



# HONG KONG

## White Paper

Version 1.0

June 2006

# Table of Contents

1	INTRODUCTION TO THE WHITE PAPER PROJECT.....	6
1.1	Ends and Means.....	6
1.2	Focus Markets.....	6
1.3	Collection of Data.....	7
1.4	Delimitations .....	7
1.5	Reader’s Guide.....	8
2	A PEEP BEHIND THE CURTAIN .....	9
3	AROUND THE COUNTRY .....	10
3.1	History .....	10
3.2	Geography .....	11
3.3	Demography.....	12
3.4	Politics.....	15
3.5	Economy.....	16
4	THE TRAVEL TRADE .....	23
4.1	Air .....	23
4.2	Ground .....	28
4.3	Nordic Products in the Hong Kong Market.....	35
4.4	Major Companies .....	36
4.5	Summary of Hong Kong Interviews.....	36
5	THE TRAVELERS IN FIGURES .....	44
5.1	Macro Profile .....	44
5.2	Micro Profile .....	46
5.3	Visa Regulations.....	48
5.4	What Makes the Travelers Tick .....	48
5.5	Product Components.....	49
6	CONCLUDING REMARKS.....	54
6.1	Forecasting .....	54
7	APPENDIX: INTERVIEWS.....	56
7.1	Charming Holidays .....	56
7.2	Goldjoy.....	58
7.3	Hong Thai .....	61
7.4	Je-tour .....	64

7.5	Miramar Express .....	67
7.6	Sunflower .....	70
7.7	Wing-On .....	72
	ENDNOTES .....	75

## List of Figures

Figure 1: Population Density per Area (per sq. km) .....	13
Figure 2: Number of Population by Age Group per Gender in '000 (2005) .....	14
Figure 3: Number of Domestic Households and Average Domestic Household Size per Year .....	15
Figure 4: GDP Growth at Constant (2000) Market Prices .....	18
Figure 5: Private Consumption Expenditure at Constant (2000) Market Prices .....	19
Figure 6: 2005 Consumer Spending by Major Component (Year-on-Year rate of change in real terms (%)) .....	20
Figure 7: Total Outbound Hong Kong Residents per Year (2000-2004) .....	24
Figure 8: Distribution of Outbound Departures by Major Destinations (2004) .....	25
Figure 9: Total Outbound Hong Kong Residents to Europe per Year (2000-2004) .....	26
Figure 10: Distribution of Hong Kong Residents' Outbound Tourists to European Destinations (2004) .....	27

## List of Tables

Table 1: Popular Nordic Tour Packages in Hong Kong .....	9
Table 2: Geographic Data .....	11
Table 3: Social Data .....	12
Table 4: Political Data .....	15
Table 5: Economic Data .....	17
Table 6: 2005 Average Monthly Salaries of Selected Occupations by Quarter (HKD)	21
Table 7: Selected Airlines and Destinations .....	23
Table 8: Flight Schedule and Capacity of Selected Airlines .....	28
Table 9: Major Travel Agents in Hong Kong .....	36
Table 10: Popular Nordic Packages in Hong Kong .....	36
Table 11: Summary of Hong Kong Interviews .....	37

# 1 Introduction to the White Paper Project

The world is changing. Seldom anything but a daft cliché, this is now an accurate picture of what is happening within tourism. Previously insignificant and disregarded markets are booming, replacing former superpowers now tired and worn out. The balance of power has shifted. And perhaps nowhere is this as apparent as in Asia Pacific.

Tourism in and from Asia Pacific is not only at an all time high but is growing faster than in any other region. Home to almost half of the globe's population, the potential of Asia Pacific as a tourist feeder market is beyond comparison. As the region builds up more economic muscle and its people become more affluent, Asia Pacific tourism is set to dwarf all other markets including today's giants Germany and the US.

This is the starting point for the white paper project.

## 1.1 Ends and Means

This white paper serves two overriding purposes: 1) To sketch out the anatomy of Asia Pacific tourism bound for the Nordic countries and 2) to help the commissioning authorities i.e. the tourist boards of Denmark, Finland, Iceland, Norway, and Sweden address the Asia Pacific tourist markets.

The white paper is cutting the first turf in preparation for the coming Asia Pacific tourist boom. It is, thus, meant as an introduction to Asia Pacific tourism and not an exhaustive tome on all things Asian.

As such, this report is not intended as an academic paper, albeit we submit to the same strict requirements in terms of thoroughness and validity as the scholastic practices. The paper is targeted at the five Nordic tourist boards and thus serves purely commercial interests.

This study will keep within the focus and competence areas of STB and the five Nordic tourist boards. Therefore, our ambition is not to map the global market for Asia Pacific tourism or Asia Pacific in general. In terms of strategic recommendations, we set out solely to uncover Asia Pacific tourism opportunities relevant to the Nordic countries.

## 1.2 Focus Markets

Failing to acknowledge the idiosyncrasies and diversities of the Asia Pacific countries will render futile any attempt to approach the markets – unfortunately this is still anything but an uncommon transgression. Home to proud Japanese patriarchy, Chinese Mao influenced Confucianism, Filipino Catholicism, and Indonesian Islamism, to name but the most easily recognizable differences, few if any regions contain as many cultures and ways of life as Asia Pacific. For the white paper project,

therefore, each market is treated individually to avoid – or at least limit – cross-regional generalizations, pigeonholing, and biases. Thus in its final form, the white paper compilation will consist of 14 volumes: 13 individual market studies and one comparative report.

The market studies have been split into two phases. The first, which comprises the six primary markets of China, Hong Kong, Japan, Korea, Taiwan, and Thailand, is set for completion summer 2006, while Australia, India, Indonesia, Malaysia, New Zealand, the Philippines, and Singapore constituting the seven secondary markets will hit the shelves around the end of same year.

### 1.3 Collection of Data

Data is collected through a careful mix of desk and field research. Though the Internet provides access to a plethora of information, there is still no insight more valuable than personal, face-to-face dialog. We have, therefore, squeezed as many interviews and focus groups out of the allocated budget as possible: in-depth interviews with the travel trade in all of the six phase one markets (China, Hong Kong, Japan, Korea, Taiwan, and Thailand) and consumer (traveler) focus groups and in-depth interviews for China and Japan respectively. Our findings as well as methodology will be discussed later.

The white paper is based heavily on quantitative data. However, though both easily available and voluminous in scope, quantitative data often proved to be anything but accurate or up to date. Also cursed with the limitation of only being able to accurately describe the past – the future is at best a qualified guess – we have made a dedicated effort to prop up quantitative with qualitative data. In case of discrepancies, quantitative data is treated secondary to qualitative.

Qualitative or soft data is obtained primarily through personal interviews. Interviewees include the Asia Pacific travel trade, Asia Pacific travelers (with and without Nordic experience), Asia Pacific technical visit organizers, and Nordic land operators.

Interviews, focus groups, and questionnaires have been formulated and carried out with the assistance of local staff thereby omitting research irregularities due to language difficulties.

### 1.4 Delimitations

Tourism in its broadest sense i.e. “[...] *the activities of persons traveling to and staying in places outside their usual environment [...]*”<sup>1</sup> includes such different players as hotels, museums, public transportation, gas stations, kiosks, amusements, and much, much more. However, if we were to discuss all things touristy, this report – though we dare call it a white paper – would collapse under its own weight. It would become too voluminous and lose focus of its purpose of helping the five Nordic tourist

boards address the Asia Pacific tourism markets. Therefore questions or problems with only diminutive impact on the issues discussed have been barred from the paper however relevant. We apologize if major issues too were eliminated in the filtering process.

Also please note that our ambition is to prepare a road map to Asia Pacific tourism – not to debate whether the Nordic tourism industry is ready for Asia Pacific visitors, stronger than its European competitors, is in need of change or similar. Therefore, this paper will not include recommendations or suggestions on whether to improve Nordic tourism products or how to prepare it for future challenges.

## 1.5 Reader's Guide

The white paper is divided into four separate parts. It kicks off with "Around the Country" presenting general need-to-knows and serving as a reference for the rest of the report. Around the Country includes history, geography, socio- and demographics, economics, politics, and general trends and consumption patterns.

A trade analysis constitutes the second part of the paper. After mapping out air traffic, we return to ground level for an insight look at the travel trade. This chapter examines the industry structure, power players, and gatekeepers, before wrapping up with a value chain analysis.

The third part of the paper is dedicated to the most important player of all: the traveler. First a characterization of our Asian visitor drawing on hard data such as consumption figures followed by a study of the softer aspects of the traveler e.g. image of the Nordic countries. All previous articles are then revisited in the final part of the report: "Concluding Remarks."

Recognizing that relevant information, being exactly that, should never be relegated to the position of footnotes, we have reserved the latter for source references and links only. And, in order not to interfere with the flow of reading, we have furthermore converted footnotes into endnotes. In other words: endnotes reveal no information not already included in the main text and are, thus, only of interest to those who wish to explore further the sources of this white paper.

## 2 A Peep behind the Curtain

The many face-to-face in-depth interviews conducted with the trade is where this white paper makes a name for itself relative to previous studies of travel and tourism in Hong Kong. Therefore, we kick off the study with a very brief summary of the major findings from our talks with the agents.

Hong Kong offers a wide variety of Nordic tour packages ranging from eight to 15 days. The basis package usually encompasses Denmark, Finland, Norway, and Sweden only, however, there are many extensions available. Table 1 below present the most popular Nordic programs in Hong Kong. Naturally these are flexible and can be adjusted to meet popular demand and seasonality as well as reflect the financial capacity of the travelers.

**Table 1: Popular Nordic Tour Packages in Hong Kong**

Package	Destination	Price
4 countries/10-12 days Classical Tour	Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. Possible extensions: Icebreaker in Finland, Iceland, or the midnight sun.	EUR 1,800 - 2,000  Additional EUR 1,000 – 2,300 for 15-day trip that includes Iceland
4 countries/10-day Classic Trip	Denmark, Finland, Norway, and Sweden, the capitals, Bergen, and the Fjords Possible extensions: Icebreaker and the Santa Claus Village in Rovaniemi, Iceland, or the North Cape	EUR 2,000
4 countries/8 to 9-days	Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. Possible extension: North Cape	EUR 1,800 – 2,000

- The Classical tour (Denmark, Finland, Norway, and Sweden in 10 to 12 days) is one of the more popular packages in Hong Kong. It includes Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. For an additional EUR 1,000 – 2,000 the program can be extended three days to include the Icebreaker in Finland, Iceland, or the midnight sun.
- The majority of Hong Kong travel agents are interested in developing Nordic tours that focus on longer stays in fewer places. They believe it is possible to sell the Nordic countries as mono-destinations.
- The premium price on Nordic products is not a major concern as the majority of the Hong Kong consumers wishing to visit the Nordic countries is affluent. The quality of the tour is also considered a legitimate excuse for the above average prices.
- Preparations and planning for summer products are done just after Christmas while winter products are planned by the end of July.
- The Hong Kong travel agents are encouraging the Nordic NTO to participate in travel fairs and conduct media trips to support the products.

## 3 Around the Country

### 3.1 History

Hong Kong has long been associated with the United Kingdom since it was occupied in 1841 at the end of the First Opium War (1839-1842) as a result of the UK reacting with force to the Chinese ban on its very lucrative opium business. Though the island was surrendered to the UK after the war under the Treaty of Nanjing, the British invasion of China continued – and so did the Chinese opposition. The conflict led to the Second Opium War (1856-1860) that ended with the Beijing Convention under which the Kowloon Peninsula was handed over to the UK. In 1898 the New Territory along with other smaller islands were also annexed by the United Kingdom on a 99-year lease from China.<sup>2</sup>

The British base that was set up on the Hong Kong Island was to become the most successful center for east-west trade. The region attracted flocks of opium dealers and merchant bankers and soon became renowned as the most reliable in banking, insurance, and shipping service in all of Southeast Asia. In the late 19th century and early 20th century, Hong Kong became the commercial gateway to South China and functioned as a warehouse and distribution center for the area. But shortly after its attack on the American naval base Pearl Harbor in 1941, Japan also made a move to invade Hong Kong. They succeeded on Christmas day same year after only a little over two weeks of battle. Japan governed Hong Kong for three years and eight months until expelled in 1945 by the British who then reoccupied the unfortunate island.<sup>3</sup>

The Communist occupation of Mainland China in 1949 led hundreds of thousands of Chinese to migrate to Hong Kong, bringing with them various skills and resources, specifically cheap labor. In addition, the number of foreign companies that moved their offices from Shanghai to Hong Kong helped the region develop into a major manufacturing center, winning great economic success. Eventually many businesses moved north due to rising salaries and the opening of the mainland Chinese market thus transforming Hong Kong into a commercial centre.<sup>4</sup>

Hong Kong reverted to Chinese sovereignty on July 1, 1997 as a Special Administrative Region (SAR) in accordance with the Sino-British Joint Declaration signed by China and the UK on December 19, 1984. The UK lease of the Hong Kong Island, the Kowloon Peninsula, the New Territory, and more than 235 islands expired at midnight on June 30, 1997. Hong Kong was to be governed along the lines of the "one country, two systems" principle. The region was allowed autonomy in all issues except diplomatic relations and national defense for the next 50 years.<sup>5</sup>

### 3.2 Geography

**Table 2: Geographic Data**

Location	East Asia, bordering South China Sea and China
Total area	1,092 sq. km. (422 square miles)
Capital	Victoria City (commonly called Hong Kong)
Climate	Tropical monsoon

Source: *The CIA World Fact Book/Hong Kong*

Hong Kong, or Xianggang in Mandarin, resides in eastern Asia at the borders of the South China Sea and China. The region has a total area of 1,092 sq. km., a little less than half the size of Luxembourg.<sup>6</sup> It includes the Hong Kong Island, the Kowloon Peninsula, the New Territories on the Mainland, and some 235 smaller islands.<sup>7</sup> Victoria City, one of the first British urban settlements in the country is technically identified as the capital of Hong Kong.<sup>8</sup> It is commonly referred to as Hong Kong and located on the northwest shore of the Hong Kong Island where an estimated 75 % of the population is concentrated.<sup>9</sup>

Hong Kong's one natural resource is the exceptionally fine deepwater harbor outside Victoria. The topography of Hong Kong is dominantly mountainous and only 5 % of the landscape is arable with permanent crops covering just about 1 %. The total land boundary of Hong Kong is only 30 kilometers compared to the 733 kilometers of coastline.



Source: *Encarta.msn.com/mapcenter*

Hong Kong's climate is tropical monsoon. The winters are cool and humid,

spring and summer are hot and rainy whereas fall is warm and sunny. Typhoons occasionally sweep the country. Rapid urbanization has brought on various environmental problems like air and water pollution, which Hong Kong is presently trying to deal with.<sup>10</sup>

### 3.3 Demography

**Table 3: Social Data**

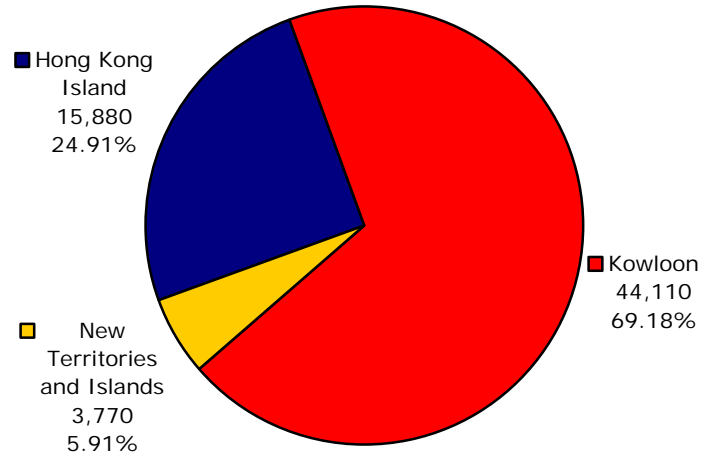
Population	6,940,432 people
0-14 years	13.5 %
15-64 years	73.7 %
65+ years	12.8 %
Median age	
Men	40.4 years
Women	40.9 years
Population growth rate	0.59 %
Birth rate	7.29 births/1,000 population
Fertility rate	0.95 children born/woman
Net Migration Rate	4.89 migrant(s)/1,000 population
Life expectancy	
Men	78.9 years
Women	84.5 years
Ethnic groups	Chinese 95 % Others 5 %
Religions	Local religions 90 % Christianity 10 %
Languages	Chinese (Cantonese) and English (both official)
Literacy	93.5 % (2002)

Source: *The CIA World Fact Book/Hong Kong 2006 est.*

Hong Kong has one of the highest population densities worldwide with nearly 6,300 people per square kilometer.<sup>11</sup> However, it is ironically referred to as one of the greenest cities in Asia, as only a small portion of the land is developed. The majority of the population resides in urban high-rise buildings leaving plenty of room for open spaces, parks, and woods.<sup>12</sup>

The three major areas of Hong Kong include the Hong Kong Island, the Kowloon Peninsula and the New Territories. The greatest population density is found on the Kowloon Peninsula as exhibited in Figure 1 below. More than half of the total population resides in the three major regions. The least dense among the three major areas is the New Territories and Island at 5.91%.

