

The Impact of Digital Marketing on Duty-free Commodities and the Construction of Free Trade Port

Lan Hong^{1,a,*}

¹*Zhongguang Tianze Media College, Haikou University of Economics, 570100, Hainan, China
a. 1811431219@mail.sit.edu.cn*

**corresponding author*

Abstract: This paper researches and discovers the investigation and future promotion suggestions of Hainan Free Trade Port construction and duty-free online promotion through investigation and visits, experience, and multi-party interviews. Digital marketing will play a very important role in the construction and development of the Hainan Free Trade Port in the future. Since the construction of a free trade port was proposed in 2012, Hainan Province has been involved in agriculture, forestry, animal husbandry, fishery, manufacturing, construction, wholesale and retail, transportation, warehousing and postal services, accommodation and catering, information transmission, software, etc. and information technology service industry and other related policies of industry decentralization. This paper first introduces the relevant situation of digital marketing policies of related industries, the relevant situation of the construction of free trade port duty-free zone, and the development situation of representative enterprises, and puts forward predictions and assumptions for the future development direction. Constructive suggestions are put forward for the construction of the Hainan Free Trade Port in the future.

Keywords: duty-free, digital marketing, Hainan Free Trade Port

1. Introduction

The rapid growth of China's economy has led to increased demand for high-quality products and services. As consumers become more sophisticated, they increasingly see duty-free as a way to save money while shopping. China's Ministry of Commerce has identified Chinese tourists as a major force in the global luxury market, with these consumers spending a staggering 1.2 trillion yuan a year, accounting for nearly half of all global luxury purchases. consumption of overseas purchases. The quantity shows an increasing trend from year to year and the phenomenon of consumption output. If consumption trends do not change in the long term, exits will be very profitable. Negative effects on the Chinese economy due to the emergence of new champions. The league in recent years has discouraged people from going shopping, with many consumers focused on it. Paying attention to the tax exemption in the domestic market, Hainan gives back to consumers Hainan has accepted one of the tax-free economies and has good development prospects. Duty-free markets are also called "duty-free markets" established by government agencies. A business imports goods and sells them to consumers who leave the country, but these goods are not taxed. Duty-free goods are also sold at international airports, ports, cruise ships, border towns, onboard international flights, and in downtown shops. The airport travel retail industry has experienced significant growth and expansion

in recent years. Airports are now home to large shopping malls that offer a wide range of products such as cigarettes, alcohol, cosmetics, luxury goods, and chocolates. This has resulted in airports generating high profits, mainly thanks to the retailers. As a result, airports have reserved more space for retailers to meet the growing demand for duty-free products from travelers. Thompson argues that investing in the tax-free market is essential for companies due to recent changes in the industry. The duty-free market has experienced tremendous growth and development due to external factors such as population growth, the expansion of emerging markets, and globalization. These factors have supported the growth of the industry, creating opportunities for companies to explore new markets and increase revenue. In conclusion, the airport travel retail market has become a booming industry that presents lucrative opportunities for companies. With the increased demand for duty-free products and the support of external factors, companies can take advantage of the tax-free market and benefit from its growth and development. Air travel is the main form of revenue for airports and, like the money people spend at airports, is expected to continue to grow exponentially in the future, especially from emerging markets such as India, China, Brazil, and Russia [1]. The middle and upper-class population is growing and starting to travel more. There is clear evidence that while European passengers travel easily to Asia and Russia, more and more people from Africa and Asia are arriving in Europe. Passenger growth is driven not only by higher incomes of emerging economy populations but also by low-cost airlines in the domestic market. Many businesses are beginning to see the tax-free market as an opportunity for business success and relative expansion. This phenomenon is particularly attractive in the fashion industry. Digital marketing has played an important role in the promotion and marketing of Hainan as an international free trade port. This paper will study the importance of digital marketing to Hainan's global trade port and the promotion of duty-free products from various aspects.

