

For Information

Legislative Council Panel on Economic Development Hong Kong Tourism Board Work Plan for 2013-2014

Purpose

The paper at Annex sets out the Hong Kong Tourism Board (HKTB)'s work plan for 2013-2014 for Members' information.

Background

2. The HKTB is a statutory body established in 2001 under the Hong Kong Tourism Board Ordinance (Cap. 302). Its core function is to promote Hong Kong globally as a leading international city in Asia and a world-class tourist destination.

3. The HKTB's activities are primarily funded by the Government. In 2012-2013, the total Government subvention to the HKTB amounts to \$555.2 million. In addition, from 2008-2009 to 2012-2013, the Government earmarked \$30 million each year to the HKTB for providing one-stop support for MICE (meetings, incentives, conventions and exhibitions) events, assisting in bidding for prestigious MICE events, generating events' attendance and promoting cross-selling of related tourism products. The Government will continue to earmark funds in 2013-2014 for the HKTB for such purpose.

4. In drawing up the work plan, the HKTB conducted extensive consultation with various tourism stakeholders, including the travel agents, airlines, hotels, retailers, restaurants, attractions, as well as the academia. The work plan at the Annex has incorporated their views.

5. The work plan will be submitted to the Secretary for Commerce and Economic Development for approval under Section 17B of the Hong Kong Tourism Board Ordinance. The subvention for the HKTB will form part of the Appropriation Bill, the passage of which is subject to the Legislative Council's approval.

6. Members are invited to note the HKTB's Work Plan for 2013-2014 at the Annex.

**Tourism Commission
Commerce and Economic Development Bureau
February 2013**

HONG KONG TOURISM BOARD WORK PLAN FOR 2013-14

PURPOSE

This paper presents the work plan of the Hong Kong Tourism Board (HKTB) for 2013-14. The paper also gives an overview of Hong Kong's tourism industry in 2012 and the outlook for 2013, which form the background for developing the objectives, strategic focuses and key initiatives of the HKTB for the year 2013-14.

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 the global economic conditions and market trends, as well as relevant policy directions of the Government. In 2013-14, the HKTB will take active steps to increase visitor arrivals, by stepping up promotions in source markets, organising mega events and promoting other tourism-related initiatives. The HKTB will also strive to maintain visitors' satisfaction and stimulate their spending, so as to increase the contribution of tourism to Hong Kong's economy and the community at large.

3. In devising the work plan for 2013-14, the HKTB has conducted a series of formal consultation with stakeholders of the local tourism industry, including the travel agencies, airlines, hotel owners and management, retailers, food and beverage caterers, attraction operators, as well as academics.

2012 TOURISM PERFORMANCE OVERVIEW

Sustained Growth of Visitor Arrivals

4. Hong Kong's tourism continued to achieve steady growth in 2012, with total visitor arrivals increased by 16% year-on-year to 48.61 million. In terms of market performance, arrivals from Mainland China continued to increase. For the rest of Asia, the growth had narrowed down. This was due to the fact that many vacationers in the region cancelled their trip to Japan and came to Hong Kong in 2011 following the 311 earthquake and related incidents,

which had resulted in a large arrival base from the region to Hong Kong in 2011 and hence a comparatively smaller growth in 2012. For Taiwan, the market's performance was adversely affected by cross-strait direct flights. For long-haul markets, the uncertain economic environment led to a mild drop of 1.4% in arrivals. As for the new markets, performances varied because of different market situations. For instance, Russia experienced robust growth due to visa-free arrangements and expanded flight capacity. India, however, witnessed a decline in arrivals, which could be attributed to decreased flight capacity and hence higher air ticket prices, as well as depreciation of the Indian rupee.

	2012	2011	2012 Vs. 2011
Total Visitor Arrivals ('000)	48,615	41,921	+16.0%
<i>Mainland China</i> ('000)	34,911	28,100	+24.2%
<i>Taiwan</i> ('000)	2,089	2,149	- 2.8%
<i>Other Short-haul Markets</i> [^] ('000)	6,385	6,321	+1.0%
<i>Long-haul Markets</i> * ('000)	4,274	4,335	- 1.4%
<i>New Markets</i> ** ('000)	956	1,017	- 6.0%

[^] Excluding arrivals from Mainland China, Taiwan, Vietnam and India

* Excluding arrivals from the Middle East, the Netherlands and Russia

** New markets include: India, the Middle East, the Netherlands, Russia and Vietnam

Satisfactory Growth of Overnight Visitor Arrivals

5. While the number of same-day arrivals to Hong Kong increased at a relatively faster pace (rising by 26.7% to reach 24.84 million), there was also satisfactory growth in overnight visitor arrivals, which went up 6.5% to 23.77 million. For overnight arrivals by market, Mainland China achieved a growth of 11.1%. Short-haul markets such as South Korea (+8.2%), the Philippines (+7.9%) and Thailand (+2.1%), as well as Russia (+42.2%) in the long-haul region also showed good growth. Details are as follows:

	Overnight Visitor Arrivals		
	2012	2011	2012 vs. 2011
Total ('000)	23,770	22,316	+6.5%
<i>Mainland China</i> ('000)	15,110	13,600	+11.1%
<i>Taiwan</i> ('000)	754	779	- 3.1%
<i>Other short-haul Markets</i> [^] ('000)	4,170	4,146	+0.6%
<i>Long-haul Markets</i> * ('000)	3,095	3,128	- 1.0%
<i>New Markets</i> ** ('000)	641	665	- 3.6%

[^] Excluding arrivals from Mainland China, Taiwan, Vietnam and India

* Excluding arrivals from the Middle East, the Netherlands and Russia

** New markets include: India, the Middle East, the Netherlands, Russia and Vietnam

Marked Increase in Overnight Vacation Arrivals

6. In 2012, overnight vacation arrivals rose by 7.1% year-on-year to 14.35 million. By market, Mainland China saw an increase of 12.3%, while short-haul markets such as South Korea (+11.3%) and the Philippines (+10.5%) also achieved buoyant results. For long-haul markets, overnight vacation arrivals from Germany, Australia and the UK climbed 3.2%, 0.3% and 6.1% respectively, while the growth rate for Russia surpassed 52%.

Mild Growth of Overnight Business Arrivals

7. By comparison, the growth in overnight business arrivals was modest (+0.7%) in 2012. Nevertheless, satisfactory performance was recorded for Mainland China (+6.0%) and various short-haul markets, including Indonesia (+29.4%) and Thailand (+12.4%). For the long-haul markets, business arrivals (-4.3%) were undermined by the uncertain economy, which caused many international corporations to cut down on business travel. Also, increased direct flights between Mainland China and various long-haul markets, such as Australia, the UK and France, have caused business visitors to bypass Hong Kong. In Taiwan, the impact of cross-strait direct flights continued to affect business arrivals to Hong Kong, which dropped 2.9% year-on-year.

8. Of all business arrivals, those generated by MICE (meetings, incentive travels, conventions and exhibitions) events grew by 2.8%, with Mainland China showing the most prominent growth (+8.4%).

	Overnight Vacation Arrivals			Overnight Business Arrivals		
	2012	2011	2012 vs. 2011	2012	2011	2012 vs. 2011
Total ('000)	14,350	13,398	+7.1%	3,603	3,577	+0.7%
<i>Mainland China</i> (‘000)	9,097	8,103	+12.3%	1,621	1,530	+6.0%
<i>Taiwan</i> (‘000)	492	528	- 6.8%	164	169	- 2.9%
<i>Other short-haul markets</i> [^] (‘000)	2,923	2,922	+0.0%	737	737	- 0.1%
<i>Long-haul markets</i> [*] (‘000)	1,478	1,481	- 0.2%	893	933	- 4.3%
<i>New markets</i> ^{**} (‘000)	360	364	- 1.0%	189	209	- 9.6%

[^] Excluding arrivals from Mainland China, Taiwan, Vietnam and India

^{*} Excluding arrivals from the Middle East, the Netherlands and Russia

^{**} New markets include: India, the Middle East, the Netherlands, Russia and Vietnam

Please refer to Attachments I and II for the visitor arrivals and analyses of performances for individual markets in 2012.