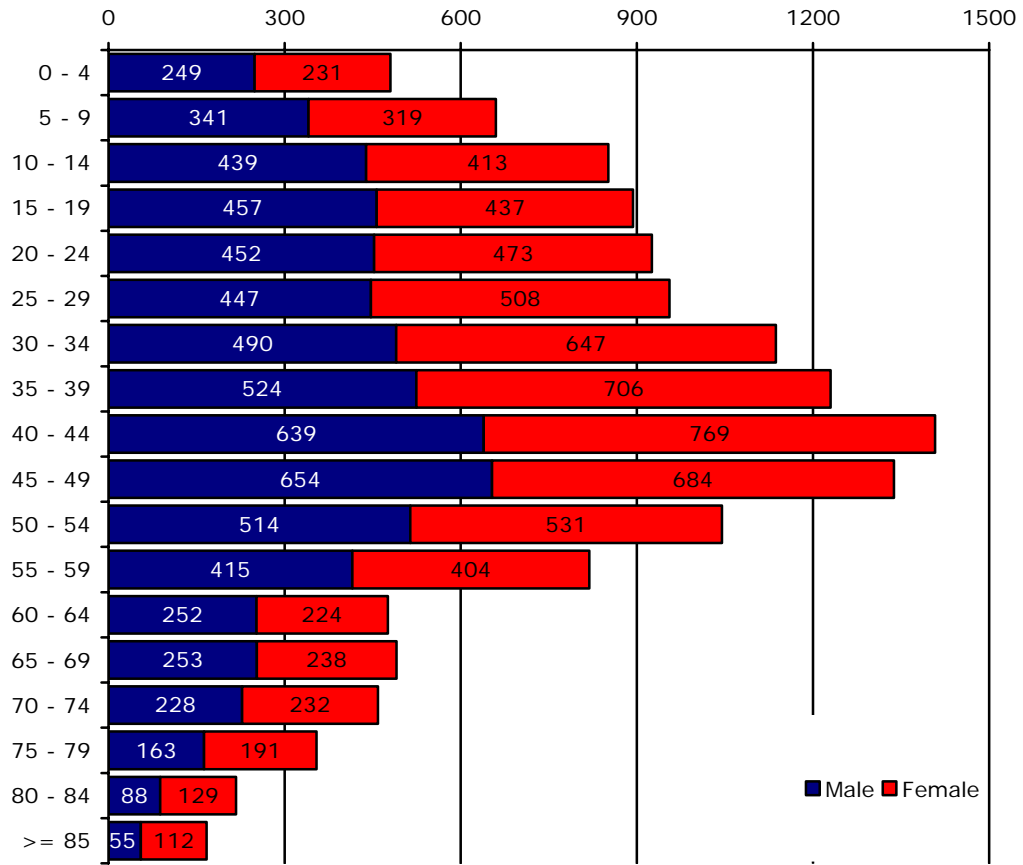
Figure 1: Population Density per Area (per sq. km)



Source: *Hong Kong in Figures 2006 Edition*  
Census and Statistics Department  
The Government of the Hong Kong Special Administrative Region

95 % of the population is Chinese while the remaining share includes several immigrant minorities from e.g. the Philippines, Indonesia, and the USA. Chinese (Cantonese) and English are the two official languages in Hong Kong.<sup>13</sup> Buddhism, Confucianism, and Taoism are the three major Chinese religions in Hong Kong practiced by about 90 % of the population while the remaining 10 % adheres to Christianity.<sup>14</sup>

Figure 2: Number of Population by Age Group per Gender in '000 (2005)



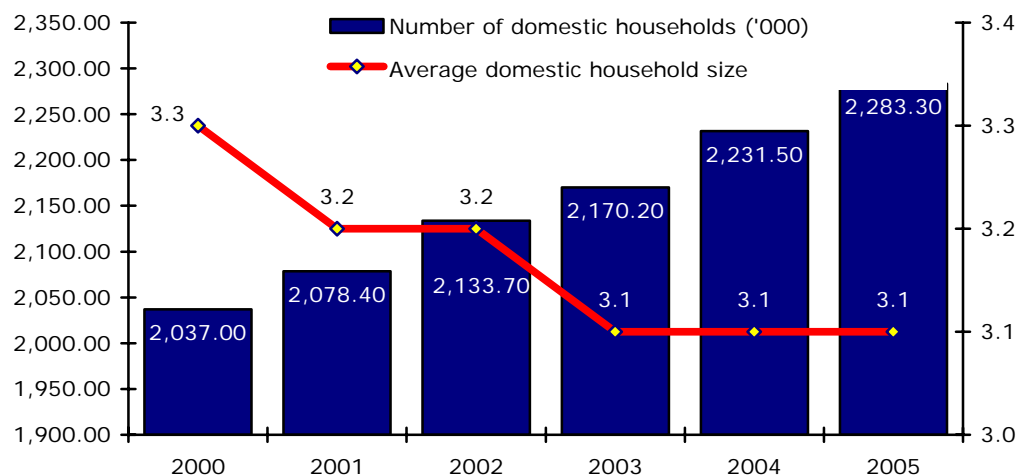
Source: Census and Statistics Department  
The Government of the Hong Kong Special Administrative Region

The population distribution by age group and gender is presented in Figure 2 above. The figure almost follows a bell curve demonstrating a normal distribution of the population. Hong Kong residents within the 30-54 age range represent the majority of the population.

Figure 3 below presents the number of domestic households and the average domestic household size per year. The number of domestic households is represented by the blue columns (left X-axis) while the red line represents the average domestic household size (right X-axis).

The figure shows a noticeable annual increase in the number of domestic households. The average domestic household size on the other hand decreases; down from 3.3 in 2000 to 3.1 in 2005. The drop is brought on by a low fertility rate owing to the rapid socioeconomic development of the country.<sup>15</sup>

**Figure 3: Number of Domestic Households and Average Domestic Household Size per Year**



Source: Census and Statistics Department  
The Government of the Hong Kong Special Administrative Region

## 3.4 Politics

**Table 4: Political Data**

Official Name	
Conventional Long form	Hong Kong Special Administrative Region
Conventional Short form	Hong Kong
Local Name/Meaning	Xianggang/Fragrant Harbor <sup>16</sup>
Government Type	Limited democracy
Chief of State	President of China HU Jintao, since 2003
Head of Government/Chief Executive	Chief Executive Donald TSANG, since 2005
Independence	None (Special Administrative Region of China)
Constitution	Basic Law ("mini-constitution") approved in March 1990 by China's National People's Congress
Suffrage	Direct election: 18 years of age, universal for permanent residents of the last seven years

Source: The CIA World Fact Book/Hong Kong

Hong Kong became a Special Administrative Region (SAR) of the People's Republic of China in 1997 and will maintain this status until 2047. It is governed through limited democracy under the Basic Law – a "mini-constitution" that stipulates the basic policies of China towards Hong Kong. The Basic Law provides Hong Kong with political autonomy in all issues except diplomatic relations and national defense; in addition it protects the freedoms and rights of its residents.<sup>17</sup>

Hong Kong is directly governed and officially represented by a Chief Executive who acts as the head of government.<sup>18</sup> In accordance with the Basic Law, the head of government is accountable to the Central People's Government in China as well as in Hong Kong. The powers and functions of the head of government include leading the government, implementing the law, signing bills and budgets, deciding on government policies,

nominating principal officials, and appointing judges and holders of public office. An executive council (cabinet) and a legislative council of 60 members support the head of government. Members of both councils' are partly elected by the people and partly appointed by the Chief Executive.<sup>19</sup>

A broadly representative committee that is in turn appointed by the Central People's Government of China elects the head of government in Hong Kong every fifth year. The elected individual must be appointed by the Central People's Government and can only serve for two consecutive terms. To ensure neutrality, the winning candidate is obliged to declare non-membership in any political party throughout his or her term in office.<sup>20</sup> The people of Hong Kong have the right to direct election at age 18 and universal suffrage after a residency of seven years.<sup>21</sup>

### 3.5 Economy

Hong Kong has run an entrepôt economy since the mid-18<sup>th</sup> century, serving as one of the greatest international trade centers in all of East Asia where goods are deposited, stored, and redistributed. An entrepôt is a free port where merchandise is imported then exported without any import duties. The region's business has flourished over time particularly in the areas of banking and shipping.<sup>22</sup> Trade and logistics are one of the four pillars of Hong Kong economy, accounting for 28 % of GDP in 2004, in terms of value added. The other three are financial services (13 %), professional/producer services (12 %), and tourism (3 %).<sup>23</sup>

Trade restrictions set by the UN and the US in the 1950's between Hong Kong and China led to a rapid industrialization that turned the island into a leading light-manufacturing center. Textile and garment is the major industry in Hong Kong comprising 41.3 % of domestic exports in 2005. Other products produced in the country are plastics, chemicals, toys, and jewelry. About 80 % of the country's total production is exported.<sup>24</sup>

**Table 5: Economic Data**

Currency	Hong Kong Dollar, HKD (1 USD=7.78 HKD <sup>25</sup> )
GDP (Purchasing Power Parity, PPP)	USD 258.1 billion
GDP real growth rate	6.9 %
GDP per capita (PPP)	USD 37,400
GDP composition per sector	
Service	89.9 %
Industry	10 %
Agriculture	0.1 %
Labor force*	3.61 million people (October 2005)
Wholesale and retail trade, restaurants and hotels	43.9 %
Financing, insurance, and real estate	19.6 %
Community and social services	18.8 %
Transport and communications	7.1 %
Manufacturing	7.5%
Construction	2.9%
Budget	
Revenue	USD 31.31 billion
Expenditures (incl. capital expenditures of USD 5.9 billion)	USD 32.3 billion
Public debt	1.8 % of GDP
Inflation rate (Consumer Prices)	1.2 %

\* Public sector is excluded on list above

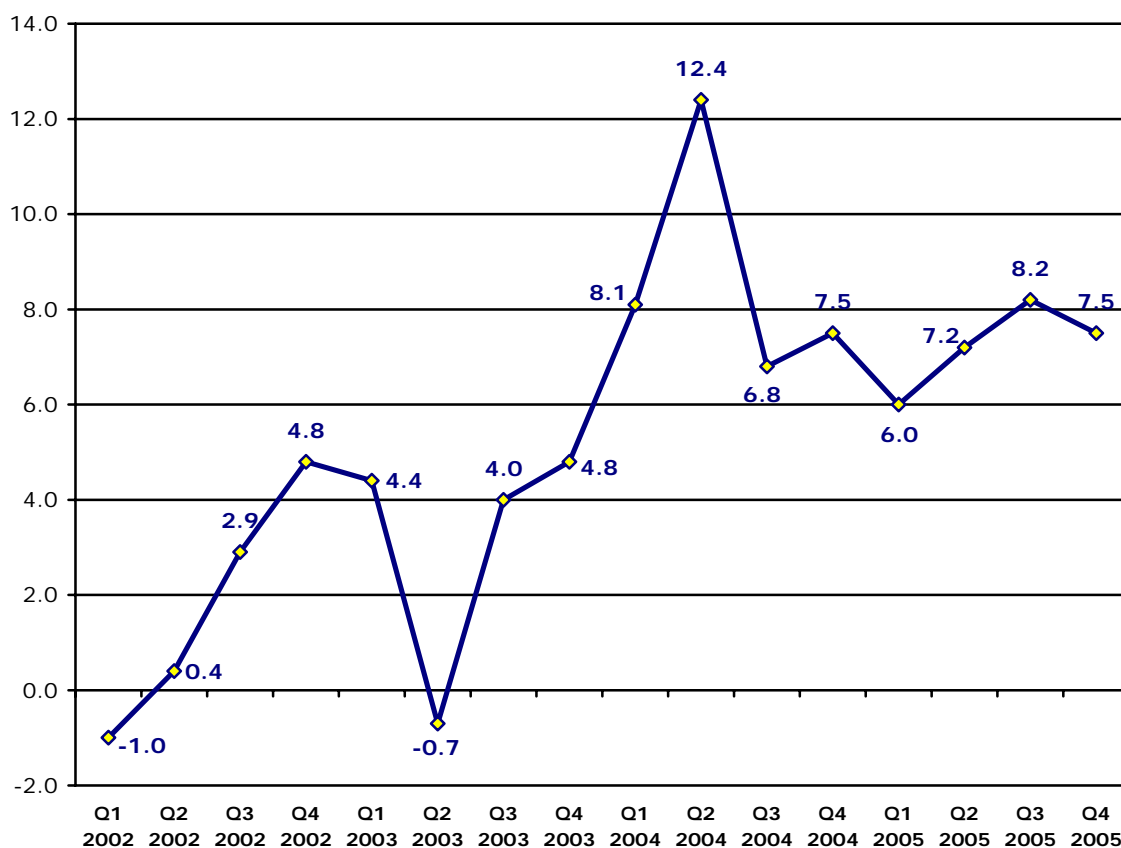
Source: The CIA World Fact Book/Hong Kong 2005 est.

Hong Kong's business ties with China have grown closer in recent years due to China's opening up to the world economy, which has made manufacturing on the mainland much more profitable. The Closer Economic Partnership Arrangement (CEPA) signed by mainland China, Hong Kong, and Macau in 2003 has had a very positive impact on Hong Kong's economic situation. The arrangement is meant to strengthen cooperation in trade and investment as well as advance joint development of each region through various means such as progressively reducing tariffs and non-tariff barriers on interregional trade, liberalizing trade in services by means of minimizing discriminatory measures, and promoting trade and investment facilitation.

Hong Kong's import/export business with China is a major growth driver. In 2005, Hong Kong's gross imports (USD 291.6 billion) and exports (USD 286.3 billion) both surpassed GDP (USD 258.1 billion) in dollar value. Per capita, Hong Kong's GDP (USD 37,400) is comparable to that of the four big economies of Western Europe: Germany, France, UK, and Italy.<sup>26</sup>

Hong Kong's GDP growth based on constant market prices of 2000 is presented in Figure 4 below. Hong Kong's positive GDP growth in 2002 was briefly cut short by an abrupt decline around the second quarter of 2003 after which it gained momentum until growth reached a staggering 12.4 % in the second quarter of 2004. The said figure is by far the highest with respect to the presented annual range. From then on, the figures become more stable.

Figure 4: GDP Growth at Constant (2000) Market Prices



Source: Census and Statistics Department  
The Government of the Hong Kong Special Administrative Region

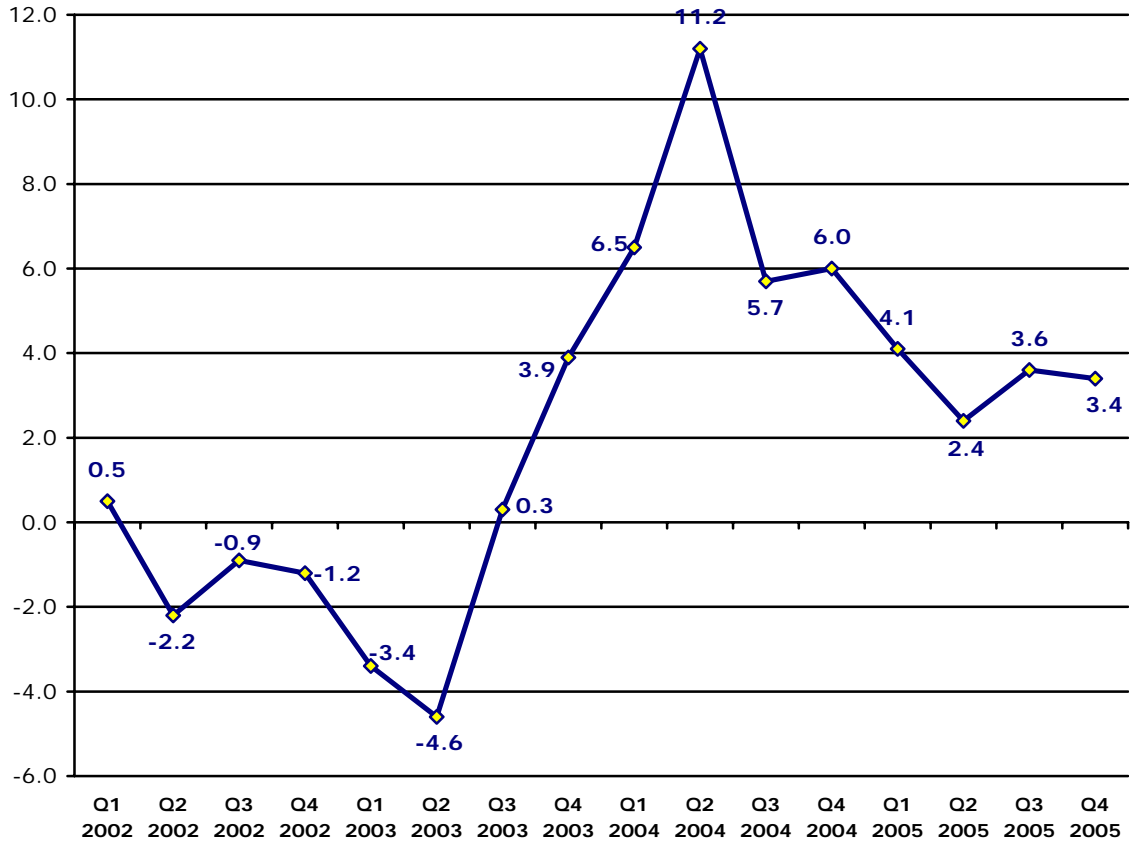
### 3.5.1 Income & Spending Power

Between 1989 and 1997, the annual GDP growth averaged around 5 % but regressed shortly thereafter due to the 1997-1998 Asian financial crisis and the global downturn in 2001 and 2002 (1.9 % and 3.2 % GDP growth respectively<sup>27</sup>). In 2003, Hong Kong's economy began to bounce back but the outbreak of Severe Acute Respiratory Syndrome or SARS caused another bump on the road to recovery.<sup>28</sup> Due to the downturns, growth in private consumption fell from 5.9 % in 2000 to 2.0 % the following year. In 2002 and 2003 consumption growth went into the red with -1.1 %.<sup>29</sup>