2. CDFG's Digital Marketing Case

During the COVID-19 epidemic, China Duty-Free Group (CDFG) adopted a two-wheel drive strategy of tax plus tax exemption, which brought better sales. In addition, the epidemic has limited people's foreign travel, and the number of tourists has greatly decreased. CDFG increased the repurchase rate of consumers and the conversion rate of passenger flow through the establishment of a digital marketing system, a digital membership system, and the development of an online marketing platform [2]. CDFG has always been committed to the construction of a digital system, establishing intelligent retail, intelligent business systems, and intelligent members, all of which are linked to the big data marketing platform and digital push platform, and then pushed back to consumers and merchants to maximize the best products and needs. Adapted consumers are connected to form a complete closed loop based on digital business operations. Not only in the sales part, intelligent buildings, intelligent energy management, property management, data operation, grading system, investment invitation evaluation and underwriting system, advertisement management system, etc., together constitute the general outline of CDFG's digital business.

2.1. Intelligent Energy Management and Control System

For a traditional commercial investment, energy is often the largest item of expenditure, and the annual energy expenditure of a commercial project can be close to tens of millions. To reduce costs, we must consider how to implement intelligent energy management and control at the beginning of the project, implement deep construction in the early stage, and fully connect the wind control energy system. After deploying an intelligent energy management and control system, it is necessary to establish a powerful data center for energy management and control, whose role is to combine energy management and control strategies with financial strategies. For example, to create a better consumer

environment, the room must be adjusted to an appropriate temperature, and the system can predict the time of peak passenger flow and make real-time adjustments to avoid energy waste. Another example is predicting the temperature adjustment time of the air conditioner by judging the activation of the smoke machine in the restaurant in the mall. It can be seen that from the beginning of the construction of commercial projects, one must follow the digital system.

2.2. Automated Marketing System

In the stage of digital operation, for member marketing of malls, automated marketing systems are the best choice to improve efficiency. The marketing strategy in the automated marketing system comes from the analysis of the underlying membership data. Use identification recognition, body recognition, camera, and other identification technologies to collect data such as member stays and consumption, apply artificial intelligence, and other data analysis technologies to analyze individual consumer needs, and accurately push event information and product information to form Accurate customer marketing [3].

2.3. Settings of Digital Shopping Centers

Whenever people enter a shopping mall, the eye-catching large advertising screen will show consumers a variety of products, but the effective push conversion is not high, and there is no way to consider it. CDFG transforms the big screen into a "big game screen" with digital technology. Consumers can guess the price of the product displayed on it, get the product if they guess correctly, and get a coupon for the product if they fail to guess correctly, attracting consumption Register as a member. In addition, the sales data at the checkout and the behavior in the rest area will generate good sales contacts. The increase in sales probability and sales depends on the construction of digital details in smart shopping centers.

2.4. Data Privacy Issues

CDFG pays special attention to members' data privacy. For the private data of members, it is only used as the underlying record, and it will not be displayed during the business implementation process, and it will be insensitive; for the transaction data related to member consumption, only group analysis will be carried out when it is applied, which is relatively safe for individuals. And from a business point of view, the core of digital marketing is to serve the customer base and make business decisions using the changing trend of the customer base; for some data generated by images and identification, tag codes are formed through digitization. In the process of using member data, compliance, and desensitization are achieved, and some sensitive data cannot be tracked. At the same time, in commercial applications, the use of data groups is limited to effectively ensure the data security of members [4].

2.5. Compatibility of Digital System and Business Strategy

The company's management recognizes that digitization is an important strategic direction. Hainan's outlying island tax-free policy has become the most lenient policy in Asia. After 7 times of adjustments and relaxation of shopping age, outlying island method, shopping frequency, shopping limit, and product variety in nine years, Hainan's outlying island tax-free policy has surpassed that of overseas outlying islands, and it is the region with the most relaxed tax-free policy in outlying islands in Asia. This shows that It highlights China's policy direction of strengthening the return of tourism consumption and the determination to build Hainan into an international consumer tourism center. China Duty-Free has a 40-year history of development, all licensed. China's duty-free industry began

