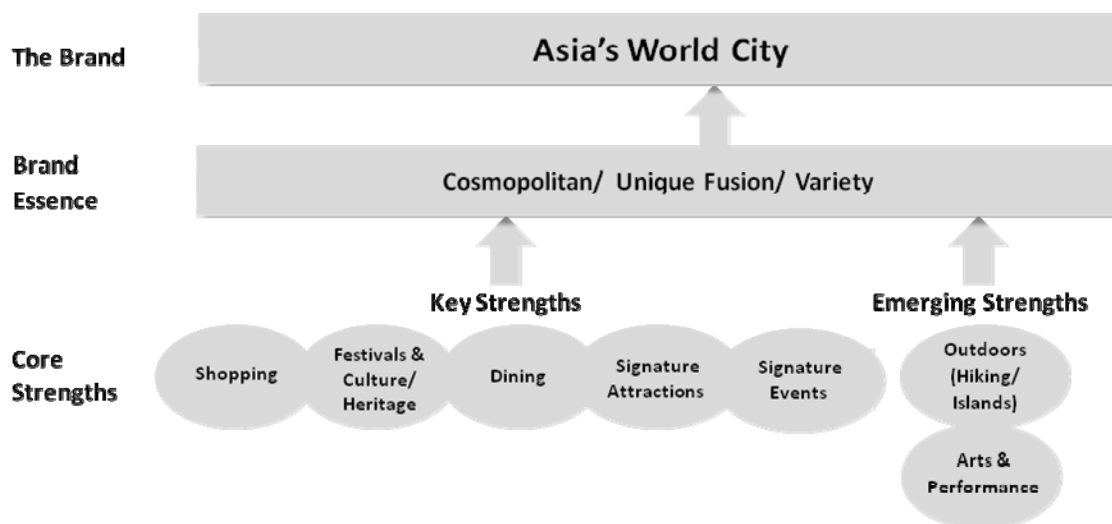
Adopt New Thematic Marketing Platform to Build a Stronger Brand

24. The annual tactical marketing themes ‘Hong Kong Food and Wine Year’ and ‘Festive Hong Kong’ introduced in 2009 and 2010 respectively have helped heighten awareness of Hong Kong’s core strengths in dining and in culture and festivals. Moving forward, the HKTB plans to adopt a new thematic marketing platform ‘Asia’s World City’ in 2011-12 for showcasing the full array of Hong Kong’s core tourism appeals and building a stronger brand positioning of the destination. The rationales for selecting Asia’s World City are varied:

- (a) Highlighting Hong Kong’s image as a leading international metropolis, the theme is easy and simple to understand.
- (b) In use for some time, it has already established certain awareness in both Hong Kong and overseas.
- (c) It is consistent with Brand Hong Kong, and synergises with the promotional effort of other public organisations, such as Trade Development Council and Invest Hong Kong.

25. Using this brand platform, the HKTB will highlight the international setting, the cosmopolitan lifestyle, the unique fusion and diversity of cultures in Hong Kong, which will serve to differentiate the city from other Mainland cities and competitive destinations in Asia. To communicate the brand essence, the HKTB will deploy both traditional and digital media, such as develop a video for screening on HKTB’s website, YouTube and overseas travel portals, and re-design the look and content of the DiscoverHongKong.com website. In addition, impactful launch programmes and PR promotions will be rolled out in key markets to maximise the publicity through international media coverage.

26. At the destination, the HKTB will develop comprehensive campaigns, including seasonal and segment-specific programmes, throughout the year to bring out the core, as well as emerging, strengths of Hong Kong. Below sets out the marketing framework of Asia’s World City:



Enrich Annual Events Calendar to Instil Greater Excitement

27. To enhance the destination excitement and give visitors further reasons for visiting Hong Kong, the HKTB will inject new elements and programmes into its annual events calendar. Altogether 10 major campaigns featuring a diverse portfolio of events will be rolled out during the year, each highlighting one or more of Hong Kong’s core appeals. Below illustrates the annual events calendar and different campaigns in 2011-12:

Destination Brand	Hong Kong – Asia’s World City (Launch at CNY Parade 2011)				
	Jan - Feb	Feb - Apr	Apr - May	Jul - Aug	Sep
Campaigns	CNY Celebrations - Flower Markets - CNY Parade & Carnival - Fireworks Display - CNY Race Day (horse racing) - CNY Soccer Tournament - HK Well-wishing Festival - Shopping Programmes	Arts & Entertainment - HK Arts Festival - HK International Film Festival - Int'l a cappella Festival Sports - HK Marathon - HK Sevens	Cultural Celebrations - Bun Festival - Birthday of Tam Kung/ Tin Hau - Lord of Buddha's Birthday - Thematic Exhibition at Airport	Hong Kong Summer Spectacular - Dragon Boat Carnival - Summer Pop Concert - Shopper of the Year - LKF Beer & Food Fest - HK Book Fair - Food Expo - Ani-com & Games HK - HKDL, OP Themed Events	Mid-Autumn Festival - Lantern Wonderland - Lantern Carnivals - Tai Hang Fire Dragon Dance - National Day Fireworks Display - Int'l Jazz Festival
New Products	- OP: Aqua City	- Sky 100	- OP: Rainforest		
	Oct	Nov	Nov	Dec	
Campaigns	Halloween Treats - HKDL, OP & MT Themed Events - Lan Kwai Fong Halloween Street Party - German Bierfest - Shopping Mall Themed Events	Wine & Dine Month - Wine & Dine Festival - Street Carnivals - Seafood Festival - Big Roast Party - BOB Culinary Awards - Food Districts Promo - HK Int'l Wine & Spirits Fair	Great Outdoors - National Geopark - Hiking - Green Tours	HK WinterFest - Christmas Wonderland - New Year Countdown - HKDL, OP Themed Programmes - Shopping Programmes - Hong Kong Int'l Races - Product Expo - Lion Dance Festival - UBSHK Golf Open	
New Products			HKDL: Toy Story Land Tai O Heritage Hotel		

28. By raising the share of commercial sponsorships, the HKTB will bring in new elements to its mega events. For example, the Hong Kong WinterFest between November and December 2011 will feature a Christmas Wonderland. In addition, the HKTB will develop dedicated campaigns to promote major third-party events with tourism appeal, including those supported by the Mega Events Fund, catering to the interests of specific visitor markets and segments. These include:

- (a) Arts and Entertainment promotion (February to April) – Riding on the interest in Hong Kong’s art and cultural scenes among visitors from the Mainland, Taiwan and selected long-haul markets, this promotion will feature the Hong Kong Arts Festival, Hong Kong International Film Festival, ArtHK and International A Cappella Festival.
- (b) Sporting Events promotion (February to April) – Building on Hong Kong’s signature sports events, this promotion will bundle the Hong Kong Marathon, which holds great appeal to visitors from Japan, and the popular Hong Kong Sevens, which has proved to be a big draw to visitors from the UK, Australia and New Zealand.
- (c) Mid-Autumn Lantern Celebrations (September) – Targeting travellers from the long-haul regions, the promotion will highlight the Tai Hang Fire Dragon Dance as well as other celebratory programmes in different districts during this traditional festival.

CHANGE MIX OF MARKETING COMMUNICATION TO MAXIMISE REACH AND IMPACT

Increase focus on digital marketing

29. As social media continues to enjoy increased popularity, the HKTB will expand its digital marketing effort, having tested the ground of online promotions in previous years. According to a global survey by Nielsen in January 2010, active users of social networks have increased to over 300 million worldwide. At the same time, the availability of high-speed data networks and GPS-enabled smartphones has led to an explosion of travel-related apps. Making use of these channels, the HKTB will launch promotions to connect and communicate with potential visitors. Key initiatives include:

Online campaigns

- (a) The DiscoverHongKong.com will remain the core of HKTB's digital marketing strategy. To reinforce the destination image, create consumer preference, facilitate research and pre-trip planning, the HKTB will revamp the design and look of the website, and enrich its content with user generated content (UGC), as well as new, interactive features, such as Interactive 360° Videos, to showcase key events and attractions.
- (b) Conduct search engine optimisation and search engine marketing to drive traffic to the website, and arrange rich media (such as video) and behavioural advertising to maximise the impact of the promotions.