The development took a more positive turn in 2004 as Hong Kong experienced a solid rise in exports, offshore trade, and an inbound tourism boom. Consumer confidence picked up as well as private spending and investment. GDP growth landed at a remarkable 8.1 % compared to the 3.2 % growth in 2003 and settled to a solid 7.3 % in 2005. Thanks to positive economic developments and improved conditions in the labor market, private consumption increased by 6.9 % in 2004 from the year before, reaching the highest level since 1993.<sup>30</sup> The first quarter of 2005

showed a 4.6 % rise compared to the same period of the previous year.<sup>31</sup> The first quarter economic report released on May 23, 2006, indicates the continued upturn of the Hong Kong economy. The GDP grew by 8.2 % in real terms in the first quarter over the previous year.<sup>32</sup>

**Figure 5: Private Consumption Expenditure at Constant (2000) Market Prices**



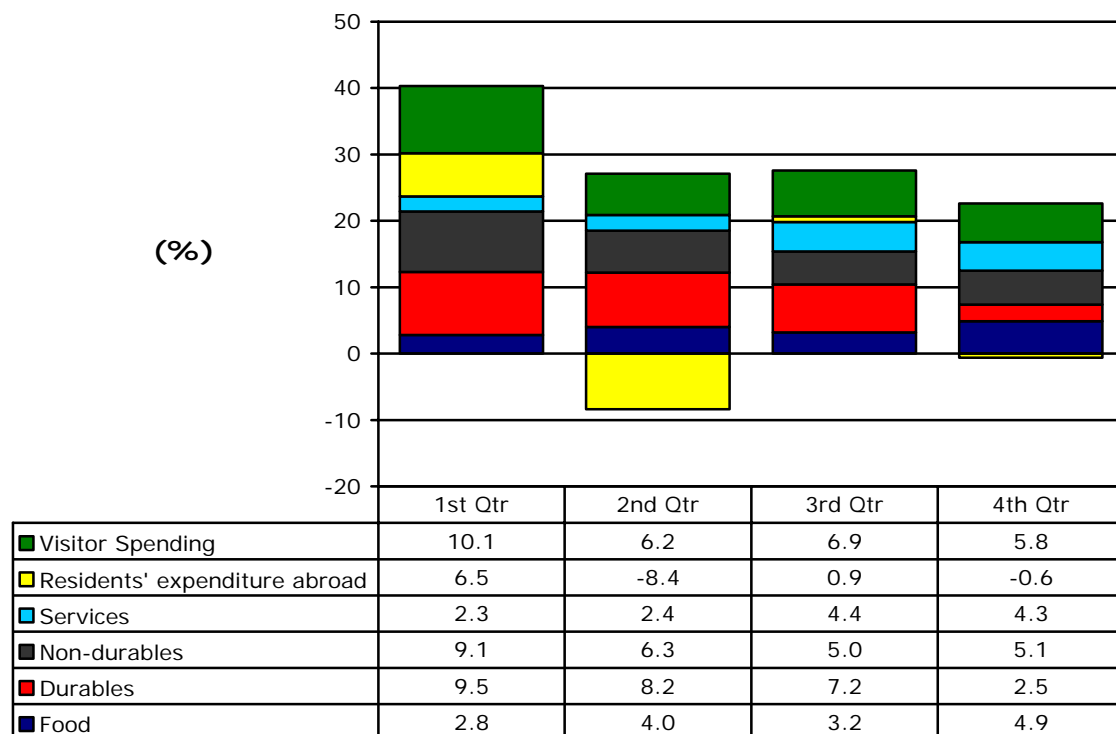
Source: Census and Statistics Department  
The Government of the Hong Kong Special Administrative Region

The private consumption expenditure of Hong Kong residents at constant market prices (2000) is presented in Figure 5 above. The blue line representing the quarterly movements of Hong Kong residents' private consumption, demonstrates an erratic movement particularly from the first quarter of 2002 up to the second quarter of 2003. The pattern repeats itself from the third quarter of 2004 till the end of 2005. These movements are primarily the end results of the SARS outbreak, Asian currency fluctuations, and the avian flu.

Figure 6 below exhibits Hong Kong's 2005 consumer spending by major components. The rate of change is based on 2004 values. During the second and fourth quarters of 2005, Hong Kong residents respectively spent 8.4% and 0.6% less in various foreign destinations with respect to the 2004 spending behavior. On the contrary, the residents spend much of their income in various locations abroad during the first quarter of the year.

The majority of the residents' spendings went to durables and non-durables; and the least went to services and food. Visitor spending on the other hand peaked during the first quarter and decreased afterwards.

**Figure 6: 2005 Consumer Spending by Major Component (Year-on-Year rate of change in real terms (%))**



Source: Financial Secretary's Office—The Government of the Hong Kong Special Administrative Region

Economic prospects continue to look good for Hong Kong with the global economy enjoying higher growth than usual together with increased opportunities for trade and business because of CEPA and China's dawning world-openness.<sup>33</sup> On the local level, the people of Hong Kong have also adapted an optimistic economic outlook as consumer confidence has rocketed to levels last seen in 1997.<sup>34</sup>

The ACNielsen Asia Pacific Online Consumer Confidence Survey for the 2nd Half of 2004 showed Hong Kong as the third most upbeat market out of 28 regions worldwide when it comes to economic confidence. However, there are still concerns among the population that the economy will slow down again.<sup>35</sup> Consumer confidence has increased immensely among women and low-income groups. The income group earning below HKD 18,000 (EUR 1,805) per month has made the greatest jump in consumer confidence concerning the general economy and showed the same attitude towards their personal economy.<sup>36</sup>

**Table 6: 2005 Average Monthly Salaries of Selected Occupations by Quarter (HKD)**

Occupation	Q1	Q2	Q3	Q4
<b>Supervisory and Technical Workers:</b>				
D.P. supervisor/ system analyst/ programmer	19,156	19,229	18,024	18,216
Office/ administrative supervisor	18,622	18,976	18,559	18,806
Accounting supervisor	19,008	18,941	18,664	18,441
Production supervisor	14,985	19,035	15,183	14,995
Shipping supervisor	17,408	17,119	17,292	17,429
Estate officer/building services officer	11,707	12,303	12,558	12,380
<b>Clerical and Secretarial Workers:</b>				
Bookkeeper/ accounting clerk	11,337	11,336	11,247	11,307
General office clerk	9,509	9,375	9,265	9,402
Receptionist/ telephone operator	9,825	9,967	10,089	10,052
Documentation/ shipping clerk	11,534	11,768	11,577	11,721
Sales clerk/shop assistant	8,542	8,702	8,888	8,885
<b>Service Workers:</b>				
Cook	12,135	11,971	12,088	12,229
Junior cook	8,204	7,909	7,804	7,798
Waiter/waitress	7,726	7,557	7,535	7,759
Guard (in security and detective services)	6,510	6,514	6,612	6,610
<b>Miscellaneous Non-Production Workers:</b>				
General worker	7,495	7,446	7,218	7,241
Messenger/office assistant	7,744	7,729	7,617	7,604
Driver	11,115	11,194	10,970	11,051
Delivery man	8,549	9,015	9,325	9,407
Cleaner (General)	5,062	5,062	4,984	4,973
Dishwasher	6,166	6,233	6,213	6,248

Source: Census and Statistics Department

The Government of the Hong Kong Special Administrative Region

Table 6 above exhibits the corresponding average monthly salaries of selected occupations in Hong Kong per quarter. Supervisory and technical workers are paid accordingly and belong to the upper spectrum of the Hong Kong workforce.

### 3.5.2 Development in Consumption Patterns

Increased confidence encourages people to spend more. The ACNielsen Hong Kong Consumer Confidence Index of February 2004 showed that the people are more eager to shop as 17 % of the respondents showed an interest to invest in larger items like furniture, real estate, vehicle, and major household appliances.<sup>37</sup> In 2004, the proportion of people less likely to spend money in this way dropped to 44 % of the respondents compared to 65 % the previous year.<sup>38</sup> Another 2004 survey, the ACNielsen Consumer Confidence Index of 2004, stated the top three personal expenditures of people in Hong Kong to be dining out/entertainment (20 %), grocery shopping (19 %), and investment/savings (18 %). Grocery shopping decreased in February of that same year from 23 % and has continued to decrease throughout 2005.

Spending on foreign travel improved in 2004 from a 5 % net difference in February to 15 % in May. All areas except food and AV/electronics/computers improved.<sup>39</sup> A third study, the ACNielsen Asia Pacific Online Consumer Confidence Survey for the second half of 2004, ranks Hong Kong citizens among the top three spenders in Asia Pacific, particularly in clothes and technology.<sup>40</sup>

The ACNielsen survey for the first half of 2005 entitled Consumers in Asia Pacific – Our Confidence, Spending Intentions and Major Concerns, shows that 71 % of Hong Kong consumers are optimistic about the economy. The majority of the respondents placed utmost priority on putting away spare cash into savings. Like Taiwanese consumers, Hong Kongers ranked out of home entertainment second and holidays/vacations third.

Consumption of new clothes and new technology ranked fourth and fifth among the Hong Kong consumers while investing in shares/mutual funds and paying off debts/credit cards/loans ranked lower at sixth and seventh respectively. Like other consumers in Asia, Hong Kongers gives least priority to home improvement/decorating (8<sup>th</sup>) and setting aside money for retirement (9<sup>th</sup>).<sup>41</sup>

Based on the ACNielsen Hong Kong Consumer Confidence Index of May 2005, the top three items on the list of desirables for Hong Kongers were furniture, plasma/LCD TVs, and Desktop/notebook PCs.<sup>42</sup>

## 4 The Travel Trade

### 4.1 Air

The Hong Kong International Airport or HKIA (IATA: HKG, ICAO: VHHH) has won several “Best Airport” awards for since it opened in 1998 on the small island of Chek Lap Kok, north of Lantau. Its single, mile long terminal covers the largest space in the world and the airports’ builders claimed it to be the biggest civil engineering project in history.<sup>43</sup> Due to Hong Kong’s strategic position and extensive air network, the airport has been called Asia’s “Superhub”.<sup>44</sup> It is the fifth busiest airport worldwide, with regards to international passengers, with the capacity to handle 87 million passengers a year, more than London’s Heathrow and New York’s JFK combined.<sup>45</sup> At present, the annual figure is 45 million passengers. Between 60 and 70 scheduled international airlines operate some 4,500 flights from the Hong Kong International Airport to 140 destinations around the world.<sup>46</sup> The airport’s dual runway operation has the capacity to handle 53 flights per hour at peak times and employs a total of some 55,000 people.<sup>47</sup>

**Table 7: Selected Airlines and Destinations**

Airlines	Destinations	Weekly flights
Aeroflot (SU)	Moscow	4
Air France (AF)	Paris	7
British Airlines (BA)	London (Heathrow)	21
Cathay Pacific Airways (CX)	Amsterdam	7
	Frankfurt	11
	London (Heathrow)	21
	Paris	7
	Rome	5
Finnair (AY)	Helsinki	3
KLM Royal Dutch Airlines (KL)	Amsterdam	7
Lufthansa (LH)	Frankfurt	10
	Munich	3
Qantas (QF)	London (Heathrow)	3
Swiss (LX)	Zurich	7
	Geneva	7
Turkish Airlines (TK)	Istanbul (via Bangkok)	2
Virgin Atlantic (VS)	London (Heathrow)	7

Source: Scandinavian Airlines (SK)

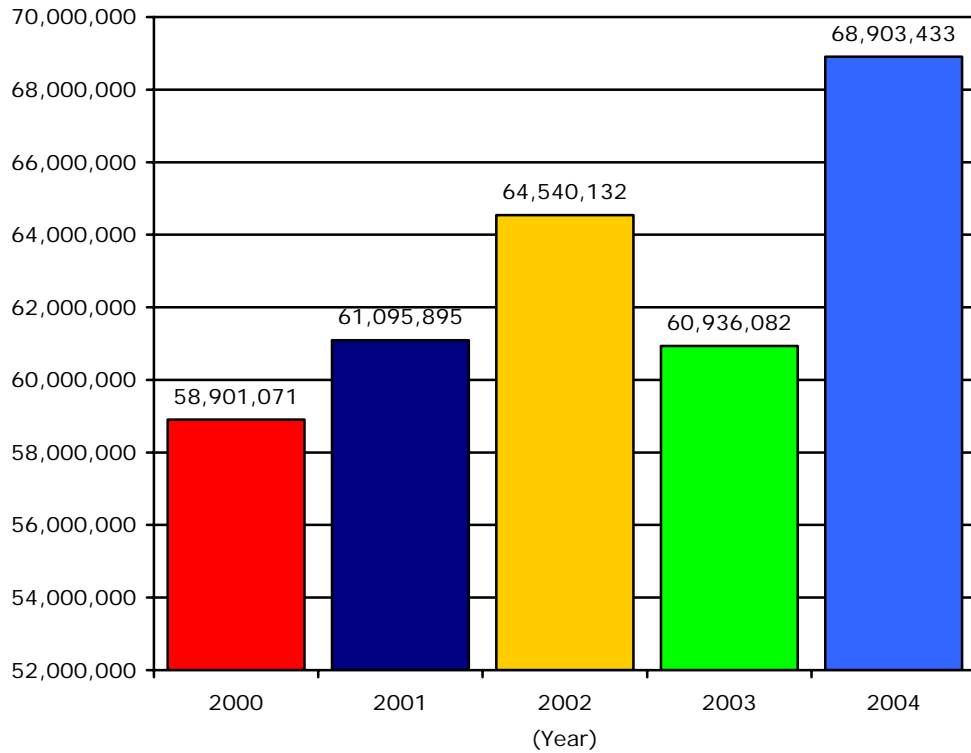
#### 4.1.1 Departures & Arrivals

In 1999, the total number of departures from Hong Kong by air was approximately 10.6 million. Departures dropped to 9.4 million in 2003 due to the SARS outbreak but bumped up to 11.9 million the following year. The SARS outbreak in 2003 caused most people in Hong Kong to put off long haul travel and choose shorter trips to nearby Asian destinations. Favored destinations were mainland China, Taiwan, Macau, and Japan. The number of holiday takers grew slightly while the number of weekend

trips increased.

In 2004, the ratio of trips lasting more than one week grew by almost 2 % relative to the year before. This rise proves that the people of Hong Kong have regained their confidence in traveling and indicates that there is good potential for future growth in long trips.<sup>48</sup> The US is the most visited country outside of Asia.<sup>49</sup>

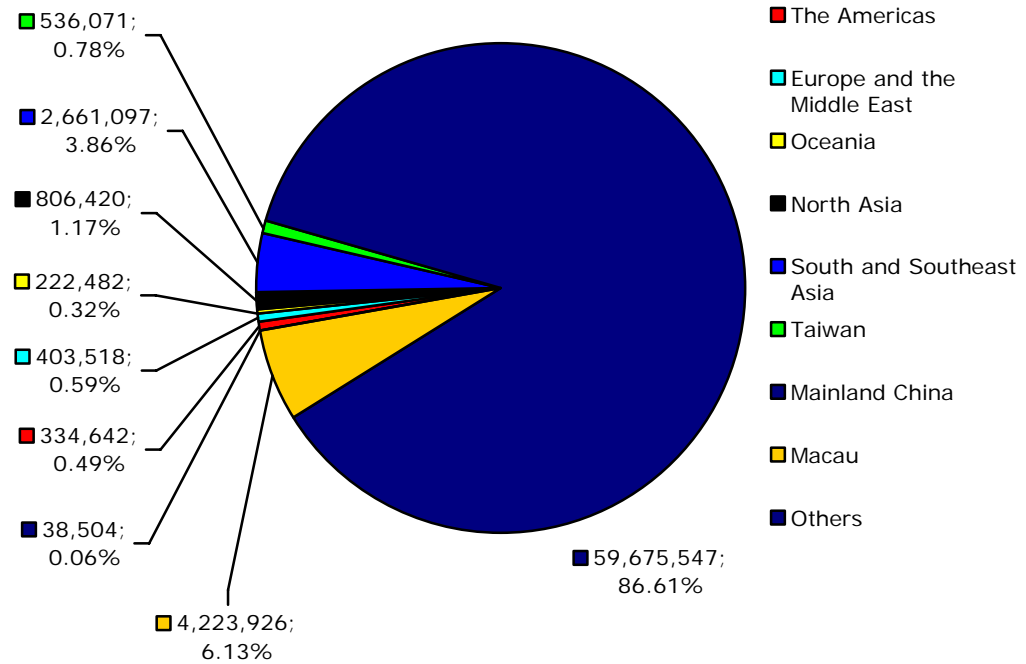
**Figure 7: Total Outbound Hong Kong Residents per Year (2000-2004)**



Source: *A Statistical Review of Hong Kong Tourism 2004*  
 Hong Kong Tourism Board

The annual overall count of outbound Hong Kong tourists to different foreign destinations is presented in Figure 7 above. The figure shows a continuous increase in outbound tourism only disrupted by a brief drop in 2003 due to the outbreak of SARS. However, Hong Kong tourism regained its momentum in 2004, which is expected to continue in the following years.