Visitor Spending and Average Length of Stay

9. In 2012, overnight visitors spent an average of 3.5 nights during their stay in Hong Kong, which was 0.1 night less than that in 2011 but was in accordance with the projection made by HKTB in early 2012. The slight fall is primarily due to the shorter stay of the Mainland visitors. Nevertheless, the length of stay of overnight visitors from the long-haul markets increased to 4.0 nights, whereas that of visitors from the short-haul markets (excluding Mainland China) remained at 2.8 nights.

10. Owing to increased visitor arrivals, as well as favourable exchange rates for visitors from numerous markets, the Total Tourism Expenditure Associated with Inbound Tourism (TEAIT) went up significantly by 16.5% to HK\$306.5 billion in 2012. According to the United Nations World Tourism Organization (UNWTO)¹, Hong Kong has been one of the world's top 10 tourism earners for three consecutive years. The average per capita spending of overnight visitors also rose 4.7% year-on-year to HK\$7,819, whereas visitor satisfaction remained at 8.3 out of 10 points. Details are as follows:

	2012	2011	2012 vs 2011
Average length of stay among overnight visitors (night)	3.5	3.6	-0.1
Average per capita spending among overnight visitors* (HK\$)	7,819	7,470	+4.7%
TEAIT* ² (HK\$ billion)	306.5	263.1	+16.5%
Visitor satisfaction* [^] (out of 10)	8.3	8.3	Unchanged

*Projection made in December 2012

[^] Excluding same-day, in-town visitor arrivals

¹ According to the *World Tourism Barometer* published by the UNWTO in November 2012

² The tourism expenditure figures have been calculated according to methodology recommended by the 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 and entertainment. The information is collected from HKTB's Departing Visitors Survey; (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 data is provided by the Census and Statistics Department of the Hong Kong Special Administrative Region (SAR) Government.

OUTLOOK FOR 2013

Uncertain Outlook for the Global Economy

11. Looking into 2013, the global economy will remain clouded by the European sovereign debt crisis and the US fiscal cliff. The financial policies adopted by the US and European governments are prone to causing inflation, dampening consumer confidence and travel sentiments. International institutions have predicted that economic recovery will be slow, with the International Monetary Fund (IMF), the Economist Intelligence Unit and the World Bank predicting that the world's GDP will grow by 3.6%³, 3.4%⁴ and 2.4%⁵ respectively.

12. The economic outlook for the Asian region, especially Southeast Asia, however, is much brighter, owing to the relatively stable public finance and flexible financial policies. Report by the Organisation for Economic Co-operation and Development (OECD)⁶ suggests that the economic growth of Southeast Asia will return to the pre-financial crisis level within the next five years, as driven by domestic demand growth, particularly private consumption and investment.

13. According to the Economist Intelligence Unit⁷, the US dollar will remain weak in 2013. Pegged to the US dollar, the weak Hong Kong dollar against most global currencies will mean lower cost of travelling to Hong Kong and greater spending power of consumers from the relevant countries and regions. Nevertheless, some currencies, including the Australian dollar, the Japanese yen, the Indian rupee and the Russian rouble, may depreciate and in turn undermine the spending power of consumers from these markets.

14. With slow economic recovery and climbing inflation and unemployment rates, consumers are generally less inclined to spend money and travel. Meanwhile, the volatile economy has also made commercial corporations cut down their budgets for business travel. All these shall pose considerable challenges to the global and Hong Kong tourism marketplace. According to the UNWTO⁸, global tourism will grow by 3% to 4% in 2013, which is the same as the range in 2012.

³ Forecast announced at the IMF/World Bank 2012 Annual Meetings on 12 October 2012.

⁴ Forecast published in *Global Outlook Summary* by the Economist Intelligence Unit on 12 December 2012.

⁵ Forecast published in *Global Economic Prospects* by the World Bank on 15 January 2013.

⁶ Published in a report by OECD in November 2012.

⁷ Forecast made by the Economist Intelligence Unit in November 2012

⁸ Forecast made by the UNWTO in January 2013

Intensified Tourism Competition in the Region

15. To attract visitors, travel destinations from around the world are set to vigorously step up their promotions, launch new tourism products and special offers. In particular, Hong Kong's neighbouring cities and countries have been heavily investing in new tourism infrastructure and large-scale promotions in recent years. For instance, South Korea and Taiwan have been appealing to visitors with tourism products themed around K-pop and Taiwanese movies respectively. Other destinations, such as Thailand, have launched tactical promotions and pricing strategies, seeing that consumers have become more price-conscious amidst the uncertain economy.

16. These destinations are also eager to gain a greater share of the high-potential Mainland outbound travel market, such as by relaxing the visa requirements for Mainland travellers, as in the case of Malaysia and South Korea. As at today, Mainland citizens can visit 115 countries under the Approved Destination Status (ADS) policy adopted by the Mainland authorities, and it is expected that more countries will join the list in the near future. In addition, since 2011, residents of 13 Mainland cities can visit Taiwan as independent travellers. The number is expected to further increase in 2013. All these arrangements, which give Mainland tourists greater choices in their travel destinations, will mean tougher competition for Hong Kong in attracting Mainland visitors, especially those from non-Southern China.

Increased Complexity in Territorial Issues within the Region

17. In addition to a volatile economy and intensifying competition, the territorial issues in the region are becoming more and more complex. In particular, China's dispute with Japan on the Diaoyu Island, and with other Southeast Asian countries on the sovereignty of South China Sea, as well as the dispute between South Korea and Japan on the Dokdo Islands/Takeshima, have reached a flashpoint. Any sudden incident may spark shifts in the political landscape, and cause visitors to change their travel plans.

SHARPEN HONG KONG'S COMPETITIVE EDGE AND CREATE GREATER VALUE

18. To achieve steady and sustained growth for Hong Kong tourism in the face of these challenges, it is not only important to expand visitor sources, but also vital to maintain visitor satisfaction, so as to build positive word-of-mouth, and in turn reinforce the competitiveness and image of Hong Kong's tourism brand. In fact, the visitor arrivals and tourism receipts of Hong

Kong have already reached very high levels, having achieved milestone after milestone in recent years. Also, many visitors are making repeated visits. To further increase visitor spending, Hong Kong must seek to enhance the range and quality of its tourism products and services that cater for visitors' needs and demands.

19. One of the HKTB's key objectives in 2013 is to attract more overnight visitors, by building on its proven marketing strategies. To this end, the HKTB will partner with the travel and related sectors to enrich the range of quality tourism products. Furthermore, it will roll out promotions that encourage visitors to explore different districts in Hong Kong, so as to extend their length of stay and spending, and create business opportunities and benefits for different sectors and communities across Hong Kong.

20. Notwithstanding the challenges, there are new opportunities for Hong Kong's tourism in 2013. They include:

(a) Kai Tak Cruise Terminal and cruise-related policies – Hong Kong's cruise tourism is poised for further development, as the first berth and terminal building of the Kai Tak Cruise Terminal will begin operation in mid-2013. In addition, the Mainland authorities are gradually relaxing the policies for Mainland cruise tourists. In June 2012, it was announced that Mainland tour groups taking cruises from Hong Kong to Taiwan could visit Japan or Korea on the same cruise journey before returning to the Mainland. This policy provides new opportunities for Hong Kong to develop new cruise itineraries to tap the Mainland market.

(b) Increased connectivity with Mainland China – The Guangzhou-Shenzhen section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, which officially began operation in 2011, will be further extended to central Shenzhen when the Futian station is opened in 2013. This will make it much more convenient for consumers in Central China to travel to Shenzhen, from which they can easily come to Hong Kong. The enhanced transport network also strengthens Hong Kong's position as the southern gateway to Mainland China, making Hong Kong a more attractive base for overseas visitors to explore the country.

(c) Macau's visa-free arrangement for Russian travellers – Since September 2012, the Macau SAR Government has implemented visa-free arrangement for Russian citizens. Riding on the arrangement, the HKTB and the travel trade

have stepped up promotion of Hong Kong-Macau combo itineraries to Russian consumers.