in 1980 and has a history of 40 years. The first duty-free shop in China is Shenzhen Duty-Free Shop (formerly Shenzhen Duty-Free Group), established in Luohu Qiaotou, Shenzhen in January 1980 [4]. China's informal enterprises are all examples of franchises managed by state-owned enterprises with specific industry specifications. Free shipping is a business that the government allows only certain institutions to operate. Obtaining a tax-deductible qualification must be reviewed and approved by three departments including the Ministry of Finance, the National Tax Administration, and the General Tax Administration. Licenses are rare and difficult to obtain. There are only 6 tax-free licenses in the country. Until now, China's informal franchise industry has maintained a weak form of competition. Currently, there are only 6 companies (jointly integrated) with a duty-free license in the country, which are China CDFG (including the acquired Rishang), Shenzhen Duty-Free Group, Zhuhai Duty-Free Group, China Overseas Personnel Service Co., Ltd., China Hong Kong China Travel Asset Management Co., Ltd. (China Overseas Chinese Store), Wangfujing Group Co., Ltd. Although the above six companies all have a tax exemption license, the business areas allowed by their tax exemption licenses differ. China CDFG has a full free license and can operate in airport and port shops, duty-free shops in remote islands, and city duty-free shops; Shenzhen Free Zone and Zhudou Free Zone mainly use duty-free shops in the airport and seaport; CDFG mainly deals with duty-free shops in airport and port operations, duty-free shops in the city; Hong Kong Travel Service in China (Overseas China) specializes in unexpected shopping in the city; Wangfujing did not specify the location of the business, but it is likely to target vacant stores in the city.

3. China's Relevant Policies

On June 1, 2020, the Party Central Committee and the State Council issued a plan to develop the Hainan Free Trade Port. One of the proposals was to adjust the duty-free shopping policy on outlying islands, allowing tourists to spend up to 100,000 yuan per person per year on duty-free goods. The plan aimed to expand the types of duty-free commodities and increase popular products like electronics while limiting the quantity of certain items like cosmetics, mobile phones, and alcohol. The announcement also stated that there would no longer be a limit on the price of a single commodity. The new policy came into effect on July 2020 and applies to all passengers on Hainan's outlying islands. The policy also regulates the duty-free operations of businesses qualified to distribute duty-free goods and specifies that any purchases exceeding the duty-free quota or limit will be subject to import tax. Overall, the policy aimed to attract more tourists and promote the developing of a high-quality free trade port in Hainan [5]. For the previous policy, Advertisement made several corrections. One is to increase the duty-free shopping quota from 30,000 yuan per person per year to 100,000 yuan. The second is to expand the types of duty-free commodities on outlying islands from 38 to 45. The third is to cancel the duty-free limit of 8,000 yuan for a commodity. Fourth, the policy focuses on quota management, and the types of goods with single-time purchase restrictions have been greatly reduced. The fifth is to promote moderate competition and allow qualified enterprises to equally participate in the duty-free operation of Hainan's outlying islands. The sixth is to strengthen supervision during and after the event, and clarify the legal responsibilities of individuals, enterprises and duty-free shops on outlying islands involved in reselling and smuggling.

Since the implementation of the tax-free shopping policy for outlying island tourists in April 2011, it has had a positive impact on promoting the construction of Hainan as an international tourism island, promoting tourism consumption and the development of related industries. According to customs statistics, as of the end of 2019, 16.31 million people made purchases, with duty-free sales of 53.8 billion yuan. This policy adjustment will further enhance the shopping experience of consumers, release policy dividends, enhance the public's sense of gain, promote the construction of Hainan as an international tourism and consumption center, and strengthen the construction of Hainan Free Trade Port.

3.1. Relevant Policies of the Garment Industry

This passage discusses how Hainan is likely to continue to play an important role in China's luxury consumption, even after borders reopen to allow travel. According to a June 2021 McKinsey survey, more than 60% of Hainan's duty-free shoppers said they would return to duty-free shopping even after international travel resumed. Additionally, 95% of recent travelers have already taken advantage of new regulations allowing online shopping after traveling duty-free, or plan to do so in the future.

Among those planning to return to Hainan, more than 40 percent plan to increase spending, indicating strong consumer demand for luxury goods in the region. To meet this demand, construction and renovation of various commercial and retail facilities are underway, including brand experience stores, brand outlet malls and theme centers. In addition, it focuses on borderless retail platforms and technology research and development.

Overall, Hainan continues to attract luxury buyers and is expected to remain a significant player in China's luxury consumer market. The region's efforts to improve its commercial and trade facilities and expand online shopping options may further attract consumers looking for premium products [6].