**Figure 8: Distribution of Outbound Departures by Major Destinations (2004)**

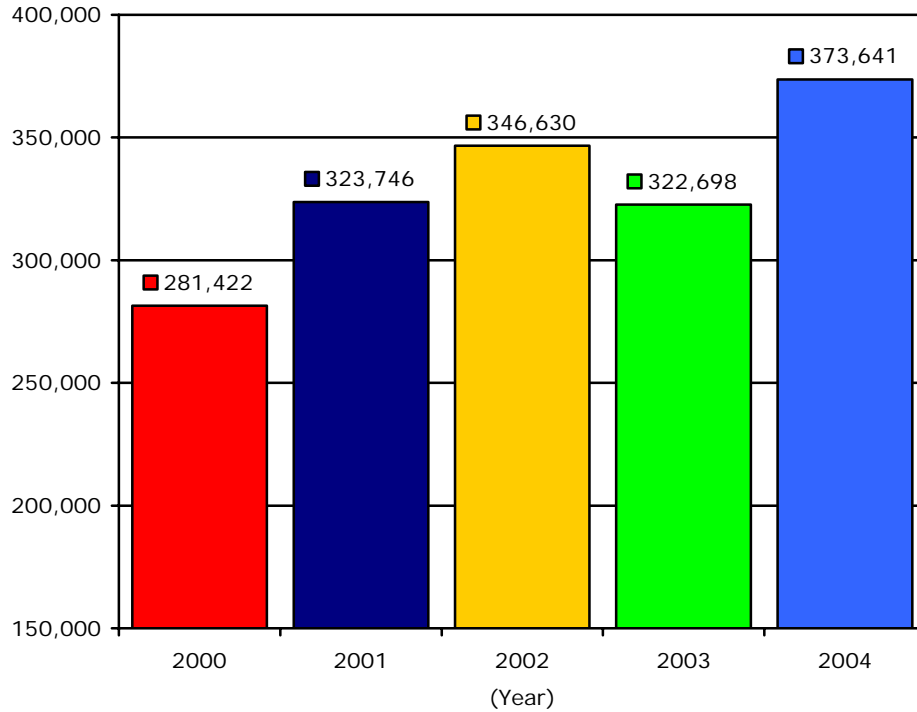


Source: *A Statistical Review of Hong Kong Tourism 2004*  
 Hong Kong Tourism Board

Figure 8 above shows the overwhelming number of Hong Kong residents that visited Asian countries particularly the mainland (86.61 %). Macau comes in second with 6.13 %, then South and Southeast Asia (3.86 %), North Asia (1.17 %), and finally Taiwan (0.78 %). "Others", the least visited destinations with only 0.06 %, include Europe and the Americas.

Figure 9 below exhibits the total number of outbound Hong Kong tourists that traveled to Europe. An uptrend in the outbound tourist market in Hong Kong is obviously presented in the figure. However, a slim decrease was experienced in 2003 due to the SARS outbreak. The outbound market recovered the following year and is expected to increase in the succeeding years.

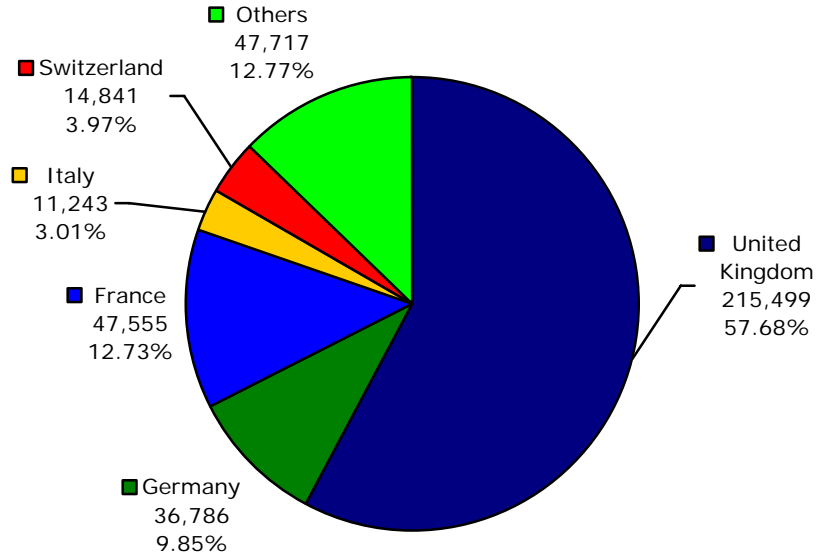
**Figure 9: Total Outbound Hong Kong Residents to Europe per Year (2000-2004)**



Source: *A Statistical Review of Hong Kong Tourism 2004*  
 Hong Kong Tourism Board

The distribution of tourists from Hong Kong bound for different European destinations in 2004 is presented in Figure 10 below. More than half of the travelers from Hong Kong visited the United Kingdom (57.68 %). France ranked second at 12.73 %, followed by Switzerland (3.97 %), and Germany (9.85 %). The Nordic countries are part of the 12.77 % that may be considered to be less popular European travel destinations of Hong Kong residents.

**Figure 10: Distribution of Hong Kong Residents' Outbound Tourists to European Destinations (2004)**



Source: *A Statistical Review of Hong Kong Tourism 2004*  
 Hong Kong Tourism Board

#### 4.1.2 Hubs & Airlines

Many direct flights connect Hong Kong and Europe, London being the main destination with 52 flights weekly by four different airlines: British Airlines (BA), Cathay Pacific Airlines (CX), Qantas (QF), and Virgin Atlantic (VS). Frankfurt is also heavily trafficked with 21 flights per week by two airlines: Cathay Pacific Airlines (CX) and Lufthansa (LH).

Flights of SAS (SK), Transmile Air Services (TH, Malaysian airline), Singapore Airlines (SQ), Malaysia Airlines System Berhad (MH), and Sri Lankan Airlines (UL) use HKIA as a hub for stopovers on connecting flights to various European destinations.<sup>50</sup>

### 4.1.3 Flight Capacity & Schedule

**Table 8: Flight Schedule and Capacity of Selected Airlines**

<i>Airlines</i>	<i>Stops</i>	<i>Destination</i>	<i>HK Depart Time</i>	<i>Flights/Week</i>	<i>Flight Capacity</i>	<i>Capacity/Week</i>
Scandinavian Airlines (SK)	Bangkok	Copenhagen	2045	6	261	1,566
Finnair (AY)	Helsinki	Copenhagen	0940	3	296	888
		Helsinki	0940	3	296	888
	Bangkok	Helsinki	2125	3	296	888
	Helsinki	Oslo	0940	2	296	592
	Helsinki	Stockholm Arlanda	0940	2	296	592
Cathay Pacific (CX)	London Heathrow Airport (LHR)	Copenhagen	0035	7	383	2,681
		Helsinki	0035	7	383	2,681
	London Heathrow Airport (LHR)	Stockholm	0035	7	383	2,681
KLM Royal Dutch Airlines (KL)	Amsterdam	Copenhagen	1020	7	280	1,960
		Stockholm Arlanda	1020	7	280	1,960
		Helsinki	1020	7	280	1,960
		Oslo	1020	7	280	1,960
Lufthansa (LH)	Frankfurt	Copenhagen	1330	3	390	1,170
	Munich	Copenhagen	2310	1	247	247
	Frankfurt	Helsinki	1330	1	390	390
	Munich	Helsinki	2310	7	247	1,729
	Frankfurt	Oslo	1330	7	390	2,730
	Munich	Oslo	2310	7	247	1,729
	Frankfurt	Stockholm Arlanda	1330	7	390	2,730
	Munich	Stockholm Arlanda	2310	7	247	1,729

Source: Scandinavian Airlines (SK), Lufthansa (LH)

## 4.2 Ground

There are approximately 1,400 travel agents in Hong Kong registered with the Travel Agents Registry as of September 2005.<sup>51</sup> Only 1,200 are licensed to do outbound travel although less than 600 agencies are reasonably active. To obtain a license, the travel agent must be a member of the Travel Industry Council of Hong Kong (TIC), which monitors the members under a code of practices and directives. Travel agents that violate regulations risk losing their licenses. Unlike on the mainland, the

risk of losing the license is very much present if the travel agent fails to meet industry standards.

In 1985, the Economic Development and Labor Bureau established the Travel Agents Registry to administer the Travel Agents Ordinance (TAO). Travel agents and tour operators wishing to operate outbound tours must be registered with the TAR to get the required license. TAO outlines the legislative framework for the regulation and control of travel agents as well as tour operators. Travel agents and tour operators are expected to abide by the codes of conduct and directives set by the Travel Agents Registry. Under TAO, travel agents are required to pay 0.3 % of the tour fares to the Travel Industry Compensation Fund (TICF) to provide financial assistance to tourists going on outbound tours if it should be necessary. The Package Tour Accident Contingency Fund Scheme functions as travel insurance that provides financial assistance in case of accidents abroad. The scheme only covers tour package; tourists that buy only flight or accommodation packages are not covered. The TICF provides compensation of up to 90 % of the loss of tour fares in the event of tour operator default.

Package tours and ticketing are the two major lines of service offered by the Hong Kong travel trade. Ticketing agents serve mainly the FIT market and are able to do so due to the very competitive airline and hotel prices as well as a solid network of clients. Around 20 travel agents do retail package tours but only half of them are significant enough to be tour operators. The remaining along with some ticketing agents serves as brokers for wholesalers of packaged tours. The large retailers in Hong Kong include Miramar Hotel and Investment, Morning Star Travel Service, Hong Thai Citizens Travel Service, Hong Kong Student Travel, and Wing-On.

The travel trade in Hong Kong was significantly affected by the SARS epidemic in 2003. During the outbreak, incoming tourism to Hong Kong virtually came to an end. However, the impact was significantly less for outbound tourism. Nonetheless, the outbreak hurt consumer confidence badly and in order to lure the consumers back there have been significant price discounts since 2003. After the most difficult time had passed just after the SARS outbreak, all the travel trade players immediately launched aggressive price promotions in order to gain business back. At the time it included more than 50 % discounts on package tours, buy-one-get-one-free hotel room and so on. These campaigns were successful with respect to getting people to travel again but backfired in terms of turnover.

The growth in volume over value has resulted in fiercer competition than ever. The intense rivalry was further enhanced by the increase in the number of players in the travel industry. From 2000 to 2005<sup>52</sup> the number of registered travel agents increased from 1,165 to 1,408. Despite the competition, prices soar during peak seasons. There are reports that some agencies even double package prices during Chinese New Year.

Flight is the major source of revenues for the Hong Kong travel trade accounting for approximately 50 % of total sales. Package tours are the second most important product accounting for around 24 %. The

proportion of package tours has risen in the latest years due to the relatively higher margin for package tours as opposed to just reselling air tickets and hotel rooms. The aggressive price promotions by the travel agents have also contributed to a sharp increase in packaged tours in recent years as the total cost for the packages are significantly lower than buying the components individually. The increase in the number of packaged holidays is particularly evident among the elder travelers.

Brochures are typically produced in March/April for the summer season and September/October for the winter season including Chinese New Year. On top of this, flyers and other collateral are produced on an ad-hoc basis reflecting the discounts given by the airlines. Entering the Hong Kong travel market can be relatively easy if there is a possibility of offering some kind of a special initiative.

#### 4.2.1 Industry Structure and Organizations

The Travel Industry Council of Hong Kong (TIC) controls the quality of travel agencies for both inbound and outbound tourism as well as protects their interests and the travelers'.<sup>53</sup>

The industry structure is similar to Mainland China although more systemized. Wholesalers buy the product from the Nordic incoming operators and may sell the product onwards either via the travel agent or directly to the customers through media sales. Direct sales are currently a relatively small share of their business. Travel agents may buy directly from the incoming operators or from a wholesaler.

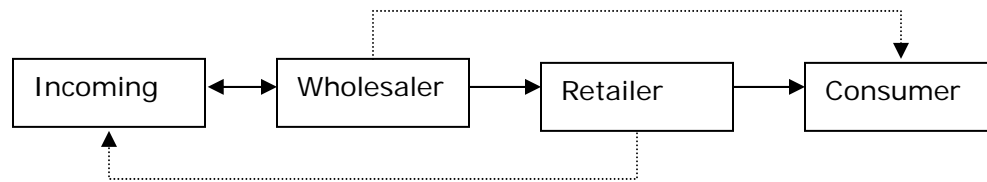
The agents selling Nordic products are among the more experienced players in the market. As a result, there is a tendency that these tend to buy directly from the incoming operators. As they expand their knowledge base and size of company, travel agents often decide to buy directly from the incoming operators and thus completely bypass the wholesalers.

The travel agents in Hong Kong also handle incentive travel but like other Asian countries, there are no dedicated sectors that alone handle incentive.

#### 4.2.2 Value Chain

In keeping with conventional travel trade value chains, wholesalers and larger retailers buy directly from the incoming operators. Wholesalers sell either to the travel agents or directly to the customers, though the latter make up only a small share of the wholesalers' business. For larger retailers indirect sales account for two-thirds of their income. The remaining balance is covered by direct or media sales.

Hong Kong travel agents selling Nordic products are more knowledgeable compared to other market players and tend to buy directly from the incoming Nordic operators or from a wholesaler. Big travel agents with superior product knowledge often bypass the wholesaler and go straight to the incoming.



#### 4.2.3 Knowledge about the Nordic Products

The travel trade in Hong Kong is more knowledgeable than its competitors in mainland China. However, compared to the travel trade in Taiwan, the Hong Kong agents lack both experience and commitment. There seems to be a certain degree of interest among relatively small players in educating themselves in the Nordic countries, but, due to the lack of product knowledge, copying existing products is a lot easier, faster, and cheaper than going through the hard work of learning about the Nordic region and developing new products.

#### 4.2.4 Online Travel Retail

Online travel retail is still in its infancy in Hong Kong. Unlike Taiwan, where online travel agencies are prospering, there is very little online travel shopping in Hong Kong. The rationale behind this development is the increasing concern for security of buying and selling on the web. There also seems to be a preference among Hong Kong consumers for face-to-face business.

#### 4.2.5 Outbound Travel Agents

The Hong Kong travel market is very fragmented. Some agents focus on reselling air tickets and/or hotels whereas others specialize in package tours. Some of the agents concentrate on local tours, others on south China or Macao only tourism products. Others again might concentrate on long haul programs such as Europe or the US. Examples of the latter include Hong Kong Student travel, which is the largest travel agency in Hong Kong with a market share of around 3 %. The fierce competition results in an even more fragmented industry as the larger companies lose market shares to newer travel agencies.

Hong Thai and Wing-On are the two largest tour operators in Hong Kong and, therefore, strong competitors. Hong Thai, the larger of the two, enjoys stronger brand loyalty than Wing-On. To a larger extent than Wing-On, Hong Thai aggressively sponsors TV programs and variety shows. Morning Star and Sunflower are third and fourth respectively with fewer outlets than the two previous. However, both Morning Star and Sunflower have a more upper class positioning than the two biggest agents. Unfortunately the market shares of Sunflower and Morning Star have declined due to their slow responses to the SARS crisis. This is

particularly evident for Sunflower.

The four companies have a combined market share of around 15 %. A swifter response to SARS by the tour operators compared to the travel agents has led to stronger consumer loyalty towards the former relative to the latter. Consequently, tour operators have been able to maintain their market share and are less fragmented than the travel agents.

When it comes to Nordic products, the following agents/tour operators are of particular interest (in no particular order):

- Wing-On
- Hong Thai
- Charming
- Je-tour
- Miramar Express

The travel agents in Hong Kong also get business from the Guangdong province in Southern China. However, Chinese travel agents will need to handle the visa applications on behalf of the Hong Kong agents as these are not authorized to do so for mainland Chinese. As a result, there are travel agents from Hong Kong currently in the process of establishing joint ventures with Chinese travel agents in Guangzhou to get a larger share of the rapidly increasing Chinese outbound tourism market. The combination of superior product knowledge provided by the Hong Kong partner combined with the clearance to operate Chinese outbound groups is seen as a very attractive business opportunity.

#### 4.2.6 Markups

Commission levels have decreased significantly in recent years due to the fierce competition. In Taiwan, the travel trade enjoys a significantly higher mark-up on tours bound for the Nordic region than for other destination. This is less evident in Hong Kong even if the mark-up for the Nordic region is still somewhat more favorable than that for other regions. One agent mentioned that the mark-up has declined from around HKD 300 (EUR 30) per traveler to HKD 100 – 150 (EUR 10 – 15) in the last two years. For example, a selling price of approximately HKD 16,000 - 18,000 (EUR 1,600 – 1,800) amounts to less than 1 % commission.