(d) New facilities at theme parks – Hong Kong’s two major theme parks, Hong Kong Disneyland and Ocean Park, have been undergoing expansion and redevelopment. For Disneyland, two new themed areas, namely Toy Story Land and Grizzly Gulch, were opened in 2012. In 2013, Mystic Manor, another theme area, will be opened. For Ocean Park, two new facilities, namely a shark aquarium and a koala exhibit, will be added in 2014 as part of the park’s expansion project. These new facilities are going to offer new tourism experiences, and increase the appeal of Hong Kong as a family vacation destination.

2013 Projections

21. Considering the factors in the macro environment, including the risks and opportunities, tourism-related policies, the developments in visitor source markets, and the analyses and forecasts by international organisations, the HKTB has made the following projections for various key tourism performance indicators in 2013:

Key Tourism Performance Indicators	2013 Projection	Vs 2012
Total Visitor Arrivals ('000)	51,939	+6.8%
Mainland China ('000)	38,014	+8.9%
Short-haul Markets ('000)	8,637	+1.9%
Long-haul Markets ('000)	4,280	+0.1%
New Markets ('000)	1,009	+5.5%
Overnight Visitor Average Length of Stay	3.5	Unchanged
Overall Satisfaction Rating [^] (out of 10 points)	8.3	Unchanged
Overnight Visitor Per Capita Spending (HK\$)	7,995	+2.2%
TEAIT (HK\$ billion)	330.3	+7.7%

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

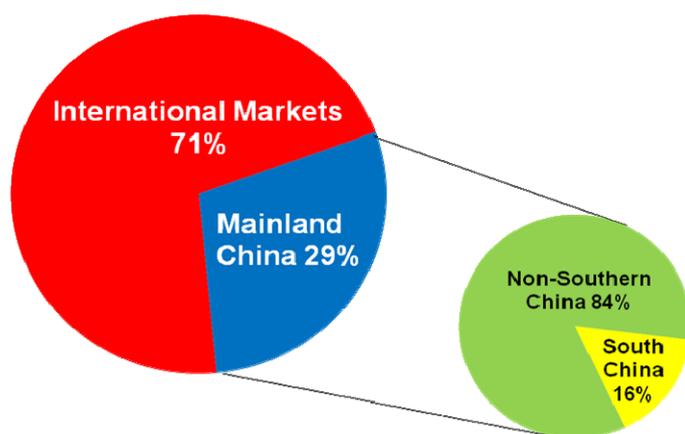
2013-14 WORK PLAN

Maintain Balanced Visitor Portfolio and Drive Overnight Arrivals through Flexible Resource Allocation

22. In 2013-14, the HKTB will continue to invest in 20 markets which contribute altogether about 95% of overnight visitor arrivals to Hong Kong. To

achieve a diverse visitor portfolio and uphold Hong Kong’s international positioning and image as Asia’s World City, the majority of the HKTB’s market resources will be allocated to the international markets. The HKTB’s total marketing budget this year is HK\$337.87 million. About 52% or HK\$176.59 million will be used for promotion in visitor source markets. Of these, more than 70% will be put behind the international markets. The remaining 30% will be invested in the Mainland market, 84% of which in non-Southern China.

Market Investment for 2013-14



23. In light of the global economic uncertainty, the HKTB will deploy its resources with caution to the 20 markets according to their immediate and future potential and their strategic importance. The HKTB will regularly review the market prioritisation model and promotions in different markets and report to the Board. The HKTB will also stay alert to changes in the macro environment, so as to deploy resources flexibly to minimise the risks arising from any unforeseeable incidents. The table below summarises the distribution of resources in different visitor source markets in 2013-14:

Mainland China	Short-haul Markets	Long-haul Markets	New Markets
South China	Taiwan	The US	India
East China	Japan	Canada	Russia
North China	South Korea	The UK	The Middle East
Central China	Singapore	Germany	(Gulf Co-operation Council countries)
	Malaysia	France	Vietnam
	Thailand	Australia	The Netherlands
	Indonesia		
	The Philippines		

Mainland China	Short-haul Markets	Long-haul Markets	New Markets
Estimated Budget for 2013-14 (Proportion)			
HK\$51.4 million (29%)	HK\$51.4 million (29%)	HK\$43.9 million (25%)	HK\$29.8 million (17%)

Mainland China – Increase Investment in non-Southern China

24. The sustained growth of the Mainland economy, together with the strong *renminbi*, has caused Mainland visitor arrivals to Hong Kong to increase by leaps and bounds in recent years. Yet, with gradual relaxation of travel policies and increased purchasing power, Mainland consumers now enjoy greater choices of travel destinations, meaning that Hong Kong has to deal with stiff competition in the Mainland market. Meanwhile, the number of Mainland visitor arrivals to Hong Kong has reached a high level, with many of these visitors, especially those from South China, having travelled to Hong Kong for more than once. In order to expand the yield from the Mainland market, it is necessary to open up new visitor sources, and particularly increase the proportion and spending of overnight Mainland visitors.

25. To this end, HKTb will increase investment in non-Southern China regions in 2013-14, from 81% in 2012-13 to 84%, with a view to strengthening promotions in these regions and attracting overnight visitors to Hong Kong. In addition, a dedicated team will be established to tap the potential of Central China, especially Wuhan, riding on the high-speed express rail linking Wuhan and Shenzhen. The table below shows the investment mix and promotional strategies in Mainland China:

Region	Estimated Budget in 2013-14 (Percentage of Total Mainland Promotional Budget[#])	Promotional Strategies
South China	HK\$8.5 million (17%)	Benefitting from the Individual Visit Scheme, many Guangdong residents frequently visit Hong Kong for consumption and entertainment. These visitors are already quite familiar with the signature attractions and festive celebrations in Hong Kong. In view of this, HKTb will focus on promoting alternative tourism products and events, such as Halloween, arts and cultural

		entertainment, to these visitors, and raise their awareness and interest in cruise tourism.
East China	HK\$14.70 million (29%)	Targeting free and independent travellers (FIT), the HKTB will roll out co-op promotions with airlines and online travel portals, such as Ctrip and Tuniu. In addition, it will drive publicity of mega events and other promotions through national TV stations and digital media. Apart from promoting Western festivals such as Halloween and Hong Kong Wine and Dine Month, the HKTB will publicise Hong Kong's arts and cultural offerings to give these visitors fresh perspectives of the city.
North China	HK\$15.00 million (29%)	Consumers in North China generally have higher purchasing power than those in other parts of Mainland China. To these visitors, the HKTB will promote Hong Kong as a cosmopolitan city with non-stop events through influential national TV and online media, including CCTV, Jilin Satellite TV and QQ.com. In addition, the HKTB will launch online advertisements to encourage consumers to visit Hong Kong during the Golden Week holiday and other major travel periods.
Central & West China	HK\$13.20 million (26%)	The high speed express rail linking Wuhan and Shenzhen makes it much easier for travellers from Central China to go to Hong Kong via Shenzhen. Capitalising on the enhanced connectivity, the HKTB will increase investment in Central China and set up a dedicated office to develop the Wuhan market. Making use of different channels, the HKTB will introduce Hong Kong's tourism appeal, so as to attract consumers from such cities as Chongqing, Kunming and Guiyang to visit Hong Kong during peak travel seasons.

#Due to rounding, the total percentage is not 100.

Short-haul Markets – Adapt Resource Allocation based on Market Development and Attract Young and Family Vacationers

26. The HKTB's overall promotional budget for the short-haul markets in 2013-14 is similar to that in the previous year. However, resource allocation for individual markets has been adjusted based on the markets' latest economic and political developments.

- (a) Taiwan – Leveraging the free online visa application for Taiwanese residents introduced by the Hong Kong SAR Government in September 2012, which has made it much more convenient for the market's consumers to visit Hong Kong, the HKTB is increasing its investment in Taiwan in 2013-14. As well as working closely with the Taiwanese travel trade to attract young and family visitors, the HKTB will launch promotions in such secondary cities as Taichung and Kaohsiung, such as through high-rating radio channels.
- (b) North Asia – Considering the political tension between China and Japan on the Diaoyu Islands, which may affect the travel plans of Japanese consumers, the HKTB will make prudent investment in Japan. As for South Korea, the HKTB plans to increase resources for the market to sustain the growth momentum of the past two years, and will step up promotions in such secondary cities as Busan and Daegu.
- (c) Southeast Asia – In view of the relatively stable political and economic conditions, and the expanded flight capacity between Hong Kong and various countries in the region, which gives room for lower air fare and attractive Hong Kong packages, the HKTB will increase investment in the market region in 2013-14. The HKTB is planning to launch a major regional promotion on “Asia's World City” to raise Hong Kong's profile. In addition, the HKTB will step up promotion in Thailand, the Philippines and Indonesia, which enjoy good potential for growth, while launching a promotion to attract the Muslim populations in Indonesia and Malaysia to visit Hong Kong during the post-Ramadan holidays.