Social media

- (c) Devise creative and impactful marketing campaigns that capitalise on social media, including discussion forums, Facebook and Weibo. For example, organise online contests and post videos to induce conversations and encourage viral sharing.
- (d) Leverage on popularity and influence of famous bloggers to promote Hong Kong. Other than bloggers from Mainland China and Taiwan, invite famous fashion and lifestyle bloggers in South Korea and Singapore to share smart tips on travel to Hong Kong.
- (e) Set up official fan groups on popular social networks, such as Facebook and renren.com.

Partnerships with travel portals

- (f) Expand co-operation with travel portals given the increased popularity of making travel bookings online among Mainland visitors. Other than making use of Ctrip and Mangocity, which target visitors in Eastern China and Guangdong province respectively, solicit co-operation with eLong to expand the reach of its marketing to Northern China. For long-haul markets such as the US, strengthen partnership with Travelocity and Expedia.com to enhance exposure of travel packages to Hong Kong.
- (g) Conduct online integrated marketing campaign with Germany's largest loyalty programme PAYBACK to feature tactical promotion of Hong Kong tour products and packages.

Smart Phones

- (h) Develop mobile apps on Hong Kong's attractions, such as on hiking trails and the Hong Kong National Geopark, by making use of the Augmented Reality (AR) technology.

Expand partnership with global and regional TV networks

30. Another key communication approach will be through PR activities, which provide cost-effective ways of extending the mileage of HKTb's marketing, especially in the face of large above-the-line advertising budget by competitive destinations. In 2011-12, the HKTb will maximise the exposure and publicity of Hong Kong through various media channels, leveraging on the mega events and other signature events of Hong Kong. Key initiatives include:

- (a) Expand partnership with regional and global TV networks and develop creative and impactful TV programmes. For example, in South Korea, co-operate with a music TV station to produce the Korean version of the *Project Runway* programme, showcasing Hong Kong's latest trends and fashion to appeal to the young segment.
- (b) Produce and release to global news broadcasters, online news portals and popular social media outlets bi-monthly Video News Releases (VNRs) to raise awareness of the latest happenings and events in Hong Kong.
- (c) Engage renowned production houses and global TV networks to produce travel programme series for airing on regional and global TV reality shows, travelogues, and gourmet and lifestyle programmes, with the target of reaching audiences of highly-rated public and cable TV channels, such as Discovery Travel and Living, National Geographic and BBC.
- (d) Solicit co-operative opportunity with famous entertainment shows, such as *Entertainment Tonight* on CBS in the US, to profile visit to Hong Kong by celebrity.

- (e) Organise PR campaigns to feature successful arts and cultural events, such as Hong Kong Arts Festival. Also, develop video version of the publication *A Guide to Hong Kong Arts and Culture* for posting on online platforms and websites and portals of media partners.
- (f) Invite influential international media, bloggers and hiking experts from target markets, such as Mainland China, Japan and selected long-haul markets, to experience and write on Hong Kong's hiking trails. Explore collaboration with publishers to produce the *Hong Kong Great Outdoors* guidebook for sale at major bookstores in target markets, such as Taiwan.

RE-ALIGN MULTI-DESTINATION DEVELOPMENT & PROMOTION STRATEGY

31. In the area of multi-destination travel, the HKTB will focus its effort to develop and promote multi-destination itineraries with the PPRD and Macau, capitalising on their strengthening appeal. Key initiatives include:

- (a) Partnership with Macau – Grow new markets by staging promotions with the Macau Government Tourist Office (MGTO) at trade shows in the Middle East, Russia and India. For example, in India, drive the sale of Hong Kong/Macau packages bundled with value-added offers through co-operative advertising programmes with MGTO and consortium agents in national dailies and travel websites.
- (b) Partnership with Shenzhen – Join Shenzhen Tourism Administration to organise roadshows in Taiwan, Japan, South Korea, Thailand and Vietnam. Broaden the range of excursion products available for short-haul visitors and launch tactical co-operative promotions with travel trade on new Hong Kong / Shenzhen itineraries, riding on the Universiade in Shenzhen.
- (c) Partnership with Guangdong – Leverage on the cultural appeal of key Guangdong cities, such as Zhongshan, Zhuhai, Kaiping and Shaoguan, to develop itineraries for long-haul markets. For example, in Canada, partner with GDPTA and key wholesalers to launch media campaign so as to drive awareness and bookings of Hong Kong/Guangdong packages among the ethnic Chinese segment. In Australia, stage roadshows with GDPTA in Melbourne and Sydney.
- (d) Partnership with PPRD – Engage partners in the PPRD in overseas promotions during major trade shows in the long-haul markets, such as jointly promoting Hong Kong-PPRD itineraries with tourism bureaux of the region during the World Travel Market in the UK.