#### 4.2.7 Distribution

Hong Kong distribution is similar to that of Taiwan and therefore more systemized than that in Mainland China. Larger retailers as well as wholesalers buy their products directly from the incoming operators. Indirect sales made through travel agencies account for the majority of the tour operators' income or more than two thirds of their total revenue. Direct sales or media sales account for roughly the rest.

There is a very limited market for internet sales in Hong Kong, which is in sharp contrast to the purchasing pattern in Taiwan where Internet sales are rapidly becoming more and more popular. Internet sales account for

only one to two percent of the total revenue of tour operators. Online bookings are not expected to gain the same popularity in Hong Kong as is currently being witnessed in Taiwan. This is largely due to the perceived uncertainty of online transactions, as people in Hong Kong do not yet consider web shopping safe.

An emerging trend has seen more and more tour operators moving into direct sales since they can realize significant savings on the commission by bypassing the wholesalers. By eliminating the middle man, the tour operators are able to offer very competitive prices. But as is the case in Taiwan, the tour operators will have to move slowly in order not to jeopardize their existing businesses with the travel agents.

#### 4.2.8 Promotion

Similar to Taiwan, newspapers seem to be the most important promotion channel for the Hong Kong travel trade also. However, the Hong Kong ads are more diversified than those of mainland China. The ads do not focus on price but instead center on product features that are distinct for the Nordic destinations. Ads might include the Santa Clause Village in Rovaniemi, the Norwegian Fjords, the North Cape, the Midnight Sun, glaciers and so on. The ads often also feature the high standard of the Nordic hotels. The Hong Kong agents also use the ads to try to counter the misperception of the Nordic region as being very cold by informing the reader that the Nordic summer offers temperatures between 15 and 25 degrees. The cool, pleasant climate is also used as a selling point as the weather in Hong Kong is hot and humid all year round.

Although larger players sponsor TV shows in return for product placement, this rarely applies to Nordic products because the insignificant number of travelers to the Nordic countries cannot justify such a heavy investment. To a certain degree, this is also true for newspaper advertisements for the classical tour as this product is already established and the mark-up is rather insignificant.

Seminars for the public are another promotional tool utilized in Hong Kong. Agencies place ads in the newspapers inviting whoever feels up for it to participate in these special events. In return the participants receive discounts on selected programs. Similar price reductions are offered during the International Travel Expo Hong Kong (ITE HK), which is the region's major travel trade fair. Depending on the product, clients that book their trip during the ITE will be given a discount of approximately HKD 200 to 300 (EUR 20 to 30). The 20<sup>th</sup> International Travel Expo Hong Kong was held at the Hong Kong Convention & Exhibition Center Hall 1 on June 15 to 18, 2006. June 15 -16 were reserved for trade visitors that work in the tourism industry. The event opened to the public on June 17 – 18.<sup>54</sup>

Other promotional tools being utilized in Hong Kong is direct mail to loyal customers and VIP clients. DMs are sent out on a regular basis and particularly before the major holidays. Although online retailing is not popular in Hong Kong, searching for travel information online is becoming

increasingly common. Consequently, all the larger players have their own website and NTOs especially from the South East Asian region are investing more and more on online promotion and homepages.

#### 4.2.9 Price

The price of the classical tour (the four capitals of Denmark, Finland, Norway, and Sweden along with Bergen and the Sognefjord area for 10 days) is around HKD 20,000 (EUR 2,000) during high season. Tourists that want to include two to three days in Iceland will need to add another HKD 10,000 (EUR 1,000, which is equally divided between airfare and land arrangements). The eight to nine day classical trip offered in the market is priced at around HKD 18,000 (EUR 1,800). The 14-day trip that includes the North Cape on top of the classical trip will be around HKD 25,000 (EUR 2,500). In comparison, an 11-day trip to seven countries in Central Europe goes for HKD 14,000 to 15,000 (EUR 1,400 to 1,500). Hong Kong tourists are quite sensitive to price but a discount in airfare or package tour prices will usually raise the number of outbound tourists.

Similar to both Taiwan and Thailand, average group size is around 25 people and travel agents need at least 15 people to break even.

The markup on Nordic products is not nearly as big an incentive in Hong Kong as in Taiwan or Thailand. According to the Hong Kong agents markups can be as low as HKD 100 (EUR 10) per traveler – and that includes the tourists going to the Nordic region also.

Compared to Central Europe, the Nordic region presents very windows for “optionals”, shopping commission, and other kick-backs. Consequently overall package price increase as the travel agents have to reimburse the tour leaders out of their own pockets instead of the normal practice of the tour leaders buying the groups from the agents. As opposed to the travel trade in mainland China, the agents in Hong Kong are largely very satisfied with this situation as it helps sustain the quality of the product.

#### 4.2.10 Incoming Operators

Incoming operators in Hong Kong include GTA, RTS, and Lotus to name but a few. The relationship between the Hong Kong travel agents and the incoming operators varies greatly. Hong Thai, a Hong Kong travel agent, maintains a balance of power in its relationship with the incoming despite the predominant perception that travel agents call the shots in the industry. Sunflower buys directly from the incoming operators and also relies heavily on these for information on the Nordic region and its products.

The two largest tour operators in Hong Kong, Hong Thai and Wing-On, buy and co-design their Nordic itineraries together with the incoming operators. Hong Thai preferred incoming operators are GTA and RTS. Unlike Hong Thai, Miramar Express and Goldjoy design their own packages based on information from NTOs, land operators, and the products of

competitors. Hong Kong travel agents are able to buy on credit from the incoming operators.

## 4.3 Nordic Products in the Hong Kong Market

The variety of Nordic products in the Hong Kong market is not very impressive. Almost all off-the-shelf itineraries include the capitals of Denmark, Finland, Norway, and Sweden. Most Hong Kong travelers opt for this 10 day classic trip. The most common extension is the Norwegian Fjords, most notably the Sognefjord and Aurland/Flåm, including Bergen. Other extensions include the Icebreaker in Finland, the Santa Claus Village in Rovaniemi or Iceland, and the North Cape in North Norway. If Iceland is added to the itinerary, total duration will be around 15 days. There are a few mid-priced to low-end agencies that sell what the Chinese refer to as the capital tour. This eight day program includes Copenhagen, Helsinki, Oslo, and Stockholm.

Based on testimonials from the travel agents, more than 60 % of the Hong Kong travelers bound for the Nordic countries have chosen the classical trip. A considerable share of the remaining 40 % goes to either Iceland or the North Cape. The rest tend to favor the Icebreaker as opposed to Rovaniemi and the Santa Claus Village. The Hong Kongese seem just as sensitive to cold as most other Asian.

### 4.3.1 Trends Identified by the Industry

The increasing number of households that own PCs with Internet access and the aggressive promotion of online booking services offering instant lower prices all played a part in the strong growth of online transactions in 2004 leading to the continuous expansion of the share of total travel and tourism sales on the Internet. Even though transportation experienced the fastest Internet transaction growth in percentage terms (220 %), hotels actually had the strongest growth in absolute terms. Hotels had the highest share of total sales through Internet transaction with more than 15 % in 2004, while transportation only had a 1 % share. Hotel bookings are made mainly by international visitors familiar with online bookings while transportation are more often booked by Hong Kong residents that are less comfortable with online transactions.<sup>55</sup>

Though, according to the Hong Kong travel trade, the Internet still only plays a marginal role with respect to outbound bookings, online travel shopping is likely to pick up fast as the Hong Kongese become more familiar with the web and more knowledgeable of possible travel destinations thus eliminating the need to consult a travel agent for advice.

### 4.3.2 Power Balance within Industry

Based on observations by the travel trade, around 10 wholesale ticketing agents, 10 wholesale package tour agents, 20 retail ticketing agents, and

20 retail package tour agents control approximately 90 % of the outbound market.

Airfare is in most Asian markets often a substantial part of the overall package price. Somewhat unique to Hong Kong, however, is the tremendous influence of the airlines on pricing and packaging. Due to frequent promotions and changes in prices, the airlines have become a major determinant on the pricing and packaging of travel agents. Consequently, most Hong Kong agents are loyal to none, going for whichever airline offers the best deal.

## 4.4 Major Companies

**Table 9: Major Travel Agents in Hong Kong**

Major Travel Agents in Hong Kong
Hong Thai Citizens Travel Services Ltd.
Goldjoy Holidays
Miramar Express
Wing-On Travel Service Ltd.
Sunflower Travel Service Ltd.
Je-tour Holiday Ltd.
S.K.Y. Travel (former P&O Travel Ltd.)
Charming Holidays Ltd.

Source: SAS Hong Kong

## 4.5 Summary of Hong Kong Interviews

Hong Kong offers a variety of Nordic tour packages ranging from eight to 15 days encompassing Denmark, Finland, Norway, and Sweden along with possible extensions. Table 10 below presents the most popular Nordic packages.

**Table 10: Popular Nordic Packages in Hong Kong**

Package	Destination	Price
4 countries/ 10-12 days. Classical Tour	Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. Possible extensions: Icebreaker in Finland, Iceland, or the midnight sun.	EUR 1,800 - 2,000  Additional EUR 1,000 – 2,300 for 15-day trip that includes Iceland
4 countries/10-day Classic Trip	Denmark, Finland, Norway, and Sweden, the capitals, Bergen, and the Fjords Possible extensions: Icebreaker and the Santa Claus Village in Rovaniemi, Iceland, or the North Cape	EUR 2,000
4 countries/8 to 9-days	4 countries in 8/9 days: Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. Possible extension: North Cape	EUR 1,800 – 2,000

**Table 11: Summary of Hong Kong Interviews**

Which Nordic packages are most popular and why?		
Travel Agency	Package	Price
Charming Holidays	Classical Tour (4 countries/10-12 days): Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. Possible extensions: Icebreaker in Finland, Iceland, or the midnight sun.	Low Season - HKD 18,000 (EUR 1,800) High Season - HKD 20,000 (EUR 2,000)  Iceland – total duration of 15 days Additional of HKD 10,000 (5,000 each for Flight and land arrangements)
Goldjoy	4 countries in 10-12 days: Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords plus the arctic circle in Finland. Extensions: Iceland for 3 additional days	HKD 19,000 (EUR 1,900)     Total package: HKD 23,000 (EUR 2,300)
Hong Thai	4 countries/8 days: Denmark, Finland, Norway, and Sweden Possible extensions: The Norwegian Fjords and Icebreaker for a total of 10 days 14-day package including the Aurora is also available	10-day package – USD 2,000 (EUR 1,550)  14-day package – USD 3,000 (EUR 2,300)
Je-tour	10-day classic trip: 4 countries (Denmark, Finland, Norway, and Sweden), the capitals, Bergen, and the Fjords Possible extensions: Icebreaker and the Santa Claus Village in Rovaniemi, Iceland, or the North Cape	High Season - HKD 20,000 (EUR 2,000)
Miramar Express	4 countries in 8/9 days: Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. Possible extension: North Cape	HKD 18,000 – 20,000 (EUR 1,800 – 2,000)
Sunflower	No information available	
Wing-On	Classic Trip - 4 countries/10 days: Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords (Aurland) Possible extensions: Icebreaker, Santa Clause Village in Rovaniemi, and the North Cape	High Season – HKD 20,000 (EUR 2,000)
Have there been any developments in your product portfolio over the past couple of years?		
Charming Holidays	Relatively stable throughout recent years	
Goldjoy	Interested in new products that focus on longer stays in fewer places	

Hong Thai	Product demand for Nordic tours has been relatively stable. However, consumers are requesting for new products for the Nordic countries.
Je-tour	Decreasing quality of Nordic package due to intense competition and price wars. New tour packages created by Je-tour to satisfy Hong Kong travelers are immediately copied by competitors.
Miramar Express	Believes Hong Kong market is ready for Nordic mono-destinations.
Sunflower	Interested in including the Nordic region to its portfolio.
Wing-On	Interested in developing new Nordic products but has limited knowledge of the region. Believes it is possible to sell the Nordic countries as mono-destinations.

Do you sell high-end or low-end products?	
Charming Holidays	Charming sells whatever consumers want.
Goldjoy	Goldjoy sells whatever consumers want.
Hong Thai	Hong Thai sells whatever consumers want.
Je-tour	Je-tour is a high-end company.
Miramar Express	Miramar sells whatever the consumers want.
Sunflower	Belongs somewhere in the lower part of the price/quality spectrum.
Wing-On	Wing-on is a high-end company and the only HK travel agent with an ISO certificate (issued 1996). It is the second largest travel agency in Hong Kong.

How many groups do you send to the Nordic Region?	
Charming Holidays	Approximately 1,000 pax/annually 30 to 40 groups with a group size of 25-35 people
Goldjoy	300 pax/annually 20 people per group 1/6 of all travelers or about 50 pax go to Iceland
Hong Thai	A little less than 250 pax annually 60 % go on the Capital tour, 30 % choose the Fjords or Icebreaker package, 10 % distributed between different products 2 groups during winter and the rest during summer, however volumes are decreasing due to strong euro and lack of new products
Je-tour	Previously produces 1,000 pax/annually but dropped significantly in 2005
Miramar Express	Approximately 60 pax
Wing-On	No expectations but hopes to come up with products that will generate 1,000 pax

How much growth did you see in your Nordic products last year?	
Charming Holidays	Stable: No increase or decrease
Goldjoy	Stable: No increase or decrease
Miramar Express	Stable: No increase or decrease

How much growth do you expect this year?	
Goldjoy	None.
Hong Thai	Unable to forecast growth but Hong Thai believes that the opening of HK Disneyland will boost the economy and thus outbound travel.
Je-tour	Expects a decrease
Miramar Express	Stable: No increase or decrease
Sunflower	Sunflower hopes to realize 1,000 pax if able to come up with the right products
Wing-On	No expectations, but hopes to come up with products

How does the market react to the price on Nordic tours?	
Charming Holidays	Price is not a problem as products are positioned accordingly.
Hong Thai	Price of Nordic tours is too high, which explains the low volume.
Je-tour	Price is considerably higher than other destinations.

When is high season?	
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Charming Holidays	High season to visit the Nordic countries is around the Chinese New Year, Easter, and Christmas particularly early May to early September. October and November are dead months.
Goldjoy	June to August is their high season for the Nordic tours, to a certain extent also December and January. October and November are dead months.
Hong Thai	Early May to early September
Je-tour	June to September
Miramar Express	High season to visit the Nordic countries is around the Chinese New Year, Easter, and Christmas particularly early May to early September. October and November are dead months.
Sunflower	May to September and particularly June-August
Wing-On	May to September and particularly June-August

**What trends do you see in the future?**

Charming Holidays	Foresees the Nordic countries as the next hot thing as consumers are constantly on the lookout for new destinations. But Charming advises against increasing flight capacity as it would lead to a short-term increase in tourism that would cause the market to mature faster.
Goldjoy	Interest in Nordic countries may increase as Hong Kong travelers are tired of the old destinations.
Hong Thai	Although Hong Kong travelers have begun looking for new destinations, the Nordic region is not taken into account.
Je-tour	Nordic products might turn into a fresh, hot product since travelers constantly looking for new destinations.
Miramar Express	Nordic products might turn into a fresh, hot product since travelers constantly looking for new destinations.
Sunflower	Travelers are constantly looking for new and unexplored destinations so the Nordic products might become the next big thing.
Wing-On	The Nordic countries might become more popular as the Hong Kongese get tired of the usual, old travel destinations.

**What are the wants and needs of the Hong Kong travelers?**

Charming Holidays	Hong Kong travelers require Chinese meals in addition to the local Nordic food but not as much as Mainland Chinese travelers.
Goldjoy	Hong Kong consumers want packaged products for the Nordic countries.
Hong Thai	The Hong Kongese wants to experience the local way of life when traveling abroad. Copenhagen and Stockholm are considered more entertaining compared to Finland and Norway because of the variety of attractions, museums, and shopping opportunities. Hong Kong travelers expect a packed program and are disappointed by the short time allotted by Hong Thai for sightseeing in the Nordic capitals. The high price of local guides only enables Hong Thai to offer a half day of sightseeing in the Nordic capitals, which leaves the rest of the day empty.
Je-tour	Hong Kong travelers still go for Chinese restaurants in the capitals.
Miramar Express	Hong Kong travelers want Chinese food in the capitals.
Sunflower	Hong Kong travelers want Chinese food in addition to the local cuisine.

**In which newspapers, magazines, radio, and TV programs do you promote your European/Nordic products? Who are the target markets?**

Charming Holidays	Direct mail is used for affluent markets but Charming also advertises in newspapers and magazines particularly in Ming Pau, which it owns. Nordic product features are not included in the ads as Hong Kong people are already familiar with the Nordic countries.
Goldjoy	Goldjoy sponsors the lifestyle program – “The Story from Afar”, which features various destinations is broadcast by ATV. Goldjoy also places ads in HK newspapers and arranges PR trips for the HK media.