Long-haul Markets – Maintain Market Presence through Public Relations and Digital Promotions

27. As the economic environment in various major long-haul markets is expected to remain volatile, the HKTB will adopt a cautious approach

towards these markets, focusing its efforts on key gateway cities and in two major travel seasons, namely spring and autumn. In the US, for example, the HKTB will concentrate its marketing on California and the Tri-State area of New York, New Jersey and Connecticut, targeting the achievers and retirees in these areas.

28. To maintain Hong Kong's presence in the long-haul markets and arouse interest in the city among consumers, the HKTB will mainly employ public relations (PR) and media promotions, such as through TV programmes and magazines. In view of consumers' preference to plan and research their trips online, the HKTB will step up promotion on social media and collaborate with online travel portals. It will also actively promote multi-destination travel and itineraries featuring Hong Kong.

New Markets – Continue Investment to Nurture Long-term Potential

29. In recent years, the HKTB has been actively developing new markets to open up new visitor sources for Hong Kong. These include India, the Middle East, Russia, Vietnam and the Netherlands. While the performances of these markets varied due to different factors in 2012-13, they have potential for growth in the long run, given their economic expansion and strong demand for travel. In 2013-14, the HKTB will continue to invest in these five markets with the following strategies:

- (a) India – Concentrate on Mumbai, Delhi, Bengaluru and Chennai, while exploring the potential of Kolkata and Hyderabad. Riding on the summer peak travel season in India and expanded flight capacity between Hong Kong and the country, the HKTB will roll out a two-tier promotion in the first half of 2013. In the first quarter of the year, a nation-wide consumer promotion will be launched, with the aid of digital and print media to raise consumers' awareness of Hong Kong. In the second quarter, a TV travel programme will be produced in co-operation with an Indian TV station, which will also leverage celebrity endorsement to showcase Hong Kong's tourism appeal. At the same time, the HKTB will work with Hong Kong's major attractions and other trade partners to package and promote travel to Hong Kong during the summer, and collaborate with Macau to promote multi-destination itineraries.
- (b) The Middle East (Gulf Co-operation Council countries) – Promotional effort will be focused on Dubai and Abu Dhabi in the United Arab Emirates, and in Riyadh, the capital of Saudi Arabia, during the first two quarters of the year, with a view to encouraging consumers to visit Hong Kong during the post-Ramadan holiday. Major initiatives include a large-scale consumer

road show and the launch of the Arabic version of DiscoverHongKong.com in the first quarter. In May 2013, the HKTb will take part in the Arabian Travel Mart and organise a travel mission to facilitate co-operation between the Hong Kong and Middle Eastern travel trades in developing new products. In addition, the HKTb will publish a guidebook targeting the Middle East family visitors for the first time ever, and promote Hong Kong in co-operation with airlines.

- (c) Russia – Moscow will continue to be the pivot of the HKTb’s promotion in Russia. Leveraging national media and digital channels, the HKTb will also extend its promotion to St Petersburg, Siberia and the Far East, with the objective of drawing Russian visitors to Hong Kong during the winter, a popular travel season for consumers in the market. Meanwhile, in view of the increased flight capacity between Hong Kong and Vladivostok, the HKTb will closely monitor the potential of this city. Between October and November 2013, the HKTb will launch a Hong Kong guidebook in partnership with the largest publisher in Russia. Also, capitalising on the new visa-free arrangement for Russian residents introduced by the Macau SAR Government, the HKTb will work with the Macau Government Tourist Office to promote Hong Kong-Macau itineraries to Russian consumers.

- (d) The Netherlands and Vietnam – In the Netherlands, the HKTb will raise Hong Kong’s profile primarily through PR and digital marketing, such as inviting the Dutch media to produce travel programmes on Hong Kong. In Vietnam, the HKTb will work with airlines to attract visitors to Hong Kong during the summer. The HKTb will also maintain close liaison with the travel trade, so that it can make a head start in its promotions once the visa issue is resolved.

Attachment III shows how resources will be allocated to the various visitor source markets.

Differentiate Hong Kong with the “Asia’s World City” Brand Platform



30. Since 2011-12, the HKTB has been using “Hong Kong • Asia’s World City” as the theme of its global marketing platform. This brand captures the essence of Hong Kong as a tourist destination with an international and cosmopolitan lifestyle, a fusion of Eastern and Western culture, a trend-setting edge, vibrancy and diverse tourist attractions. Using this theme, the HKTB has developed a series of print ads and videos that tailor to the interests and preferences of different target visitor segments, including the young, family and achiever segments.

31. In 2013-14, the HKTB will continue to utilise the “Hong Kong • Asia’s World City” marketing platform for its worldwide promotions. To strengthen the brand proposition and ensure consistent messages, the HKTB will fully integrate Asia’s World City in all its marketing campaigns. For example, the HKTB will use the theme “Events Capital of Asia” to highlight the year-round events that take place in Hong Kong, “World’s Meeting Place” to uphold Hong Kong’s advantages as a MICE destination, and “Asia’s Cruise Hub” to promote Hong Kong’s leading position in the region’s cruise tourism. The HKTB will increase the penetration and reach of these brand messages through digital marketing and PR initiatives globally, so as to project a powerful image of Hong Kong’s tourism brand.

Digital Marketing

32. The increase in popularity of the Internet, social media and smart phones in recent years has significantly changed consumers' travel habits. In addition to using information on the Internet for planning their trips, many travellers share their travel experiences on social media. Their sharings then become reference materials for other travellers. Riding on this trend, the HKTB has developed a comprehensive digital marketing strategy that encompasses the Internet, social media and the mobile platform, with its official DiscoverHongKong.com website as the backbone. In 2013-14, the HKTB will strengthen its digital marketing efforts to increase the reach and penetration of its promotions to potential travellers. Key initiatives include:

DiscoverHongKong.com

(a) To tie in with the "Hong Kong • Asia's World City" marketing platform, the HKTB launched a new version of its website in 2012. The redesigned website features new contents and functions, such as interactive tools and maps for itinerary planning. This website will be available in 22 market versions (in 15 languages), 15 of which have already been launched. The remaining seven versions will be rolled out in 2013-14. In addition, the HKTB will drive traffic to the website through Search Engine Optimisation and Search Engine Marketing.

Social Media

(b) In 2013-14, the HKTB will leverage key social networking sites, including Facebook, Sina Weibo, RenRen and Twitter, to maximise publicity for Hong Kong. These networking sites will serve as platforms for the HKTB to promote and drive attendance of its mega events.

Mobile Phones

(c) A study in 2012⁹ shows that consumers in such developed countries as the UK, the US and Japan use mobile phones more frequently than personal computers. This reflects that mobile phones have nowadays become the major platform for disseminating and receiving information. In view of this trend, the HKTB will make heavier use of the mobile platform in 2013-14. Initiatives include using location-based MMS/SMS (multi-media messaging service / short message service) to encourage visitors' participation in mega events, and developing new travel applications for mobile phones and

⁹ Study released by Google and research firm IPSOS in January 2012.

tablets to assist visitors in pre-trip itinerary planning, in-town navigation and post-trip sharing. Such applications will not only allow visitors to download the planned itinerary onto their mobile devices, but will also come with online map and information on the latest happenings, nearby points of interests and special offers. In addition, it will provide integration with Facebook so that users can instantly share their interesting experiences in Hong Kong with friends and relatives.