4. Specific Improvement Measures for Digital Marketing in the Economic Promotion of Hainan Free Trade Island

4.1. Optimize Pick-up Policy

The Buy and Collect method allows customers to purchase duty-free items from a list of eligible items and collect them at the airport or port upon departure. However, the number of duty-free items per person per category is limited. If the customer exceeds the limit, he will be charged with duties and taxes. Specific restrictions are outlined in the policy. When picking up the goods, the customer must present the bill of lading and the original purchase invoice. Customs authorities are not obliged to verify the shipment, but customers must ensure they have the correct documentation to avoid any problems.

4.2. Innovative Brand Management Policy

A definitive winning model for luxury brands has not yet surfaced, but it is crucial for them to establish a differentiated retail operating model in order to achieve long-term sustainable growth on the island. The specifics of this model will vary depending on the bargaining power of the brand and its Duty-Free Operator (DFO). To strategically enhance brand management, it is important to seize mutually beneficial opportunities with a strong incumbent Duty-Free Operator (DFO), such as establishing a dedicated brand management store manager. This approach not only boosts productivity but also strengthens the brand identity of the staff [7]. Additionally, for new entrant DFOs lacking scale and prime locations, a brand-driven model with substantial control over pricing, merchandising, staff, shared supply chains, demand planning, and data operations should be implemented. In order to develop a unified understanding of Chinese customers, both Hainan and domestic enterprises should collaborate on a shared loyalty program, customer data platform (CDP), and data analytics team. This enables the collection of data on Hainan travelers who have returned home, facilitating targeted marketing efforts in both contexts [8]. Achieving this objective requires a fundamental reconsideration of domestic and travel retail organizations, as well as collaboration models. Establishing strategic partnerships is crucial for accessing and functioning effectively in the market. Online collaborations with ecosystem players, such as home delivery services and online unused duty-free replenishment services, should be considered to cater to customer preferences. Although the current adoption of home delivery services is relatively low, there is a potential for growth if convenient options are made available [9]. Furthermore, managing relations with key

policymakers at the central, Hainan, and city levels is essential, taking into account various policy considerations and tasks. Starting from 2025, brands will have the opportunity to operate duty-free stores in Hainan independently, without the need for cooperation with DFOs. To prepare for this transition, brands should collaborate with internal teams, such as those responsible for supply chain strategy and oversight, real estate development, government relations, local merchandising and pricing, and professional talent development in Hainan. This gradual development of capabilities will ensure a smooth transition. Maintaining agile brand-building operations in Hainan is crucial to adapt to the rapidly evolving market. Adopting a stage-gate investment model allows for unlocking new investments as previous stages demonstrate results [10]. This approach provides the necessary flexibility in response to market changes. Hainan authorities have capitalized on overseas travel restrictions to generate interest among Chinese luxury shoppers, aiming to establish Hainan as a global duty-free shopping hub. However, it is important to recognize the trade-off between increasing sales and protecting brand equity in the current models. The ultimate winner will be the brand that successfully creates a new model defining a luxury experience that captures customers' attention on Hainan Island for years to come.

5. Conclusion

In summary, the research of this paper sheds light on the construction of the Hainan Free Trade Port and the research and future proposals for the promotion of duty-free online promotion. Through practical experience, multiple interviews, and visits, the important role of digital marketing in the future construction and development of the Hainan Free Trade Port is clarified. This article arranges the digital marketing policies of related industries, the construction of free trade port-related areas, and the development of representative enterprises. This has led to predictions and assumptions about the future development direction of the Hainan Free Trade Port. According to the research results, constructive suggestions are made for the future construction of the Hainan Free Trade Port. These recommendations include the need for a comprehensive digital marketing strategy that takes into account the unique characteristics of the region and its industry, the importance of using technology to improve logistics and supply chain management, and the importance of infrastructure and human resource development. Including the need for continued investment. Overall, the research conducted in this paper highlights the huge potential of the Hainan Free Trade Port and the key role that digital marketing plays in its success. Hoping that the findings and recommendations presented in this paper will contribute to the ongoing efforts to promote the development of the Hainan Free Trade Port and create new opportunities for businesses and individuals.

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