Hong Thai	Advertises in newspapers and magazines such as One and Eastweek. Hong Thai arranges seminars by placing newspaper ads to attract participants. Special discounts are available to those that book during the event. The offer is extended to include the ITE (International Travel EXPO) with discounts of up to HKD 200-300.
Je-tour	Je-tour uses newspaper ads and TV commercials. Je-tour invest heavily in promotion during April and May.
Miramar Express	Developed the dollar for dollar system wherein advertisement costs are split 50/50 between the NTO and the travel agent. Miramar is comfortable with joint promotion involving competing travel agents.
Sunflower	Sunflower places in various daily newspapers like the Apple Daily, Oriental, and Ming Pau. Sunflower will shoulder 50 % of the costs for a TV commercial if an NTO and the respective national carrier are willing to put up 25 % each of the cost. Sunflower also buys into radio shows.
Wing-On	Advertises in newspapers, magazines, and on TV

**What do your ads focus on?**

Charming Holidays	Aside from price, the ads contain information regarding the hotels and sights of the Nordic region.
Goldjoy	Ads contain selling points such SAS being a high-end carrier. It also indicates the summer temperatures of the Nordic countries to correct the misconception that the region is cold. Reindeer riding, Santa Claus, skiing, and the aurora are the main winter selling points.
Hong Thai	Hong Thai will splash out an entire page to promote a new product.
Je-tour	Selling points include nice weather, the Fjords, Flåm railway, glaciers, midnight sun, and Santa Claus.
Miramar Express	Main selling points are the hotels and sights.
Wing-On	Key selling points are the Fjords, cruises, seafood, and the midnight sun.

**Who decides on the packages? You or the incoming?**

Charming Holidays	Designs own products
Goldjoy	Designs own products
Hong Thai	The incoming is invited to co-design and suggest new itineraries with Hong Thai.
Je-tour	Je-tour buys directly and also co-designs products together with the incoming.
Miramar Express	Designs own packages based on information from NTOs, land operators, and from products of competitors.
Sunflower	Sunflower relies heavily on the incoming for the Nordic products due to their limited knowledge of the region.
Wing-On	Designs products with the help of the incoming (Lotus). Additional input is provided by SAS and the NTOs.

**Do you know which part of the province/surrounding provinces your travelers come from?**

Charming Holidays	50 % from Hong Kong, 50 % from Mainland China (Guangdong province)
Goldjoy	From the Guangdong province and some from Shanghai
Je-tour	Je-tour has set up a joint venture with a mainland agent to cater to the growing number of customers it receives from the Mainland.
Miramar Express	100 % from Hong Kong

**How is the relationship between the Hong Kong travel agents?**

Charming Holidays	Personal relations are not so important in Hong Kong thus agents are more committed to the brand name rather than to individuals.
Goldjoy	Hong Kong agents are committed to brand and less to individuals. Personal relations are not so important.
Miramar Express	Miramar is comfortable with joint promotion involving competing

	travel agents.
Sunflower	Sunflower would never team up with another agent for joint promotion. Neither would Sunflower share or trade travelers/groups to increase group size due to quality concerns and fear of losing control of the groups.

When do you do the planning for the high season products?	
Charming Holidays	Two months in advance
Goldjoy	Two months in advance
Je-tour	Planning for the summer products is just after Christmas and the end of July for the winter products
Miramar Express	Two months in advance
Sunflower	Planning is on an ad hoc basis due to short lead time. Sunflower may produce and sell an itinerary in only a few days.
Wing-On	Winter products are planned around the end of July while summer products are done after Christmas.

Are the wholesalers and retailers separated into two individual companies? Is there any collaboration between various subsidiaries? What markets are they serving?	
Charming Holidays	30 % retail and 70 % wholesale: retail unit is required to buy from the wholesale section but is also free to shop around for lower priced or better products
Hong Thai	Although Hong Thai used to favor GTA, it is not looking into expanding business with RTS
Miramar Express	Miramar is 100 % retail

Are the Nordic products requested by the consumers or pushed by the travel agents?	
Goldjoy	Travelers asking for the Nordic packages already know where they want to go.
Hong Thai	Products are pushed by the travel agent. Hong Thai organizes a seminar three days before departure to prepare travelers for the tour.
Je-tour	Travelers inquiring about the Nordic countries have already decided to go there.
Miramar Express	Travelers ask for the Nordic countries.
Sunflower	Despite low awareness of the Nordic countries, people inquiring about the region know this is where they want to go.
Wing-On	Nordic tours are pulled by the consumers even if awareness of the region is low.

Who is the gate keeper/has the power in the industry?	
Goldjoy	Goldjoy has power over the incoming and believes its sales staff has a great influence on the consumers' decision making process.
Hong Thai	There is a balance of power between Hong Thai and the incoming.
Miramar Express	Miramar has power over the incoming
Sunflower	Sunflower relies heavily on the incoming for information and products.

Is there any difference in consumption during high and low seasons?	
Je-tour	None, expenditure level is the same throughout the year
Sunflower	None, expenditure level is the same throughout the year
Wing-On	None, expenditure level is the same throughout the year

How can we best support you?	
Sunflower	Sunflower would like to see Nordic NTOs participate in travel fairs and conduct media trips. Seminars conducted in Mandarin would be greatly appreciated.
Wing-On	Wing-On would like Nordic NTOs to participate in travel fairs.

AIRLINES	
Charming Holidays	Charming uses Finnair for 95 % of its groups traveling to the Nordic region. SAS is almost not an alternative due to the extra cost incurred due to the Bangkok extra leg.

Hong Thai	No preference with regards to airline.
Je-tour	Uses Finnair and KLM as the main carriers for the Nordic countries but aggressive pricing policies of the airlines squash package price and fuels price wars.
Miramar Express	Miramar has difficulty working with European and American carriers due to constantly changing business and pricing policies.
Wing-On	Airline airfares are considerably lower in May and June compared to July and August.

SEATING CAPACITY	
Charming Holidays	Charming holidays finds it impossible to expand group size as all flights are already filled due to insufficient blocking.
Hong Thai	Hong Thai gets 25 to 30 seats per month from Finnair and SAS however this is still not enough.
Wing-On	The airlines offer group fare discounts for groups of more than 10 people. However Wing-On is struggling with SAS being offline as cannot buy on credit with the airlines unlike with the incoming.

CONSUMERS	
Charming Holidays	Charming customers are most likely 35 years old and above, well off, and includes families and couples. 5 to 8 % of the total market consists of business travelers that come mostly from the Mainland. Consumers going to the Nordic region are not very price sensitive.
Goldjoy	The majority of its customers interested in the Nordic region are between the ages of 30 to 60 years belonging to the middle income group. Most travel without children since there are no amusement parks in the region.
Je-tour	Consumers to the Nordic region belong to the middle class, well educated, and many teachers and families. Je-tour believes that government officials are potential customers for the region since they belong to the middle/upper class segment and are entitled to a 20-day holiday.
Miramar Express	Miramar caters to mainly retired, civil workers or specialists with extensive knowledge of the region. These customers belong to the middle or upper income groups.
Sunflower	Hong Kong travelers know very little about the Nordic region
Wing-On	Hong Kongese going to the Nordic countries belong to the upper class and are around 40 years old and above.

GUIDES	
Charming Holidays	Uses Hong Kong tour leaders in addition to hiring local guides
Goldjoy	Guides are used only for a half a day because of the high price of guides in the region. The rest of the day is free and used mainly for shopping.
Hong Thai	Uses tour leaders from Hong Kong in addition to hiring local guides in the major Nordic cities. In some cases, Hong Thai has had to cut down on guides and meals to remain competitive and slash package price. But this is illogical as travelers end up reimbursing the guides on location thus ending up paying the full price anyways. Hong Thai also hires a local guide for a half-day of sightseeing in the Nordic capitals. Travelers find this unsatisfactory as they expect a packed program for the trip.
Je-tour	Uses a Hong Kong tour leader in addition to hiring local Nordic guides.
Miramar Express	Miramar brings along a Hong Kong tour leader and hires local Nordic guides in the capitals.
Sunflower	Hong Kong tour guides get HKD 120 (EUR 12) in tips per day.
Wing-On	Compliments Hong Kong tour leaders with local Nordic guides.

MARKUP	
Hong Thai	Hong Thai prefers more than 30 people per group but only needs at least 20 people to break even. In the last year, the markup for

	all outbound travel has gone down from HKD 300 (EUR 30) to 100 – 150 (EUR 10 – 15) per customer.
Sunflower	Sunflower needs at least 15 people per group to break even. Groups of less than 10 people will be canceled.
Wing-On	Wing-On requires 15 people in a group in order to break even.

**MICE/TECHNICAL VISITS**

Hong Thai	Hong Thai believes that technical visits could prove to be an interesting new leisure product such as visits to the factories of Nokia and Volvo.
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**PRODUCTS**

Miramar Express	Coach trips are popular as Hong Kong travelers like spending time on the bus and getting off to eat in order to experience nature and the local culture up front.
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**SHOPPING**

Goldjoy	Trips to the capitals usually last for only half a day as the price of guides is high. The rest of day is free for Hong Kong travelers to do some shopping in the capitals.
Hong Thai	To the Hong Kongese, there are no great brand names in the Nordic countries and that internationally famous European brands are cheaper in their home countries.
Je-tour	Shopping is limited in the Nordic countries. Hong Kongese buy porcelain from Royal Copenhagen as well as small souvenirs. Hong Kong travelers rarely buy anything big when on a cruise, hiking, or when visiting museums due to tighter airline restrictions with regards to baggage and the hassle of carrying bulky items.
Miramar Express	Hong Kong travelers want to shopping and pickup mostly local souvenirs.

**TRAVELER SEGMENTS**

Charming Holidays	5 – 8 % of Charming's total market consists of business travelers.
Hong Thai	Hong Kong travelers are not into outdoor activities such as hiking, horseback riding, mountaineering, and jogging.
Miramar Express	People from Hong Kong want to gamble.

**VISA**

Je-tour	Due to the increasing number of Mainland Chinese customers of Je-tour, it has set up a joint venture with a mainland agent who can handle visa processing for its customers in the Mainland.
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## 5 The Travelers in Figures

### 5.1 Macro Profile

#### 5.1.1 Number of Visitors

As is the case for Taiwan and Thailand, the Nordic countries also do not register Hong Kong nights separately but include them as part of “other Asia”.

Based on the annual statistical review of Hong Kong tourism conducted by the Hong Kong Tourism Board, 373,641 Hong Kong residents departed for Europe in 2004. Of the total number of departures, 57.68 % (215,499 pax) visited the United Kingdom. France was second with 47,555 Hong Kong guests (12.73 %) followed by Germany with 36,768 (9.85 %).

The Nordic countries do not have a separate entry but are included in the bulk category “other European countries”, which has a 12.77 % (47,717 pax) share of Hong Kong travelers in 2004.

#### 5.1.2 Length of stay

Most Hong Kong travelers to the Nordic region go for the 10 to 12 day classical tour, which includes Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. The classical tour can be extended with the Icebreaker in Finland, Iceland, the midnight sun, or the North Cape in which case duration is often 14 – 15 days.

A shorter trip of eight to nine days is also available. This package also includes the four Nordic countries of Denmark, Finland, Norway, and Sweden.

#### 5.1.3 Daily consumption

Hong Kongers are generally very price sensitive and always on the lookout for bargains. This, however, applies only to a lesser extent to the travelers visiting the Nordic region. Despite price – or maybe because of it as high price equals high quality – most travelers are quite satisfied with the Nordic products.

A 2005 survey by VISA, reveals the Hong Kong tourists as some of the biggest spenders, especially during the high season months of July and September.<sup>56</sup>

There are no available statistics of Hong Kong consumption in the Nordic countries. However, based on interviews with the travel trade in Hong Kong, spending seems to be somewhat limited as the Hong Kong tourists are uncertain of what to buy.

#### 5.1.4 Seasonality

The travel industry in Hong Kong often merges the high and low seasons as a consequence of the price incentives offered by the travel trade to lure clients back after SARS in addition to coping with economic difficulties and increased competition.

The three most evident peak seasons are Chinese New Year which usually takes place in late January or during the first two weeks in February, the summer school holiday from July to September, and Christmas in December. However, the Nordic peak season is June to August with very few Hong Kongese visiting the Nordic region outside these three months.

Travel agents see it is a major problem that the Nordic products cannot be sold throughout the year since they are investing considerable funds in advertisements before the high season from June to August. After the high season, there is virtually no demand for Nordic products. This is very unfortunate – and costly – as the consumers have to be “trained” every spring for them to remember the Nordic destinations. A consistent marketing approach is more favorable in the long run.

#### 5.1.5 Traveling Companions

Hong Kong tourists traveling to new destinations or first time travelers prefer to join package tours due to ease and convenience. Hong Kong travelers leaving for the Nordic region go either as couples or in groups. The travel trade does not see any FITs to the Nordic region, and they do not expect to do so in the foreseeable future. Miramar Express believes that the limited number of FITs from South East Asia to the Nordic countries is due to lack of knowledge and information.

#### 5.1.6 Travel developments

People in Hong Kong work six days a week with only Sunday off. 2005 had 16 general holidays, 12 of which were statutory holidays.<sup>57</sup> Leave entitlement, depending on the length of employment and seniority, usually ranges between seven to 14 days. Leaves not spent can be transferred to the following year, by the end of which they expire. The government and larger companies as well as multinationals provide leave entitlement for up to 20 days. But the average leave entitlement in Hong Kong is approximately 17 days.

The travel industry in Hong Kong has witnessed a very unstable development in the last decade or so. Hong Kong was severely affected by the Asian financial crisis of 1997 – 1998, which caused the property bubble to burst. As of 2005, the country has still not been able to recover to pre-crisis levels.

In the years just before and after the new millennium, the economy was

picking up and travel was on the rise. This all to an abrupt, albeit luckily only short, halt on September 11, 2001. 2002 witnessed record-breaking results for both the inbound and outbound travel market of Hong Kong. Unfortunately this upward trend was disrupted again in 2003 due to the outbreak of SARS, which severely damaged inbound tourism and also had an impact on outbound tourism. Since then, the market in Hong Kong has witnessed a slow but stable growth, at least in the number of departures.

Mastercard indicates that the future of outbound travel from Hong Kong is looking bright as nearly three million resident departures were recorded in Hong Kong in the first half of 2005, representing a growth of 18.5 % compared to the previous year.<sup>58</sup>

### 5.1.7 Travel Patterns

The new millennium has seen some shifts in outbound travel with regards to demographics. Euromonitor figures show that the share of female travelers has gone up from 46 % in 1999 to 49 % in 2003. This has been a consequence of the increased female participation in the workforce, which in turn has endowed women with stronger and more independent financial status.<sup>59</sup> The same report also reveals that people between 25 and 49 years old are the most active holiday takers. However, this is not evident for tourists going to the Nordic countries.

Euromonitor further indicates that more than half of the holidays taken by Hong Kong residents are one to three days visits to the mainland, Macau, other South East Asian countries, or nearby local islands. Trips lasting for four to seven days have shown a steady development and are usually to North Asia. Trips of more than seven days have decreased. As a result of the drop in long haul trips – many of these have been converted into short haul – travel expenditures have also dropped.

The preference for short haul travel destinations within Asia specifically mainland China is the result of the economic challenges faced by Hong Kong. Financial constraints have made many Hong Kong residents choose domestic holidays over going abroad. Hong Kong's delegation to mainland China and the subsequent boom in Hong Kongese wanting to visit their new master is also a major contributor to the increase in Hong Kong short haul tourism.

Europe and the US have seen a decline in the number of tourists from Hong Kong. The figures for the US are the most dramatic with a decline of 50 % for the period of 1999 to 2003. The Hong Kong dollar is stronger than most other Asian currencies when pegged against the US dollar but not against the Euro, which results in higher prices European programs.

## 5.2 Micro Profile

### 5.2.1 Age

The Nordic countries mainly attract Hong Kong travelers who are between the age of 30 and 60. The biggest share of Hong Kong clients going to the Nordic region belongs to the silver aged segment.

#### 5.2.2 Sex

Hong Kong travelers include families and couples. However, due to the lack of amusement parks in the Nordic region, children are rarely brought along.

#### 5.2.3 Income

Hong Kong tourists traveling to the Nordic region are relatively well-off and belong to the middle and upper class segment. Many of them are retired, teachers, civil workers, or specialists that have extensive knowledge of the Nordic countries. The older the travelers the more affluent.

#### 5.2.4 Place of residence

The majority of the Hong Kongese visiting the Nordic region comes from the Hong Kong Island. However, Goldjoy and Je-tour also have clients from mainland China due to the wider variety of travel packages offered and strong faith in the travel trade in Hong Kong. Consequently, Je-tour has established a connection with a mainland agent to handle visas for its Chinese customers. Mainlanders reside mainly in the Guangdong province and Shanghai.

#### 5.2.5 Wants and needs

The Hong Kongese prefer traveling to more than one country in one trip. This is likely a contributing factor to why Europe is a very attractive destination for Hong Kong long haul travelers.

Hong Kong travelers used to favor cultural attractions when choosing their holiday destination. But demand for green tours, with nature and scenery as the central theme, has become more profound due to the increased stress of city life and work pressure. Tours to the countryside for relaxation are becoming more popular among Hong Kong travelers that want to recharge their batteries.

To encourage more Hong Kong travelers to visit the Nordic region, Hong Thai believes that technical visits could prove an interesting leisure product. This would include trips to the factories of popular Nordic brand names such as Nokia and Volvo.

### 5.2.6 Souvenirs and gifts

Shopping is not a top priority for Hong Kong tourists traveling to the Nordic region as they are more interested in seeing the sights and highlights. When shopping for souvenirs, the Hong Kongese tend to buy items that are characteristic of the region, mostly local souvenirs such as amber, crystal, porcelain from Royal Copenhagen, and sweaters.