- (d) Visitors can access the Internet conveniently when they are in Hong Kong, using the free Wi-Fi service at over 15,000 Wi-Fi hotspots in the city, which can be found in the platforms of most MTR stations, convenience stores and more than 1,000 telephone booths. The service allows visitors to browse HKTB's DiscoverHongKong.com website and download the HKTB's mobile apps for free. To further enhance the Internet connectivity for visitors in town, the HKTB is planning to co-operate with a major telecommunications operator in the city to develop and launch a Tourist Pre-paid Voice and Data SIM card.

Public Relations Promotions

33. Another major promotional strategy of the HKTB is PR promotion. To further increase Hong Kong's international exposure and heighten consumers' interest in the city, the HKTB will roll out a series of strategic PR promotions targeting consumers in different markets, and devise creative PR campaigns. Key initiatives include:

- (a) Mainland China and short-haul markets – Promote mega events, especially those staged during the two peak travel seasons of summer and winter. Apart from reinforcing pre and post-event publicity through traditional and online media channels, the HKTB will organise a large-scale regional campaign during each of the two peak travel seasons, and invite consumers from target markets to take part in contests or reality shows so that they can gain first-hand experiences of the city. Also, the HKTB will invite media from the participants' markets to follow and film the participants in Hong Kong, so as to showcase the city's excitement to audiences in the respective markets.
- (b) Long-haul markets – Promote four tourism strengths popular with long-haul consumers, namely Hong Kong's living culture, wine-and-dine options, arts

and cultural performances, and greenery. For example, the HKTB will arrange the Hong Kong-based celebrity chefs to showcase the city's culinary excellence at international culinary events, collaborate with national TV networks to produce travel and lifestyle programmes on Hong Kong, and increase publicity through radio and print media. In addition, the HKTB will produce video news releases on mega events as well as attractions of Hong Kong and encourage broadcast by international media on their online and mobile news channels.

34. Given the high penetration rate of TV, the HKTB has actively collaborated with TV stations from different markets to promote Hong Kong in the lifestyle and wine-and-dine programmes in the past few years. In the coming year, the HKTB will continue to invite international TV networks and production houses of high-rating programmes to film their programmes in Hong Kong. As at now, a number of programmes have already confirmed filming in the city. They include *Going Global* by CNBC World and *Wie is de Mol*, a game show produced by a Dutch channel. The HKTB is going to persuade more TV shows to come to Hong Kong, including *Inviting Mr Wright* featuring renowned travel host Ian Wright on Discovery Channel, *My Planet TV* by a Russian station and Season Four of *We Got Married* by MBC Korea.

Inject New Elements into Mega Events to Enrich Visitor Experience

35. To hype up destination excitement, the HKTB has in the past two years established and consolidated 10 promotional windows that themed on different core tourism strengths of Hong Kong, including traditional festivals and cultural celebrations, international events, arts and performances, as well as programmes of key attractions. In addition to organising mega events, the HKTB actively promotes the events organised by third parties that hold appeal to visitors, including those supported by the Mega Events Fund, so as to cater for the needs and interests of different visitors.

36. These events not only enrich the experience of in-town visitors, but also help garner media coverage and thus international publicity for Hong Kong. Also, the events bring visitors to different districts, helping to create business for the retail, catering and other sectors and communities in different parts of Hong Kong.

37. In 2013-14, the HKTB will continue to leverage the 10 promotional windows and promote Hong Kong's image as the Events Capital of Asia. Working closely with the local and foreign travel trades, the HKTB will

package and promote events under the promotional windows during different travel seasons to cater for the interests and needs of visitors in various markets. The HKTB will also actively seek sponsorships for the mega events, and inject new elements into the events where resources allow. For example:

- (a) Hong Kong Cultural Celebrations (May) – In addition to promoting the cultural activities held in various districts during four traditional festivals, the HKTB is planning to organise temple tours and introduce visitors to other local traditions and customs, such as *tai chi* and tea appreciation as well as to extend the duration and enrich the contents of this promotional window.
- (b) Hong Kong Dragon Boat Carnival (June) – The HKTB is planning to add more fun races to the event and expand the scale of the BeerFest and music event at the UC Centenary Garden in Tsim Sha Tsui East.
- (c) Hong Kong Summer Spectacular (July to August) – Targeting young visitors, the HKTB will promote August as “concert month” during which a great number of musical events will be held.
- (d) Hong Kong Wine and Dine Month (November) – The HKTB will organise the Hong Kong Wine and Dine Festival in a brand new location – the Central Harbourfront Promenade. It will also publicise the culinary events held by major dining districts, including Lan Kwai Fong, Stanley and Knutsford Terrace in November.
- (e) Great Outdoors Hong Kong (November to February) – The HKTB will extend the entire promotional window. In addition to organising guided tours along different hiking trails, the HKTB is considering the possibility of organising tree planting activities and cycling tours.
- (f) Hong Kong WinterFest (December) – Subject to sponsorship and resource availability, the HKTB will set up a new Christmas zone in addition to the ones in Central and Tsim Sha Tsui. A regional PR campaign will also be held to showcase the romantic ambience of Hong Kong during winter.

The table below summarises the events and activities under the 10 promotional windows:

Brand	Hong Kong • Asia's World City				
	Jan	Feb to Apr	May	Jun	Jul to Aug
Highlights	<u>Chinese New Year</u> <ul style="list-style-type: none"> • Flower markets • International Chinese New Year Night Parade and Stage Performances • Fireworks display • Chinese New Year Race Day • Chinese New Year Soccer Tournament • Hong Kong Well-wishing Festival 	<u>Arts and Performances</u> <ul style="list-style-type: none"> • Hong Kong Arts Festival • Hong Kong International Film Festival <u>Sports Events</u> <ul style="list-style-type: none"> • Hong Kong Marathon • Hong Kong Sevens 	<u>Cultural Celebrations</u> <ul style="list-style-type: none"> • Cheung Chau Bun Festival • Birthday of Tam Kung • Birthday of Tin Hau • Birthday of Lord Buddha 	<u>Dragon Boat Carnival</u> <ul style="list-style-type: none"> • Hong Kong International Dragon Boat Races • BeerFest 	<u>Summer Spectacular</u> <ul style="list-style-type: none"> • Summer Pop – Live in Hong Kong Concert • Large-scale PR campaign • Summer sale • Lan Kwai Fong BierFest • Hong Kong Book Fair • Ani-Com & Games Hong Kong • Special programmes at Hong Kong Disneyland, Ocean Park and other attractions • Week of English Premier League matches
	Sep	Oct	Nov	Nov to Feb	Dec
Highlights	<u>Mid-Autumn Festival</u> <ul style="list-style-type: none"> • Lantern Wonderland • Lantern Carnivals • Tai Hang Fire Dragon Dance • Themed activities in Causeway Bay / Victoria Park • National Day Fireworks Display 	<u>Halloween</u> <ul style="list-style-type: none"> • Special programmes at Hong Kong Disneyland, Ocean Park and Madame Tussauds Hong Kong • Lan Kwai Fong Halloween Street Party • Themed activities at shopping malls 	<u>Wine and Dine Month</u> <ul style="list-style-type: none"> • Hong Kong Wine and Dine Festival • Festival of Restaurants • Promotions at major dining districts • German BeerFest • Hong Kong International Wine and Spirits Fair 	<u>Great Outdoors Hong Kong</u> <ul style="list-style-type: none"> • Hong Kong Global Geopark of China • Guided hiking tours • Green tours 	<u>WinterFest</u> <ul style="list-style-type: none"> • Christmas lights • Christmas Wonderland • New Year Countdown Celebrations • Special programmes at Hong Kong Disneyland and Ocean Park • Large-scale PR campaign • Christmas sale • Hong Kong International Races • Dragon and Lion Dance Extravaganza

Help Travel Trade Develop New Tour Products to Broaden Tourism Offerings

38. Apart from organising and promoting large-scale events, the HKTB actively strives to extend the range and enhance the quality of tourism products, with a view to strengthening Hong Kong's competitiveness. In 2012-13, the HKTB launched the New Tour Product Development Scheme to help local

travel agencies and tour operators develop new land-based tours of different themes, such that visitors can enjoy an even broader range of choices. The following table lists the new themed tours covered under the scheme:

Theme in 2012-13	New Theme in 2013-14
<ul style="list-style-type: none"> • HKTB mega events • Food and wine • Multi-destination itineraries • Cruise shore excursions • Tours targeting new markets 	<ul style="list-style-type: none"> • Luxury tours • Heritage • Arts and culture

39. Under this scheme, local travel trade partners are invited to submit applications for new tour products, which will be vetted by an Evaluation Panel specially set up for the scheme. Subject to the approval of the Panel, the successful trade partners can receive funding by the HKTB on a 50/50 co-op basis for a span of one to three years, with a ceiling of HK\$500,000 per application. The amount can be used for marketing the new tour product, including (but not limited to) product advertising and PR support in overseas markets, as well as product seminars and familiarisation tours for overseas trade partners. The applicant will also receive discount when attending overseas travel trade shows and travel missions, besides utilising the promotional platforms provided by HKTB, including the DiscoverHongKong.com and PartnerNet websites, as well as trade activities.