GROW MICE BUSINESS

32. The strong economic development of Mainland China and the gateway position of Hong Kong remain key selling points to lobby for new conventions and exhibitions to be staged in Hong Kong. At the same time, the weak Hong Kong dollar, as pegged against the US dollar, is a favourable factor for attracting planners of MICE events. Since the establishment of MEHK in 2008, the HKTb has actively promoted and built a reputation for Hong Kong's MICE strengths. Going forward, the HKTb will shift its investment strategy and allocate 70% of the MICE budget in 2011-12 to strategic markets of each segment for bringing an even more diverse range of MICE events to Hong Kong and boosting the attendance of the events. As for the remaining 30%, this will be deployed for awareness-building programmes. Key initiatives include:

Meetings and Incentives

- (a) Expand the list of targeted strategic markets from Mainland China, India, Japan and South Korea to include the US, UK, Australia, Taiwan, Singapore and Malaysia.
- (b) Foster business building with meetings and incentives agents in these markets through travel missions, familiarisation tours and seminars for the agents and participation in MICE fairs.
- (c) Intensify sales effort and generate more business leads through tactical co-operative promotions with agents and international hotel chain groups.

Conventions

- (d) Bid for mega congresses (with attendance of over 5,000) around the world, as identified from the database of the International Congress and Convention Association (ICCA). Actively engage, motivate and assist the local chapters of the associations concerned to bid for the event.
- (e) Target events in six priority industry sectors, namely medical, medical science, social science, computer science, engineering and sports-leisure-culture. Promote Hong Kong at key strategic industry association events and organise association forums to encourage local chapters of associations to bid for conventions.
- (f) Form alliance with international association management companies and professional convention organisers.

Exhibitions

- (g) Provide customised support services to organisers of trade shows so as to retain existing shows and grow new industry shows.
- (h) Co-operate with travel trade on exclusive travel packages and line up special offers and hospitality initiatives to drive attendance as well as enrich the travel experience of participants in Hong Kong.
- (i) Team up with Hong Kong Exhibition and Convention Industry Association, TDC, Invest Hong Kong and Hong Kong Economic and Trade Offices to promote Hong Kong at major exhibition industry events.

BUILD CRUISE DEMAND

33. To build cruise business and strengthen Hong Kong's profile as a regional cruise hub, paving way for the commissioning of the Kai Tak Cruise Terminal in 2013, the HKTB will adopt a three-pronged approach. Key initiatives include:

- (a) Drive consumer demand in partnership with cruise operators and travel partners in key markets. For example, organise consumer education and demand generation programmes for retirees and family segment in Southern China, and launch tactical promotions in the US, UK, Australia and India to generate interest and grow fly/cruise arrivals with overnight stay in Hong Kong.
- (b) Intensify promotion and provide the latest updates on the development of the new cruise terminal to cruise trade, such as during the Cruise Shipping Miami 2011 and China Cruise Industry Development Summit 2011, in order to pave way for the commissioning of the Kai Tak Cruise Terminal in 2013.
- (c) Facilitate the creation of new itineraries and enhanced co-operation with regional ports so as to cater for the development of more diverse cruise products.

ENHANCE BUSINESS-BUILDING CAPABILITIES THROUGH EFFECTIVE TRADE SUPPORT AND PARTNERSHIP

34. In 2011-12, the HKTB will introduce new programmes and promotions in various trade marketing activities that will serve to generate further opportunities for both local and overseas trade to sell Hong Kong and promote their business. The HKTB will also enhance the effectiveness of various partnership programmes to generate greater business for local merchants. Key initiatives include:

- (a) For trade shows, organise additional spin-off events, to add value and provide additional business platform for trade participants. For example, organise a multi-destination travel promotion with Macau during the Arabian Travel Mart in Dubai.
- (b) For trade familiarisation visit programmes, expand the number of participants. Tie in with promotions and marketing campaigns of local attractions, airlines and hotel partners, and include networking session for local trade to explore business opportunities with their overseas counterparts.
- (c) For travel missions, focus on organising travel missions to the new markets, such as Vietnam, India, Russia and the Middle East, to support trade partners to develop and penetrate these markets.
- (d) For partnership programmes with local merchants, such as Hong Kong Bonus and Child Goes Free, expand the distribution channels of the value-added offers by retail and dining merchants to include overseas consumer shows and through co-operation with agents. Distribution of e-vouchers and coupons will also be explored to further widen the channels.
- (e) For co-operative promotions with local travel trade, institutionalise the application procedures and approval criteria and inform all local trade partners of the details through e-mail circulars and uploading information onto the PartnerNet website, a free online platform provided by HKTB to the tourism industry partners in Hong Kong and other visitor source markets.
- (f) Roll out new PartnerNet website with 13 customised market versions (in nine languages) to strengthen communication with travel trade and support business-building. The new website will feature automation service, allowing trade partners to manage and update their own profile and information. It will also offer at a later stage an interactive business-to-business e-marketplace for local and overseas travel trade.

UPHOLD QUALITY ASSURANCE

35. To uphold Hong Kong's image as a quality destination, the HKTB will entrench its marketing effort on various quality assurance platforms in 2011-12. Key initiatives include:

Quality and Honest Hong Kong Tours Programme

- (a) Expand the tour hotline and product availability from 27 cities to cover cities in Shaanxi province and more cities in Liaoning, and increase online counters from 52 to approximately 60.

- (b) Widely publicise the tours and their benefits to visitors, especially those in Northern and Central China, making use of the communication platform featuring the McDull cartoon character as well as online channels.

QTS Scheme

- (c) Utilise digital channels, such as DiscoverHongKong.com and e-newsletters, as well as the new PartnerNet website, to raise awareness of the scheme among both consumers and travel trade.
- (d) Step up marketing in visitor source markets to drive greater awareness of the scheme. For example, make use of nationwide TV and online channels to promote the scheme in the Mainland. During Golden Week holidays, drive additional publicity through special advertorials in major tourist publications.
- (e) Invite participating merchants to join consumer promotions and roadshows in visitor source markets, and provide value-added offers to strengthen the appeal of Hong Kong packages.

STRENGTHEN CORPORATE GOVERNANCE

36. 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. Through consultation with the academics and other stakeholders, the HKTB will identify areas of further improvement, so as to continuously enhance its accountability. Based on the strategic focuses of 2011-12, the HKTB has drawn up a set of objectives and results for measuring the effectiveness of its promotions and hence ensuring efficient use of public resources.

COST MANAGEMENT

37. The HKTB's projected marketing budget for the Mainland and overseas markets and the Head Office in 2011-12 is HK\$341 million (including overseas representative fees and exchange reserve). Out of this budget, 56% will be allocated to promotions by the Worldwide Offices. The amount, which totalled \$192 million, represents an increase of 4.3% over the revised estimates in 2010-11.

38. As for the remaining 44%, a significant portion is for initiating global and regional promotions at the Head Office, and for implementing mega events and other initiatives, such as marketing of the QTS scheme and provision of visitor information and services, at the destination. Attachment III sets out the detailed breakdown.

39. 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 six different markets. In 2011-12, the HKTB will maintain the headcount in its Head Office and Worldwide Offices at 325 established posts. Pending the upgrade of the Taiwan office from a representative office to a full-fledged office, the HKTB will make adjustment to cater for the staffing needs.

40. 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 2011-12, the HKTB aims to achieve over HK\$56.5 million of commercial sponsorship income, an increase of 42.9% over the amount in 2010-11.