## 5.3 Visa Regulations

The Chinese with a Hong Kong passport do not need a Schengen visa to visit the Nordic countries. The same applies to holders of Hong Kong SAR, Macau SAR, and British National Overseas passports as of 2001. This and the fact that traveling to any Schengen country on one and the same visa is viable make it very difficult to assess how many travelers from Hong Kong actually do visit the Nordic countries.<sup>60</sup>

Schengen regulations state that the visa must be obtained from the Schengen country in which most time is spent or the point of entry. The Consulate General of Finland in Hong Kong represents Norway and Sweden in visa matters.<sup>61</sup> Visas for Denmark Iceland are handled by the Consulate General of Denmark. The processing time for visas is generally short and should not exceed five working days. However, this depends on the actual application.<sup>62</sup>

People from the Guangdong province of southern China travel from Hong Kong due to more interesting itineraries and a stronger confidence in the Hong Kong travel trade. In this case, Chinese travel agents will have to assist in the visa matters as Hong Kong travel agents are not allowed to handle visa applications from mainlanders.

## 5.4 What Makes the Travelers Tick

### 5.4.1 The Hong Kong Traveler to the Nordic Region

The Hong Kong travelers visiting the Nordic countries share somewhat the same characteristics as those of Taiwan. Most notably they belong to the middle or upper income group. The travel agencies believe that many of their clients are retired, civil workers, or specialists, and they are well educated. Although the Hong Kongese visiting the Nordic region include teachers, these are not nearly as dominant as in Taiwan. The age spectrum of the Nordic bound travelers is wider in Hong Kong than in Taiwan or Thailand. Families and the 40+ travelers constitute the biggest segments.

Most travel agencies are convinced that their customers' knowledge of the Nordic region is relatively solid. Consequently, the Hong Kongese wishing to visit the Nordic countries realize that a product priced at HKD 10,000 (EUR 1,000) cannot possibly be any good. As in Thailand, nature is the

prime sales argument in Hong Kong.

One of the travel agents, Je-tour, believes that government officials are potential customers to the Nordic region as they are entitled to 20-day holidays and belong to the middle/upper class segment.

Coach trips are very popular and the agents assess that consumers are satisfied with spending time on the road in order to enjoy the landscape, eat outside, and experience the local nature up close. However, the interest in active, adventurous holidays is limited.

#### 5.4.2 Purpose of visit

Most Hong Kongers travel to the Nordic countries for leisure. However, there are quite a number of business travelers to the region according to Charming Holidays. 5 to 8 % of the total market consists of business travelers from the mainland. Hong Kong travelers to the Nordic region are mainly affluent and are therefore not very price sensitive. The travelers appreciate the quality of the Nordic programs.

#### 5.4.3 Motivation

Despite the low awareness of the Nordic countries among the Hong Kongese, the consumers generally decide on the Nordic products without being pushed by the travel agents. The Hong Kongese are interested in culture and want to experience the local way of life when they go abroad. The Finnish sauna for example is quite popular. However, Copenhagen and Stockholm is considered to be more entertaining due to the number of museums and shops.

#### 5.4.4 Previous Travels

In recent years, the Hong Kong government has invested considerably in product development explaining for the increased availability of short haul tourism products. Its most recent project, Hong Kong Disneyland, has resulted in still more Hong Kongese spending their holidays at home.

Japan is a popular destination for Hong Kong travelers. Japan offers trendy shopping, state of the art high-tech products as well as a peaceful spas for the elderly. Japan is also an easy destination for the Hong Kongese interested in winter/snow activities, making Japan somewhat of a competitor to the Nordic countries.

### 5.5 Product Components

#### 5.5.1 Tour Escorts

The Travel Industry Council of Hong Kong (TIC) has an extensive list of

requirements regarding outbound tour escorts. All outbound tour escorts need to obtain a license from the Travel Industry Council of Hong Kong. Outbound tour escorts must adhere to the service guidelines set by TIC, which includes:

- Assisting tour participants with entry and exit procedures;
- Taking care of tour participants in all aspects during the journey;
- Assisting and encouraging the local tour guides to provide good service and monitoring their services;
- Monitoring the service quality of the local land operators;
- In the event of accidents, seeking instructions from his/her travel agent or deciding an appropriate course of action and taking prompt action, explaining the situation to the tour participants and comforting them; and
- Imparting proper travel values to tour participants to encourage active participation and hence an enjoyable tour experience.<sup>63</sup>

The use of "optionals" in the Nordic countries is virtually non-existent according to the Hong Kong travel trade. Although it is widely practiced in the mainland, "optionals" are not accepted unless the travel agency operating the tour gives the tour leader permission to do so. The tour leader will get a fixed amount suggested by the travel agent, which is usually around HKD 120 (EUR 12) per person per day. The tip is a major boost to the income of the tour escort and functions as a considerable incentive to perform well.

Foreign agents are not allowed to do the guiding themselves in the major cities. Travel agencies use guides in most of the capitals allocating between half a day to one day in the capitals of Denmark, Finland, Norway, and Sweden. The trade is grateful for the absence of kick-backs and shopping commissions as these make the tour leader focus on what the tourists want to see as opposed to making a profit from commissions. Some agents mentioned the possibility of commissions in Finland but these were of minor importance.

### 5.5.2 Food

The Hong Kongese seem to be somewhere between the Taiwanese and the mainland Chinese with regards to food. The Hong Kong travelers do not hesitate to try the local Nordic cuisine but still prefer their own Chinese kitchen. And, like their mainland neighbors, the Hong Kongese ask for Chinese meals in addition to the local food when in the Nordic countries.

### 5.5.3 Shopping

Although the Hong Kongese like to go shopping when traveling abroad, it is not a top priority for those visiting the Nordic region. Shopping is not at the top of their list as they are more interested in seeing the natural sights of the region. However when they do shop Hong Kong tourists tend to buy souvenirs that are typical of the region, such as crystal, amber,

sweaters, and porcelain.

Hong Kong travelers rarely buy heavy items when on a cruise, hiking, visiting museums, or shopping. Aside from the hassle of carrying around the bulky items, airlines have been very strict lately with regards to over weights baggage.

#### 5.5.4 Accommodation

Accommodation used is generally of high standard although not on par with the preferred choices of the Taiwanese. Like the Thai, the Hong Kong tourists normally stay in four star hotels or equivalent. Still, there are quite a few travel agencies using five-star hotels. Hong Kong travelers seem less demanding than their mainland and Japanese counterparts. They have no special requirements when it comes to hotels and do not insist on neither water boiler nor bathtub.

#### 5.5.5 Satisfaction

Hong Kong tourists that have gone to the Nordic region are satisfied with both price and quality. Travelers are pleased with the Nordic products and believe that the quality of the tour justifies the above average price of the tour.

Hong Kong travelers are not into sports and prefer a more laid-back tour as indicated by the popularity of coach trips. They are satisfied with spending time in the coach in order to see the scenery, enjoying lunch breaks along the way, and experiencing the local culture and nature up close. However, some Hong Kongese have complained that museums close already at 4 PM.

#### 5.5.6 Decision Making Process

Hong Kong consumers are very price sensitive particularly during the low season. They are bargain hunters and extensively compare prices before deciding on a destination. Price sensitivity is even more apparent when the economy is in recession.

During economical slumps, the Hong Kongese go for short haul trips over the more expensive long haul ones. On the other hand, when the economy is solid there is a clear preference for long haul travels often with a duration of between 10 to 14 days. The long haul market including Australia, Europe, Canada, and the US, is around 30 % of the total outbound market, with short haul representing the remaining 70 %.

Long haul travel attracts middle-income, middle-aged travelers. Hong Kong tourists traveling to new destinations or first-time travelers prefer to join package tours due to ease and convenience.

A number of travel agents have noted that many Hong Kong travelers often make last minute bookings. The Hong Kongese book as late as 14 days prior to departure, which greatly conflicts with the airlines that demand confirmation no less than a month in advance. Consequently, a few agents are unable to commit to a specific carrier.

#### 5.5.7 Preferred Airlines

Finnair is preferred airline due to its direct flights during summer. Because of the premium price on the Nordic program, the travelers want and expect it to include direct flight.

Travelers who fly SAS will have to go either via Bangkok, which is the most utilized route, or via Shanghai or Beijing. Usually Dragonair is chosen for the Bangkok leg. Flying Dragonair to Bangkok means additional costs bringing the price of a SAS ticket considerably above that of a Finnair one.

The perceived difference between SAS and Finnair in terms of quality seems to be less in Hong Kong than in other Asian regions investigated in this research. Some agencies also use KLM.

The travel trade claims to be faced with the problem of not getting enough seats. This complaint is not unique for Hong Kong as the airlines naturally have to maintain a certain load factor on all markets in order to survive. On the positive side, seat capacity seems to be less of a problem in Hong Kong than in Taiwan.

There have been registered complaints about changing pricing and cancellation policies. There are also significant price fluctuations between May and June (the cheaper months) and July and August (considered to be the more expensive months). The travel agents find this frustrating as it is difficult for them to set the price for the total package. This practice is predominantly evident in Hong Kong as airlines offer discounts that again lead to special products being favored in a particular period.

Another problem is that the airlines ask for confirmation one month in advance when travelers book as late as one to two weeks in advance since Hong Kong residents do not need a Schengen visa for the Nordic countries. The airlines cannot block seats in such a short time prior to departure.

#### 5.5.8 Repeaters

Hong Kong tourists are very satisfied with the trips to the Nordic region because of the high quality of the product. Even so, the Nordic countries have very few repeaters from Hong Kong.

### 5.5.9 Image of the Nordic Countries

According to the travel trade, Hans Christian Andersen, the Vikings, and the nature are the three most famous Nordic icons in Hong Kong.

The perception of the Nordic region being very cold is used as a selling point in advertisements for the Nordic products. Hong Kong weather is hot and humid all year round and the cool climate of the Nordic countries would be a pleasant change.

### 5.5.10 Strengths and Weaknesses

The major advantage of the Hong Kong market is that the travel trade is seeking to position the Nordic region in accordance with the picture and characteristics promoted by the Nordic NTOs. The travel trade players that sell Nordic programs know the region fairly well and belong to the high-end segment. Other players who do not currently sell the Nordic region are also interested in developing their own Nordic product portfolio. Moreover, travelers who have actually been to the Nordic region are indeed very satisfied with the trip. This should ultimately lead to good word-of-mouth which has been proven to be a very effective marketing tool in Hong Kong.

The ridiculously low markup in Hong Kong – even on Nordic packages – compared to almost all other Asia markets is a tremendous disadvantage for the travel trade and leaves very little incentive for promoting a particular destination or product. This is further accentuated by the perception of the classical trip as a mature product.

There is a peculiar discrepancy in the low number of repeaters and the very positive feedback from returning visitors. Conventional logic dictates that high levels of satisfaction will lead to repeat visits. This, unfortunately, seems not to be the case for the Nordic region.

Although less vital in Hong Kong relative to e.g. Taiwan, the former British colony also complain about seat capacity.

The image of the Nordic region in Hong Kong is very vague causing many potential visitors to choose competing destinations. The Hong Kongese enjoy a per capita income on level with countries in Central Europe. From a financial point of view, therefore, the Nordic region should be able to attract travelers from a wider stratum than the current.

## 6 Concluding Remarks

Having been under British rule for close to a century and spared the torment of the Chinese Communists Party, Hong Kong is decades ahead of the mainland in almost all areas, including tourism. Not only is the Hong Kong travel trade both professional and knowledgeable, Hong Kong travelers also enjoy many rights not found or exercised on the mainland. The fertile combination of industry professionalism and consumer rights has produced a healthy travel environment with little if any shady activity.

An unfortunate spin-off, however, has been the intense price wars that now ravage the industry. Barred from making an extra buck in the same creative way as the mainland agents (through optionals, selling tour groups to tour leaders etc.) and without an industry consensus to maintain the tour prices at an artificially high level (like is the case in Taiwan), the Hong Kong travel trade see only one way to increase income: capture customers from other agents by slashing prices. Not able to squeeze package price, the Hong Kong agents have instead cut markup. This decision, of course, proved a double edged sword. On the positive side, the Nordic programs have become more competitive. But cutting markup on a high yield/low volume product eliminates virtually all incentive for keeping it in stock. And that applies to the Nordic packages also. Even without resorting to postdiction (hindsight/wisdom after the event), the Hong Kong take on competitiveness and market dynamics as illustrated by the Nordic case is nothing but head shaking.

In itself, the Hong Kong market does not impress. Visitors are few, consumption moderate, itineraries short, and markup ridiculously low. But as an inlet into China, especial the neighboring heavily populated and travel crazed Guangdong province, Hong Kong is impossible to ignore.

Guangdong alone accounts for one-third of Chinese outbound tourism. And as the only segment in China – and perhaps even in all of Asia Pacific – the Guangdong travelers consider the Nordic countries alongside popular destinations such as France, Italy, and the UK for their first time visits to Europe (the travel patterns of the mainland Chinese will be explained in detail in the China White Paper out later this summer). Knowing that still more mainland Chinese ignore their local agents in favor of the more knowledgeable, experienced, and reliable Hong Kong travel agencies, Hong Kong appears a patent and easy way to tap into the huge Chinese tourist potential.

### 6.1 Forecasting

The Hong Kong economy is finally showing signs of recovery after years of economic recession. The integration with mainland China is expected to fuel the growth of the economy even more. A positive economic outlook, an increase in consumer confidence, and ultimately, spending are likely to result in a greater demand for long haul travel. But fierce competition among travel trade players may hamper a healthier and more positive

development as the increased price wars have shown. If the competition continues unabated, it is likely that overall outgoing tourism expenditure will grow slower than the number of outbound tourists as has been experienced in the last couple of years.

Tourism is one of Hong Kong's most important sources of income, as it one of the four pillar of the country's economy. Gradual growth is expected within the next few years along with significant growth in 2008, as Beijing is getting ready for the Olympic Games. But pandemics are likely to have a significant impact on the economy, as witnessed during the SARS outbreak. The world is now facing another pandemic, the bird flu, wherein several outbreaks have been seen all over the world, most notably in China where also SARS originated. Hong Kong will be severely affected by the bird flu pandemic due to its reliance on incoming tourism.

## 7 Appendix: Interviews

### 7.1 Charming Holidays

Q1:

Which Nordic packages are most popular and why?

A1:

The classical four countries/10-12 days tour is the most popular. The itinerary includes Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. 50 % of Charming Holidays' customers choose this trip. Price is HKD 18,000 (EUR 1,800) during low season and HKD 20,000 (EUR 2,000) during high.

Three possible extensions are the Icebreaker in Finland, Iceland, or the midnight sun. Including Iceland (for two to three days bringing total duration to 15 days) means an additional HKD 10,000 (5,000 on flight and 5,000 on land arrangements). Iceland receives three to four groups annually.

Q2:

Have there been any developments in your product portfolio over the past couple of years?

A2:

Relatively stable through out the recent years.

Q3:

Do you sell high-end or low-end products?

A3:

Charming sells whatever the consumers want.

Q4:

How many groups do you send to the Nordic region?

A4:

Approximately 1,000 pax/annually. With a group size of 25-35 people this translates into 30-40 groups.

Q5:

How much growth did you see in your Nordic products last year?

A5:

Status quo i.e. neither an increase nor a decrease

Q6:

How does the market react to the price on Nordic tours?

A6:

Price is not a problem for Charming Holidays because products are positioned accordingly.

Q7:

When is high season?

A7:

High season for Hong Kong travelers visiting the Nordic countries is

around the Chinese New Year, Easter, and Christmas i.e. early May to early September. October and November are dead months.

Q8:

What trends do you see in the future?

A8:

The Nordic countries might become the next hot thing as consumers are continuously on the lookout for new destinations. Charming, however, advised us not to increase flight capacity as this will only lead to a short term increase in tourism i.e. the market will mature too fast.

Q9:

What are the wants and needs of the Hong Kong travelers?

A9:

Like the mainland Chinese but to a lesser degree, the HK travelers require Chinese meals in addition to the local Nordic food.

Q10:

In which newspapers, magazines, radio, and TV programs do you promote your European/Nordic products? Who are the target markets?

A10:

Charming applies direct mail towards the affluent markets and advertises in newspapers and magazines (e.g. Ming Pau, which Charming Holidays owns). According to Charming Holidays, the people of Hong Kong are familiar with the Nordic countries and product features are therefore not necessary to include in ads.

Q11:

What do your ads focus on?

A11:

Hong Kong travel ads are more diverse than those in China. They contain information on hotels and sights and not just price.

Q12:

Who decides on the packages? You or the incoming?

A12:

Charming designs the products.

Q13:

Do you know which part of the province/surrounding provinces your travelers come from?

A13:

50 % from Hong Kong and 50 % from mainland China (Guangdong province)

Q14:

How is the relationship between the Hong Kong travel agents?

A14:

Agents are more committed to brand name and less (than China) to individuals. Personal relations are not so important in HK.

Q15:

When do you do the planning for the high season products?

A15:

Two months in advance.

Q16:

Are the wholesalers and retailers separated into two individual companies? Is there any collaboration between various subsidiaries? What markets are they serving?

A16:

Charming is split into 30 % retail and 70 % wholesale. The two departments, however, are not separated. The retail unit is not required to buy from the wholesale section but is free to shop around for lower price or better products.