Enhance Visitor Satisfaction to Build Word-of-Mouth

40. A key objective of the HKTB in 2013-14 is to sustain visitors' satisfaction and uphold Hong Kong's image as a quality tourism destination. Initiatives in this area include:

Visitor Information Services

- (a) At present, the HKTB runs visitor centres at the Peak, in Tsim Sha Tsui and the Hong Kong International Airport, as well as a visitor counter in Lo Wu. As the Kai Tak Cruise Terminal will begin operation in mid-2013, the HKTB is going to set up a visitor centre at the terminal to provide cruise passengers with information on Hong Kong and other assistance.
- (b) The HKTB is also extending its visitor hotline service to front-line staff members in the hospitality sector, including concierges of hotels and shopping malls in major tourist districts. The service aims at providing the front-line staff with assistance, so that they can offer travel information to visitors even more efficiently.

Quality Tourism Services Scheme

- (c) Since 1999, the HKTB has been running the Quality Tourism Services (QTS) Scheme to encourage owners or operators of retail shops, dining establishments, visitor accommodation facilities and hair salons to uphold quality service standards. As at end-2012, the QTS Scheme has accredited over 8,000 outlets run by about 1,320 merchants. In 2013-14, the HKTB will encourage more merchants and outlets to join the scheme, especially those located in major tourist districts and near new hotels, so that visitors can easily patronise shops providing high-quality services and products.
- (d) The HKTB will raise awareness of the QTS Scheme among consumers in target visitor source markets through advertising, advertorial and social media.
- (e) In 2013-14, the HKTB will continue to organise the “10-year QTS Merchant Recognition Awards” and the “Outstanding QTS Merchant Awards”, which recognise accredited merchants who are loyal to the Scheme and dedicated to service excellence. The awarded merchants and their outlets will be promoted on both PartnerNet and DiscoverHongKong.com.

A Brand New Campaign

- (f) To reinforce Hong Kong’s image as a leading travel destination, the HKTB is planning to launch a new campaign in selected visitor source markets. Through videos and outdoor advertising, the campaign will spread the message of Hong Kong’s hospitable culture and diverse tourist offerings.

Strengthen Co-operation with Greater Pearl River Delta to Consolidate Hong Kong’s Position as the Hub for Multi-destination Travel

41. To consolidate Hong Kong’s position as the hub for multi-destination travel in Asia, the HKTB will deepen its partnership with Macau and the Greater Pearl River Delta (GPRD) in 2013-14, and jointly market to overseas travellers multi-destination itineraries featuring Hong Kong, Macau and the cities in GPRD. The win-win partnership will involve participating in overseas travel trade shows, organising road shows in target markets, and arranging familiarisation visits for foreign travel trade and media. The HKTB will also leverage social media to promote multi-destination travel to the younger travellers. At the same time, through the New Tour Product Development Scheme, the HKTB is encouraging the local travel trade to develop new multi-destination itineraries. Key initiatives are as follows:

Build Partnership with Neighbouring Cities and Provinces

- (a) Following Shenzhen, Macau, Guangdong, Yunnan and Hainan, the HKTB will extend the collaborative network to Sichuan, and promote itineraries featuring Hong Kong and Sichuan in the long-haul markets.

Step up Promotion of the “144-hour Facilitation Visa”

- (b) Continue to promote multi-destination itineraries jointly with the Guangdong Provincial Tourism Administration (GPTA) and the Macau Government Tourist Office (MGTO) in major overseas travel trade shows. In particular, the HKTB will highlight the “144-hour facilitation visa” to Guangdong Province” and the new multi-destination products developed under the New Tour Product Development Scheme during promotions in the long-haul markets.

Others Promotions

- (c) In Canada, the HKTB will partner with the GPTA and the Shenzhen Municipal Bureau of Culture, Sports and Tourism to launch above-the-line advertising campaign. Also, it will develop and promote Hong Kong-Shenzhen packages with wholesalers.
- (d) In Southeast Asia, including Thailand and Indonesia, the HKTB will organise road shows to encourage the travel trade to develop multi-destination itineraries featuring Hong Kong and Shenzhen.
- (e) In Russia and India, the HKTB will launch promotion jointly with the MGTO during the peak travel seasons in the markets.
- (f) In South Korea, the HKTB will partner with the MGTO to promote Hong Kong-Macau itineraries through TV Home Shopping channels, and raise consumers’ awareness of multi-destination travel on TV.

Capitalise on Opportunities Brought by Kai Tak Cruise Terminal to Develop Hong Kong into Asia’s Cruise Hub

42. The Kai Tak Cruise Terminal will begin operation in mid-2013, bringing new opportunities for Hong Kong’s cruise tourism. Leveraging the opening of this new infrastructure, the HKTB will increase investment for cruise promotion in 2013-14, with a view to attracting more cruise liners to make port calls to Hong Kong or even make the city their home ports, and building Hong Kong’s reputation as Asia’s Cruise Hub. Major initiatives include:

Strengthen Hong Kong's Image as Asia's Cruise Hub

- (a) Widely publicise Hong Kong's advantages as a cruise hub at international and regional industry events and activities. Besides sending a delegation to Cruise Shipping Miami in 2013, the HKTB will explore the possibility of hosting the regional edition of the industry event, namely Cruise Shipping Asia, in 2014. These follow the first-ever Seatrade Hong Kong Cruise Forum hosted by HKTB in January 2013, which served as a platform for itinerary planners and senior executives of land and shore operations from the world's major cruise companies, key cruise associations and the region's port authorities to discuss the opportunities for cruise developments in Asia and Hong Kong. Through this event, the HKTB also encouraged cruise companies to include Hong Kong as a key destination in their itineraries.
- (b) Upon the opening of the new cruise terminal, the HKTB will invite international media to cover the opening ceremony and promote Hong Kong's cruise offerings to their readers and audiences.

Encourage Cruise Companies to Include Hong Kong in Their Itineraries and Stimulate Consumer Demand for Cruise Travel

- (c) Attract additional deployment of homeport and turnaround sailings to Hong Kong through the co-op marketing fund.
- (d) In Mainland China, especially Southern China, the HKTB will step up consumer programmes, advertising, PR initiatives and digital marketing to stimulate consumers' interest in cruise travel. Also, it will set up designated cruise teams in Mainland cities, including Guangzhou and Shanghai, to support the development of cruise programmes in the market.
- (e) In the US and Australia, the HKTB will roll out tactical promotions to raise interest in fly-cruise travel. Furthermore, it will pilot a scheme to attract corporations and organisations in Mainland China and India to organise charter sailings as incentive programmes, combining MICE and cruise travel.

Enhance Onshore Experience of Cruise Passengers

- (f) Through the New Tour Product Development Scheme, the HKTB will encourage the travel trade to develop new and interesting shore excursions to enrich the land-based experience of cruise passengers in Hong Kong.

Support Co-operation between Hong Kong and Neighbouring Ports

- (g) Continue to support the Government in strengthening co-operation with other port authorities in the region to develop regional cruise itineraries and products.

Highlight Hong Kong's Advantages in MICE and Drive MICE Arrivals

43. In the face of a volatile global economy, many corporations have tightened their budgets for business travel. Nevertheless, there is potential for growth of Hong Kong's MICE tourism, given the continued expansion of the Mainland economy and Hong Kong's position as the gateway to Mainland China. Another advantage is the strength of most currencies against the Hong Kong dollar, which acts as a pull factor in attracting business visitors. In 2013-14, the HKTB expects that the growth for meetings and incentive travels will be relatively mild, with Mainland China and other short-haul markets, such as Southeast Asia and India, being the key visitor sources. As for conventions and exhibitions, these will be less affected by the current economic environment, since many of the events have already been confirmed.