Hong Kong Tourism Board
January 2011

2010 Total Arrivals by Market

('000)	2010	2009	Vs 2009
The Americas	1,750	1,568	11.6%
USA	1,171	1,070	9.5%
Canada	404	362	11.7%
Central America	49	39	25.7%
South America	125	97	29.0%
Europe, Africa and the Middle East	2,174	1,969	10.4%
Europe	1,758	1,611	9.1%
United Kingdom	516	514	0.3%
Netherlands	107	99	7.1%
Nordic Countries	138	130	6.2%
Germany	230	211	9.3%
France	240	218	10.3%
Italy	119	103	15.1%
Iberia	76	71	6.7%
Russia	87	43	102.0%
Europe Others	245	221	11.0%
South Africa	78	62	24.8%
Africa Others	127	121	5.3%
Middle East	212	175	20.7%
Australia, New Zealand and South Pacific	769	708	8.6%
Australia	651	600	8.4%
New Zealand	108	102	6.5%
South Pacific Others	10	6	53.9%
North Asia	2,208	1,823	21.1%
Japan	1,317	1,204	9.3%
South Korea	891	619	44.0%
South & Southeast Asia	3,501	2,885	21.3%
Southeast Asia	2,928	2,477	18.2%
Indonesia	453	354	28.2%
Malaysia	579	442	31.1%
Philippines	603	564	7.0%
Singapore	710	624	13.8%
Thailand	450	388	16.0%
S.E.A. Others	133	106	25.3%
India	531	367	44.8%
Other Asian & Indian Sub.	42	42	1.1%
Taiwan	2,165	2,010	7.7%
Macau	780	671	16.2%
World excl. China	13,346	11,634	14.7%
The Mainland	22,684	17,957	26.3%
TOTAL	36,030	29,591	21.8%

2011-12 PROPOSED MARKETING BUDGET

	2011-12 Proposed Budget (HK\$M)	2010-11 Revised Estimates¹ (HK\$M)
<i>Growth Markets</i>	97.8	102.9
Mainland China	55.3 ²	59.1
Taiwan	17.7	18.9
Australia	10.8	10.7
South Korea	10.0	10.0
Philippines	4.0	4.2
<i>Emerging Markets</i>	33.1	20.6
India	11.7	9.5
Middle East	7.1	4.3
Russia	8.0	6.8
Vietnam	3.5	--
Netherlands	2.8	--
<i>Established Markets</i>	47.3	46.1
USA	17.2	16.1
Japan	14.5	13.8
UK	7.5	8.0
Canada	4.5	4.6
Singapore	3.6	3.6
<i>Secondary Markets</i>	11.9	11.6
Malaysia	2.6	2.5
Germany	4.1	3.9
Thailand	1.6	1.6
France	3.0	3.0
Indonesia	0.6	0.6
<i>Non-key Markets & Exchange Reserve</i>	2.0	3.0
Total Marketing Budget for Source Markets	192.1	184.2
Total Marketing Budget for Head Office	149.2	178.3
Total Proposed Marketing Budget	341.3³	362.5

¹ Revised estimates as of Oct 2010.

² The amount of proposed funding for Mainland China in 2011-12 is less than the revised estimates in 2010-11, as the latter included \$4M of additional funding for promotion of Hong Kong during World Expo in Shanghai

³ In 2011-12, the HKTb intends to solicit greater amount of commercial sponsorships and advertising income to support its marketing initiatives at the destination. As well as continuing its effort to streamline the operational procedures and optimise the spending, the HKTb will identify more creative and cost-effective means of promoting Hong Kong with quality execution. As a result of the above efforts, the proposed total marketing budget for 2011-12 will be 5.8% less than the revised estimates in 2010-11. Nevertheless, out of the total marketing budget, the amount invested in visitor source markets will be 4.3% more than the revised estimates in 2010-11.

2011-12 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 Image – Adopt New Thematic Marketing Platform 'Hong Kong Asia's World City'	2.4	8.9	11.3
2. Enrich Annual Events Calendar	43.4	55.4	98.8
3. Change Mix of Marketing Communication with Increased Focus On Digital Marketing and PR to Maximise Reach and Impact	28.0	53.0	81.0
4. Re-align Multi-destination Development & Promotion Strategy by Focusing on Pan-Pearl River Delta Provinces	1.0	7.6	8.6
5. Grow MICE Business	30.2	17.5	47.7
6. Build Cruise Demand	4.5	0.8	5.3
7. Enhance Business-Building Capabilities Through Effective Trade Support and Partnership Programmes	6.3	26.0	32.3
8. Uphold Quality Assurance and Organisational Excellence (<i>Includes strengthening promotion of the Quality and Honest Hong Kong Tours Programme and the Quality Tourism Services Scheme</i>)	33.4	9.9	43.3
9. Others (a) Agency rep fee (b) Exchange reserve (c) Non-key market reserve	--	13.0	13.0
Grand Total	149.2	192.1	341.3