

Premier Swiss luxury watch publisher quizzes Martin Moodie on the Hainan opportunity

CHINA (HAINAN). World-renowned watch industry title [Europa Star](#) has sought an expert view on the development of the Chinese duty free haven of Hainan and its potential for growing the luxury watch category from The Moodie Davitt Report Founder and Chairman, Martin Moodie.

In a wide-ranging interview with Europa Star's publisher, Serge Maillard, Moodie was quizzed on the factors behind the rise of Hainan, its long-term potential and why luxury brands – in particular those owned by Swiss watchmakers – and duty free specialists are rushing to gain a firm foothold in the island's rapidly developing retail infrastructure.



The wide-ranging Europa Star article centred on an interview with The Moodie Davitt Report Founder and Chairman, Martin Moodie

Introducing the article, Maillard described Hainan as “the new name emerging on to the horological map”, and said there is little doubt that the future of the Swiss watchmaking industry “will continue to be written in Chinese”. He noted that last year, it was the only major market to record growth (+20%), as exports of Swiss watches were hit by a record contraction.

“You’ve got a combination of Chinese giants, Hainan government-backed bodies, and international retailers all vying for a big and growing prize. Things are really heating up” – Martin Moodie

Maillard noted that the pattern of Chinese consumption – which used to be defined by big spenders abroad – is changing, with the prolonged hiatus in international travel and the broader plan of the central government to repatriate domestic consumption.

Hainan, as Moodie emphasised, is at the very centre of this plan. “Make no mistake, there is an unstoppable momentum underpinning Hainan’s emergence as a luxury and duty free shopping stronghold.”



Martin Moodie said that Sanya’s Watches & Wonders event last year hosted by China Duty Free Group was a statement of belief in the island’s future as a luxury centre

He noted that the attractive tax regime of Hainan, and particularly the tripling of the duty free allowance on the island to US\$15,000 (and scrapping the US\$1,250 single item purchase limit) from 1 July last year, is a “real game changer”, not least where luxury Swiss watches are concerned. Moodie said: “That drove an extraordinary second half sales boom in 2020, with sales reaching around US\$5 billion, a rise of more than +130% over 2019. Watches and jewellery each accounted for around 12% of the total.”

Moodie was asked by Maillard if moves like this could see Hainan overtake Hong Kong as the main duty free destination for watch purchases by mainland Chinese buyers. Moodie hedged his bets, replying: “Much depends on what happens with the pandemic and when the mainland/Hong Kong borders are reopened. We expect Hong Kong to rise again as a shopping destination for upscale mainland purchasers, but there is no doubt that Hainan is here to stay – particularly given the planned rapid development of tourism infrastructure on the island, including a boom in luxury hotel and leisure facilities.”



Watches and jewellery accounted for about 24% of offshore duty free sales on Hainan during 2019

Highlighting a flurry of major new retail openings on Hainan in recent weeks, extensively covered by The Moodie Davitt Report, Moodie noted the clamour of multiple Chinese and international duty free businesses to get their slice of the action. He said: “So now you’ve got a combination of Chinese giants, Hainan government-backed bodies, and international retailers all vying for a big and growing prize. Things are really heating up, and as a result the authorities are projecting that the market will grow to US\$9 billion in 2021 and US\$15 billion by end-2022.”

Moodie was also asked if the emergence of luxury Chinese brands, such as the watchmaker Fiyta, could see a shift from “buy in China” to “buy Chinese”, threatening the market share of Swiss watchmakers. He replied: “Chinese luxury products are emerging gradually, but don’t expect the same sort of dramatic shift as you are seeing with the buy at home vs buy abroad dynamic.”



The duty free shopping haven of Hainan is a rapidly growing land of opportunity for Swiss luxury watch brands

He added: “Chinese consumers have an enormous appetite for – and comfort with – international luxury brands, and that will only increase in future. Remember, China’s luxury industry is still in its infancy, but we do expect more Chinese high-end products to emerge in the future, and that is a good thing.”

In addition to its website – which attracts over 800,000 visitors a month – Europa Star publishes a global print edition (*pictured below*) – covering all world markets for branded watches and their consumers – which is individually mailed to key retailers, major brand distributors, boutiques, collectors, aficionados and watch lovers across more than 170 countries around the world.



There are also specific editions of Europa Star for the Swiss and North American markets, as well as a Chinese language edition, emphasising this part of the world's rapidly growing prominence in watch retail, now spearheaded by Hainan.

Read the full Europa Star interview with Martin Moodie [here](#).

Hainan Island: Travel retail's global hotspot

The Moodie Davitt Report will publish a Hainan Island Special Report with the China edition of The Magazine in February 2021. Written by Martin Moodie and Dermot Davitt, it will explore how the offshore duty free business in China has become critical to the world's leading brands across many categories.

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The report will feature:

- Comment & analysis on the seismic impact of the new offshore duty free policy in Hainan since 1 July
- The potential of new offshore duty free allowances across categories from beauty to fashion and watches and from wines & spirits to consumer electronics
- Major interviews with and profiles of China Duty Free Group, CNSC, DFS Group, Dufry, Hainan Development Holdings, Hainan Tourism Investment Development Co, Hainan Provincial Bureau of International Economic Development (Hainan IEDB), Lagardère Travel Retail, Wangfujing and others, with a special focus on the ambitious Hainan Free Trade Port project
- Beyond Hainan, we examine the rebound in the China domestic market, assess prospects for Chinese airports and hopes for an eventual return to international travel. With input from leading travel retailers in the Mainland, Macau