44. In 2013-14, the HKTB will adopt the theme "Hong Kong • The World's Meeting Place" for its MICE promotions to highlight Hong Kong's advantages as a MICE destination. Working closely with event organisers, as well as local attraction and venue operators, the HKTB will roll out initiatives with a segment-focused approach:

Meetings and Incentive Travels

- (a) Focus promotions on five short-haul markets, namely Mainland China, India, Singapore, Thailand and Indonesia.
- (b) Set up designated teams in Beijing and Shanghai to tap the potential of the Mainland market.
- (c) Extend the coverage of the "Top MICE Agent" Award from Mainland China and Taiwan to Southeast Asia, including Indonesia and Thailand, to encourage more meetings and incentive agents to choose Hong Kong as the host city of their activities.
- (d) Organise road shows jointly with Hong Kong's venue operators and other related partners in the key cities of India, including Mumbai, Delhi, Chennai and Kolkata, and offer special packages for the Indian meetings and incentive travel organisers.
- (e) Promote Lantau Island as a one-stop meetings and incentives hub together with the local travel trade in order to bring more business opportunities to the trade on the island.

Conventions

- (f) Bid for events that have not been held in Hong Kong before, including both large-scale conventions with over 2,000 participants and high-profile events.
- (g) Strengthen partnership with associations in Europe and the US to promote Hong Kong's appeal as a host city of conventions.
- (h) Reach out to associations in Mainland China, especially those in Beijing and Shanghai. MICE organisers from these cities will be invited to visit Hong Kong's MICE venues and facilities and encouraged to bring their conventions to Hong Kong.

Exhibitions

- (i) Enhance the "Business Right Here!" campaign in collaboration with organisers and the local travel trade, offering participants more special discounts and services, so as to drive attendance and encourage first-time visitors to experience Hong Kong.
- (j) Promote Hong Kong at international trade shows with the local travel trade, including venue operators, Hong Kong Exhibition and Convention Industry Association and Hong Kong Trade Development Council.
- (k) Provide organisers with customised services, so as to secure existing events and attract new ones.

Strengthen Trade Partnerships and Create Business Opportunities

45. In the past few years, the HKTB has initiated several initiatives to deepen its collaboration with the local travel trade. Last year, for instance, it launched the New Tour Product Development Scheme to assist the travel trade in developing new tour products. In 2013-14, the HKTB will provide even better service and support to the trade through the revamped PartnerNet, and review the cost-effectiveness of trade shows and travel missions so that it can create even greater value for trade partners. Initiatives include:

PartnerNet

- (a) In 2012, the HKTB launched the revamped PartnerNet to build stronger network with trade partners and support them to expand their businesses. This new site allows members to update their corporate profiles easily. In particular, the e-Marketplace function enables members to search for potential partners that match their business needs conveniently. Members can also train their front-line staff with the "Hong Kong Specialist" training programme, which enriches trainees' knowledge on Hong Kong's history,

culture, attractions, festivals and others. It is expected that by end-2013, all 13 versions of PartnerNet (in nine languages) will be rolled out. The HKTB will promote the new functions of the site to the local and overseas travel trade whenever appropriate and encourage more of them to become members.

Overseas Trade Activities

(b) Prompted by the changing market and business environment, the HKTB reviewed the approach to overseas trade shows together with the travel trade partners in 2012-13. This year, the HKTB is planning to concentrate on 15 instead of 19 international trade shows. The extra resources will be used to provide more support to the local travel trade, such as organising more networking sessions for local trade partners to meet and explore business co-operation with their overseas counterparts. The HKTB will also provide special offers for local trade partners to participate in trade shows held in new markets, so as to give them incentives to tap the new markets.

STRENGTHEN CORPORATE GOVERNANCE

46. While conducting marketing promotions in the visitor source markets, 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 regularly reviews and further enhances its financial policies and procedures. Through consultation with academics and other stakeholders, the HKTB identifies areas of further improvement, so as to continuously enhance its accountability. Based on the strategic foci of 2013-14, 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

47. The HKTB's projected marketing budget for the Mainland and overseas markets and the Head Office in 2013-14 is HK\$337.87 million. Out of this budget, about 52% or HK\$176.59 million will be allocated to promotions by the Worldwide Offices.

48. As for the remaining 48%, 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 in Hong Kong. Attachment IV sets out the detailed breakdown.

49. 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 16 offices and has representatives in six different markets. In 2013-14, the headcount of the HKTB in its Head Office and Worldwide Offices will be 362.

FINDING NEW INCOMES

50. In addition to enhancing its promotional activities through innovative and cost-effective channels as mentioned above, the HKTB will continue to solicit sponsorship for the staging of its mega events and other promotions, as well as increase the revenue from advertising on its website and in its publications.

51. The HKTB has an established mechanism for seeking sponsorship for mega events. As well as identifying potential sponsors from the business community and travel trade activities, the HKTB has placed advertisement in major local newspapers since last year to solicit sponsorship from local corporations and other interested parties. Furthermore, after the staging of each mega event, the HKTB will immediately follow up with the sponsoring organisations and discuss further co-operation, with the objective of securing sponsorship agreement lasting for more than one year. The HKTB has already started liaison with different organisations on sponsorship for the mega events in 2013-14. The HKTB aims to achieve over HK\$54.4 million of commercial sponsorship income (cash and in-kind) in 2013-14, an increase of 9.2% over the amount in 2012-13. In the event that the HKTB is unable to identify suitable sponsors, the HKTB will kick-start the contingency mechanism in place and consult the Board and its Product and Event Committee.

CONCLUSION

52. In conclusion, the HKTB will invest prudently according to the market prioritisation and flexibly deploy its resources in 2013-14. Apart from identifying and nurturing new visitor segments, the HKTB will work even more closely with the travel trade to devise new products and raise Hong Kong's profile globally, so as to promote sustained growth of Hong Kong's tourism.

Hong Kong Tourism Board
February 2013

2012 Total Arrivals by Market

('000)	2012	2011	Vs. 2011
The Americas	1,778	1,821	-2.4%
USA	1,185	1,212	-2.3%
Canada	393	411	-4.4%
Central and South Americas	201	198	+1.2%
Europe, Africa and the Middle East	2,228	2,194	+1.5%
Europe	1,868	1,801	+3.7%
The UK	533	507	+5.3%
The Netherlands	100	108	-7.0%
Nordic Countries	133	137	-2.9%
Germany	223	224	-0.3%
France	226	234	-3.3%
Italy	116	117	-1.4%
Iberia	80	82	-2.3%
Russia	186	132	+41.8%
Europe Others	270	262	+3.1%
South Africa	71	80	-11.7%
Africa Others	103	114	-9.1%
The Middle East	186	199	-6.5%
GCC Countries	45	48	-7.1%
Non-GCC Countries	142	151	-6.3%
Australia, New Zealand and South Pacific	741	758	-2.3%
Australia	632	645	-1.9%
New Zealand	98	103	-4.6%
South Pacific Others	10	10	-2.2%
North Asia	2,333	2,305	+1.2%
Japan	1,255	1,284	-2.3%
South Korea	1,078	1,021	+5.6%
South and Southeast Asia	3,652	3,751	-2.6%
Southeast Asia	3,179	3,202	-0.7%
Indonesia	512	521	-1.7%
Malaysia	625	633	-1.3%
The Philippines	710	660	+7.6%
Singapore	728	794	-8.3%
Thailand	502	480	+4.4%
Vietnam	69	80	-13.9%
S.E.A Others	34	34	-0.4%
India	414	498	-16.8%
Other Asian & Indian Sub.	58	51	+14.1%
Taiwan	2,089	2,149	-2.8%
Macau SAR	883	843	+4.8%
World excl. China	13,704	13,821	-0.8%
Mainland China	34,911	28,100	+24.2%
Total	48,615	41,921	+16.0%

Performances of Visitor Source Markets in 2012

Market	Visitor Arrivals	Market Analysis
Mainland China	<ul style="list-style-type: none"> • Total arrivals up 24.2% to 34.91 million. • Those who came to Hong Kong on the Individual Visit Scheme amounted to 23.14 million, representing an increase of 26.2% and contributing to 66.3% of total Mainland arrivals. 	<ul style="list-style-type: none"> • Sustained growth of the Mainland economy, strengthening of <i>renminbi</i> against the Hong Kong dollar and the facilitation measures under the Individual Visit Scheme encouraged Mainland visitors to make consumption visits to Hong Kong. • Visitor arrivals from non-Guangdong areas increased 24.4% year-on-year, with arrivals from Central China even gone up 36.0%. The buoyant growth could be attributed to the opening of the Wuhan-Guangdong and Guangzhou-Shenzhen express rail links, which made it more convenient for visitors from Central China to come to Hong Kong via Shenzhen. • In the past few years, the HKTB has been actively tapping the potential of non-Southern China, by increasing investment in second- and third-tier cities. In the past five years (2007 to 2012), the compound average growth rate of non-Guangdong overnight visitor arrivals reached 16.4%. It is also worth noting that the length of stay and spending of non-Guangdong visitors were greater than their Guangdong counterparts.
Taiwan	<ul style="list-style-type: none"> • Total arrivals down 2.8% to 2.09 million. 	<ul style="list-style-type: none"> • Cross-strait direct flights led to decreased business arrivals. Vacation arrivals also decreased due to a large base in 2011, as resulted from the 311 earthquake and related incidents in Japan, which caused Taiwanese overnight vacationers to change their travel destination from Japan to Hong Kong in 2011.
Southeast Asia	<ul style="list-style-type: none"> • Total arrivals down 0.4% to 3.11 million. 	<ul style="list-style-type: none"> • Arrivals from the region were affected by the fact that many travel destinations in the region launched new attractions and large-scale promotions, causing intense competition. • Also, having switched their travel from Japan to Hong Kong following the 311 earthquake and related incidents in 2011, many travellers in the region

		<p>resumed travelling to Japan in 2012.</p> <ul style="list-style-type: none"> • Nevertheless, individual markets such as the Philippines (+7.6%) and Thailand (+4.4%) recorded satisfactory growth. Overnight vacation arrivals from the former even went up 10.5%.
North Asia	<ul style="list-style-type: none"> • South Korea – total arrivals up 5.6% to 1.08 million. 	<ul style="list-style-type: none"> • Sustaining the growth momentum of 2011, South Korea registered healthy growth in 2012. In particular, overnight vacation arrivals went up 11.3%, which could mainly be attributed to the increased flight capacity.
	<ul style="list-style-type: none"> • Japan – total arrivals down 2.3% to 1.25 million. 	<ul style="list-style-type: none"> • Travel sentiments have recovered from the 311 earthquake and related incidents. The launch of Hong Kong-Osaka route by low-cost carrier Peach Aviation in July 2012 also expanded flight capacity. • However, the Sino-Japanese dispute over the Diaoyu Islands, which intensified in the third quarter of 2012, caused a fall in Japanese arrivals to Mainland China and those en route to Hong Kong. As a result, yearly arrivals from Japan declined.
Long-haul Markets	<ul style="list-style-type: none"> • The Americas – total arrivals down 2.4% to 1.78 million. • Europe – total arrivals up 1.2% to 1.58 million. • Australia – total arrivals down 1.9% to about 630,000. 	<ul style="list-style-type: none"> • Apart from the sluggish US economy, which dampened consumer confidence, many airlines, including Continental Airlines and Delta Airlines, cancelled flights to Hong Kong to cut operational costs, causing decreased flight capacity and drop in arrivals. • The sovereign debt crisis, however, did not dampen the travel sentiments of wealthy achievers and professionals in Europe. In 2012, overnight vacation arrivals from the UK and Germany rose by 6.1% and 3.2% respectively.
New Markets	<ul style="list-style-type: none"> • Russia – total arrivals up 41.8% to about 180,000. • India – total arrivals down 16.8% to about 410,000. • The Middle East – down 6.5% to 180,000 • The Netherlands – 	<ul style="list-style-type: none"> • Russia – Due to increased flight capacity, there was robust growth in arrivals. • India – Arrivals dropped because of decreased flight capacity caused by the closing of Kingfisher Airlines in April and strike in Air India in May. Also, Indian consumers who are usually price-conscious were drawn by the competitively priced packages of Hong Kong's neighbouring destinations. • Middle East (GCC countries) – Performance of the

	<p>total arrivals down 7% to about 100,000.</p> <ul style="list-style-type: none"> • Vietnam – total arrivals down 13.9% to about 69,000. 	<p>market was mainly affected by the fact that fewer overnight visitors stopped over in Hong Kong when heading to destinations in the region.</p> <ul style="list-style-type: none"> • The Netherlands – visitor arrivals, especially those for business, decreased due to the European sovereign debt crisis. • Vietnam – Tightened visa arrangements and decreased flight capacity caused arrivals to drop.
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2013-14 PROPOSED MARKETING BUDGET

	2013-14 Proposed Budget	2012-13 Revised Estimates
	(HK\$M)	(HK\$M)
<i>Mainland China</i>	<i>51.4</i>	<i>53.7</i>
South China	8.5	10.1
Central China	13.2	11.7
East China	14.7	15.0
North China	15.0	16.8
<i>Short-haul Markets</i>	<i>51.4</i>	<i>51.1</i>
Japan	12.3	13.4
Taiwan	11.9	13.2
South Korea	12.3	10.9
Singapore	3.5	3.5
The Philippines	3.6	3.3
Malaysia	2.5	2.6
Indonesia	3.0	2.3
Thailand	2.3	2.0
<i>Long-haul Markets</i>	<i>43.9</i>	<i>43.6</i>
USA	15.9	16.0
Australia	10.4	10.5
The UK	7.1	6.8
Canada	4.0	4.0
Germany	3.5	3.4
France	3.0	2.9
<i>New Markets</i>	<i>29.8</i>	<i>31.2</i>
India	13.4	13.4
Russia	7.7	8.0
The Middle East	5.0	4.3
Vietnam	1.3	2.9
The Netherlands	2.4	2.6
<i>Non-key Markets & Exchange Reserve</i>	<i>0</i>	<i>0.1</i>
Total Marketing Budget for Source Markets	176.6	179.8
Total Marketing Budget for Head Office	161.2	178.3
Total Proposed Marketing Budget	337.8	358.1^λ

^λThe budget for 2013-14, which is lower than the revised estimates of 2012-13, is made on the assumption that the HKTB will receive less additional funding from the Government.

Remarks: Due to rounding, the total may differ from the sum of individual figures

2013-14 PROPOSED MARKETING BUDGET
(By Strategic Focus)

Strategic Focus	Head Office (HK\$M)	Worldwide Offices (HK\$M)	Total (HK\$M)	2012-13 Revised Estimates (HK\$M)
1. Consolidate “Hong Kong • Asia’s World City” brand and step up public relations promotions	14.5	47.1	61.6	60.6
2. Intensify digital marketing	14.0	27.0	41.0	33.7
3. Strengthen the appeal of mega events	48.4	21.0	69.4	74.3
4. Promote Hong Kong as the hub for multi-destination travel in the region	1.2	4.3	5.5	6.6
5. Boost MICE attendance	23.0	17.7	40.7	48.5
6. Build cruise demand	14.6	0.9	15.6	13.4
7. Strengthen trade support and partnership	11.8	38.9	50.8	66.3
8. Enhance quality services <i>(Includes strengthening the promotion of Quality & Honest Hong Kong tours and Quality Tourism Services Scheme)</i>	14.3	8.0	22.3	23.3
9. Uphold corporate governance <i>(Includes resource management, finance management, application of information technology, visitor survey and strategic planning)</i>	19.3	3.0	22.3	23.1
10. Others				
(a) Agency rep. fee	--	8.7	8.7	8.2
(b) Exchange reserve				
(c) Reserve for non-key markets				
Grand Total¹	161.2	176.6	337.8	358.2

¹ Due to rounding, the total may differ from the sum of individual figures