Other:

Airline:

95 % of Charming Holiday's groups travel Finnair as the Finnish carrier offers direct flights. And direct flight is what the travelers expect from a tour package as expensive as the Nordic. SAS is hardly an alternative. Not only do the Hong Kong travelers need to go via Bangkok, this extra leg provided by e.g. Dragonair also adds to the ticket price making the indirect flight with SAS more expensive than the direct Finnish option.

Air seat capacity from HK to the Nordic countries during high season is insufficient blocking any increase in traffic. During high season, Charming Holidays finds it impossible to expand group size as all flights are already filled. The price from HK to Helsinki with Finnair is around HKD 6,000 (EUR 600).

Charming Holidays has relatively little knowledge of its customers. Charming presumes that they are 35+, well-off, and includes families and couples. Charming believes that the customers know the market price. Example: consumers will immediately discard a HKD 10,000 product as junk knowing that a quality tour package cannot be produced this cheap.

There are less business travelers from HK than from the mainland. Charming believes that only 5-8 % of the total market consists of business travelers. The consumers going for Nordic tours are not very price sensitive.

Optionals, commission, and other kick backs are not possible in the Nordic countries. Charming uses Hong Kong tour leaders in addition to hiring local guides.

## 7.2 Goldjoy

Q1:

Which Nordic packages are most popular and why?

A1:

Four countries in 10-12 days i.e. Copenhagen, Helsinki, Oslo, Stockholm, Bergen and the Fjords plus the arctic circle in Finland. The tour is around HKD 19,000 (EUR 1,900). The trip can be extended with Iceland for an

additional three days, which brings total package price to HKD 23,000 (EUR 2,300). SAS being preferred carrier, Goldjoy transfers in either Beijing (HK-Beijing with Dragonair) or Shanghai. If the travelers so desire – and around 10 % does – they can choose to stop over a day or two in either Beijing or Shanghai for some shopping on their way back (stopover and shopping not included in the itinerary).

Goldjoy is looking into producing a cruise tour including the UK and Holland targeted at the older segments.

Q2:

Have there been any developments in your product portfolio over the last few years?

A2:

Goldjoy would like to see new products and believes there is no need for visiting all four countries (Denmark, Finland, Norway, and Sweden) in one trip as the market is ready for longer stays in fewer places.

Q3:

Do you sell high-end or low-end products?

A3:

Goldjoy sells whatever the consumers want.

Q4:

How many groups do you send to the Nordic countries?

A4:

Goldjoy produces about 300 pax annually. A group consists of around 20 people. 1/6 of all travelers or 50 pax go to Iceland.

Q5:

How much growth in your Nordic products did you experience last year?

A5:

Stabl i.e. neither increase nor decrease.

Q6:

How much growth do you expect this year?

Q6:

None. Neither positive nor negative.

Q7:

Are the Nordic products requested by the consumers or pushed by the travel agents?

A7:

The travelers asking for Nordic packages already know where they want to go. They have not been pushed by the travel agent.

Q8:

When is high season?

A8:

High season for Nordic tours is June to August and to a certain extent December and January. October and November are dead months with no business whatsoever.

Q9:

What will be the next major trends?

A9:

The interest in the Nordic countries might increase as travelers get tired of the usual, old destinations.

Q10:

What are the consumer wants/needs/demands?

A10:

The consumers want packaged products with regards to the Nordic countries. The Hong Kong Chinese are more open to trying out Nordic foods than their mainland countrymen only seeking out Chinese restaurants in the capitals.

Q11:

In which newspapers, magazines and other media (radio/TV) do you promote your European/Nordic products? Who are the target markets?

A11:

Goldjoy sponsors a program called "the story from afar" – a lifestyle program about various destinations broadcasted by ATV. In addition, Goldjoy places weekly ads in the HK newspapers and arranges PR trips for the HK media. 0 % of its business being wholesale, Goldjoy also organizes retail seminars.

Q12:

What do you focus on in your advertising?

A12:

The HK ads are more diversified than the Chinese. Many contain selling points such as SAS being a high-end carrier and summer temperatures between 15 and 20 centigrade – the latter in an attempt change the misconception that the Nordic countries are very cold always covered in snow. Winter selling points include reindeer riding, Santa, skiing, and aurora.

Q13:

Who designs your products?

A13:

Goldjoy does.

Q14:

Who is the gate keeper/has the power in the industry?

A14:

Goldjoy holds the power over the incoming. Goldjoy also believes that its sales staff has considerable impact in the decision making process of the consumers.

Q15:

Do you know which part of the province/surrounding provinces most of your travelers come from?

A15:

Goldjoy gets most of its business from the Guangdong province and some from Shanghai.

Q16:

Does the staff of the different travel agents rotate in Hong Kong as is the case in mainland China? Is it systemized?

A17:

There is no such system in HK. The HK agents are committed to the brand and less so (than China) to individuals. Personal relations are not so important in HK.

Q17:

When do you start planning your high season products?

A17:

Two months in advance

Other:

Goldjoy believes that the majority of its customers (interested in the Nordic countries) is between 30-60 years, travels without children (as there are no amusement parks in the region), and belongs to the middle income group.

Upon returning to Hong Kong, Goldjoy conducts a customer survey in order to improve its products.

Due to the price of guides in the Nordic countries, the trips usually includes only half a day of guides in the capitals. The rest of the day is free and mostly used for shopping.

## 7.3 Hong Thai

Q1:

Which Nordic packages are most popular and why?

A1:

Four countries/eight days (as always Denmark, Finland, Norway, and Sweden). Possible extensions include the Norwegian fjords and Icebreaker in which case the trip is 10 days at USD 2,000. A 14 day package also including aurora is available for USD 3,000.

Hong Thai also tried to include Iceland, but since the package did not sell, Hong Thai took it off after only a year. Three nights in Iceland came at an additional HKD 6,000 (EUR 600).

In comparison to the exclusive Nordic package, Central Europe goes for only USD 1,800. And that is 11 days in seven countries.

Q2:

Have there been any developments in your product portfolio over the last few years?

A2:

Product demand has been relatively stable with regards to Nordic tours. Even though consumers are actually requesting new products, the Nordic countries cannot deliver.

Technical visits could prove an interesting new leisure product e.g. visits to Nokia and Volvo factories.

Q3:

Do you sell high-end or low-end products?

A3:

Hong Thai sells whatever the consumers want.

Q4:

How many groups do you send to the Nordic countries?

A4:

A bit less than 250 pax annually. 60 % goes on the capital tour, 30 % chooses the Fjords or Icebreaker package, while the remaining 10 % is spread between different products. Hong Thai has two groups during winter and the rest during summer. Volumes are decreasing due to a strong euro and the lack of product development.

Q5:

How much growth do you expect this year?

A5:

Hong Thai has difficulties forecasting any growth. The Hong Kong economy has not recovered after the Asian financial crisis and capital is flowing out of HK into the mainland. Hong Thai believes that the opening of Disneyland in HK will boost the economy and thus outbound travel.

Q6:

Are the Nordic products requested by the consumers or pushed by the travel agents?

A6:

Products are pushed by the travel agent. Three days prior to departure, Hong Thai organizes seminars to prepare its travelers for the tour.

Q7:

What do you think about the price on the Nordic products?

A7:

The price on Nordic tours is too high, which explains the low volume.

Q8:

When is high season?

A8:

Early May to early September.

Q9:

How are consumer preferences likely to change in the future?

A9:

The Hong Kong travelers have begun looking for new destinations. Unfortunately, the Nordic region is not considered one.

Q10:

What are the consumer wants/needs/demands?

A10:

The Hong Kongese seek out renowned cities, historical sites, shopping, and famous museums, which, unfortunately, they do not appear to find in

the Nordic countries. The Nordic regions prime selling point, nature, does not seem to be a big draw in Hong Kong as travelers are not that into outdoor activities such as hiking, horseback riding, mountaineering, and jogging.

In the eyes of the Hong Kongese, the Nordic countries do not have any great own brands, and the internationally famous European brands are a lot cheaper in their home countries.

Culture is important and the Hong Kongese want to experience the local way of life when traveling abroad. Thus, Finnish sauna is very popular. Apart from sauna, however, Finland, like Norway, has little to offer. Due to a wider variety in attractions (e.g. Frederiksborg and City Hall in addition to various museums and shopping opportunities), Copenhagen and Stockholm is considered more entertaining.

Due to the price on local guides, Hong Thai includes only half a day of sightseeing in the Nordic capitals. The remainder of the day is off, which the Hong Kong travelers expecting a packed program find far from satisfactory.

Q11:

In which newspapers, magazines or other media (radio/TV) do you promote your European/Nordic products? Who are the target markets?

A11:

Newspapers and magazines (One, Eastweek). Hong Thai also carries out different PR activities such as inviting Miss HK to visit different destinations abroad. This stunt, however, is too expensive to replicate for the Nordic countries. A 2 x 45 minute program costs HKD 1,000,000 (EUR 100,600) and is therefore reserved for the big, popular destinations. Hong Thai does not advertise the classic tour package as the markup is too small relative to the cost of promotion.

In addition Hong Thai arranges seminars placing newspaper ads to attract participants. Special discounts are available for those who book during the event. This offer is extended to include the ITE (International Travel EXPO), where HKD 2-300 is knocked off the tour price. In 2005 the ITE took place June 9-12.

Q12:

What do you focus on in your ads?

A12:

If Hong Thai comes up with a new product, it might splash out on an entire page to promote it.

Q13:

How is your relationship with the incoming and other travel agents?

A13:

The incoming is invited to recommend and co-design new itineraries with Hong Thai. Hong Thai used to favor GTA but is not looking into expanding its business with RTS.

Hong Thai does not pay the incoming until the travelers have returned to

Hong Kong. Unlike their mainland countrymen, the Hong Kongese enjoy substantial consumer rights and protection. Therefore, agents not delivering what they promised (itinerary, quality etc.) risk being fined or even taken to court. Should the latter occur, the travel agents are able pass their expenses on to the incoming by simply refusing to pay the tour costs.

Q14:

Who is the gate keeper/has the power in the industry?

A14:

There is a balance in the power relationship between the Hong Thai and the incoming, though the predominant perception is that the travel agents call the shots.

Other:

Airline:

Hong Thai has no preferences regarding airline. SAS is considered the most expensive carrier though the price difference to its competitors is insignificant. Hong Thai gets 25 to 30 seats per month from Finnair and SAS, which is far from enough. Even though the two airlines target two very different segments, neither Finnair nor SAS is regarded as tourist/leisure airlines.

The Hong Kong travelers booking as late as 14 days prior to departure conflicts greatly with the airlines demanding confirmation no less than a month in advance. As a consequence few agents want to commit themselves to a specific carrier.

Travelers wanting to fly SAS have to go via Bangkok (with Dragonair). The additional costs imposed by this extra leg result in SAS being more expensive than the direct Finnish alternative.

Hong Thai needs at least 20 people in a group for it to be profitable and would prefer more than 30. Over the course of the last year, markup has gone down from HKD 300 to 100-150 per each consumer. The drop in markup, though amounts vary, applies to all outbound travel.

There are no possibilities for optionals, commission, or other kick backs in the Nordic countries. Hong Thai uses tour leaders from Hong Kong in addition to hiring local Nordic guides in the major cities (neither Hong Thai nor other foreign agents are allowed to do the guiding themselves). Hong Thai sometimes has to cut guides and meals in order slash package price and thus stay competitive. This logic, however, is somewhat off since the travelers instead have to reimburse the guides on location thus ending up paying full price anyways – and probably grumpy to boot.

## 7.4 Je-tour

Q1:

Which Nordic packages are most popular and why?

A1:

The 10 day classic trip: four countries (Denmark, Finland, Norway, and Sweden), the capitals, Bergen, and the Fjords. Price is HKD 20,000 (EUR 2,000) during high season. Icebreaker and Santa Clause Village in Rovaniemi, Iceland, or the North Cape are three possible extensions.

Summertime accounts for 90 % of all Je-tour's traffic.

Q2:

Have there been any developments in your product portfolio over the last couple of years?

A2:

The quality of the Nordic package is decreasing due to intense competition and price wars. Je-tour comes up with new products every year to satisfy the travelers hunger for new tour packages. To Je-tour's discontent, however, new ideas are immediately copied by competitors.

Q3:

Do you sell high-end or low-end products?

A3:

Je-tour is a high-end company.

Q4:

How many groups do you send to the Nordic countries yearly?

A4:

Je-tour used to be able to produce 1,000 pax annually. This figure, however, drop significantly in 2005.

Q5:

How much growth in Nordic products do you expect this year?

A5:

Je-tour expects a decrease.

Q6:

Are the Nordic products requested by the consumer or pushed by the travel agents?

A6:

Travelers inquiring about the Nordic countries have already made up their minds about going exactly there.

Q7:

How is the price on Nordic tour packages?

A7:

Considerably higher than other destinations.

Q8:

When is high season?

A8:

High season for visiting the Nordic countries is from June to September.

Q9:

Is there any difference in consumption during high and low seasons?

A9:

No, the expenditure level is the same throughout the year.

Q10:

Do you see any major shifts in consumer preferences in the future?

A10:

The travelers are constantly looking for new destinations, so the Nordic countries might turn into a fresh, hot product.

Q11:

What are the consumer wants/needs/demands?

A11:

Though the Hong Kong Chinese are more appreciative of the local Nordic food than the mainlanders, they still go for Chinese restaurants in the capitals.

Q12:

In which newspapers, magazines, and other media (radio/TV) do you promote your European/Nordic products? Who are the target markets?

A12:

Je-tour utilizes newspaper ads and TV commercials. Je-tour do not advertise in magazines.

Q13:

What do you focus on in your advertising?

A13:

The HK ads are more diversified and of a higher quality than those of China. Selling points include nice weather, the Fjords, Flåm railway, glaciers, midnight sun, and Santa Clause. Je-tour invests heavily in media promotion during April and May.

Q14:

How do you work with the incoming?

A14:

Je-tour buys directly from and co-designs its products together with the incoming.

Q15:

Which part of the province/surrounding provinces do most of your travelers come from?

A15:

Je-tour has many customers from the mainland. Since mainland Chinese can only apply for visas through a mainland agent, Je-tour has set up a joint venture with the latter to better cater to the growing Chinese market.

Q16:

When do you plan your high season products?

A16:

Je-tour do the planning for winter products by the end of July and the planning for summer products just after Christmas.

Other:

Airline:

Je-tour uses Finnair and KLM as main carriers for the Nordic countries. The airlines, however, according to Je-tour, have very aggressive pricing

policies, which squash package price and thus help fuel price wars.

The consumers going to the Nordic countries are middle class, well educated, and many teachers and families. There are a lot of last minute bookings.

Shopping in the Nordic countries is limited. The Hong Kongese usually buy porcelain from Royal Copenhagen and various small souvenirs. They rarely buy anything big because of the hassle involved in carrying around bulky, heavy items when on a cruise, hiking, visiting museums etc. In addition, the airlines have been very strict lately with regards to over weight.

The Hong Kongese complain that the museums close already at 4 PM.

Je-tour believes that government officials are potential customer for the Nordic countries as these have 20 days holiday and belong to the middle/upper class segment.

Je-tour should be able to realize a couple of thousand travelers for the Nordic region in Je-tour's own estimate.

There are no possibilities for optionals, commissions, or other kickbacks in the Nordic region. Je-tour uses a HK tour leader in addition to hiring local Nordic guides.

The markup on Nordic packages is similar to that of all other products. Je-tour, however, due to its high quality products, enjoy a higher yield than most other travel agents in Hong Kong.

Je-tour was the first company in Hong Kong to offer trips to the Nordic countries.

Finnair and The Finnish Tourist Board are doing a lot of promotion in Hong Kong, amongst other things organizing an annual visit by Santa Claus.

## 7.5 Miramar Express

Q1:

Which Nordic packages are most popular and why?

A1:

Four countries in eight/nine days. The itinerary: Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords. The fare is around HKD 18,000-20,000. The trip can be extended with a few days in the North Cape.

Q2:

Have there been any developments in your product portfolio over the past few years?

A2:

Miramar believes the Hong Kong market is ready for Nordic mono-destinations. No need to visit both Denmark, Finland, Norway, and Sweden in one go. Even so, the four countries are bundled into one

package to get volume.

Q3:

Do you sell high-end or low-end products?

A3:

Miramar sells whatever the consumer wants

Q4:

How many travelers do you have for the Nordic countries per year?

A4:

Approximately 60 pax.

Q5:

How much growth from Nordic products did you get last year?

A5:

Stable: no increase/decrease.

Q6:

How much growth do you expect this year?

A6:

Stable: no increase/decrease.

Q7:

Are the Nordic products requested by the consumer or pushed by the travel agents?

A7:

Travelers asking about the Nordic countries already know this is where they want to go and are not pushed by the travel agent.

Q8:

When is high season?

A8:

High season for visiting the Nordic countries is the Chinese New Year, Easter, Christmas, and in particular early May to early September. October and November are dead months.

Q9:

Do you see any major shifts in consumer preferences in the future?

A9:

The travelers are constantly looking for new destinations, so the Nordic countries might turn into a fresh, hot product.

Q10:

What are the consumer wants/needs/demands?

A10:

The HK travelers want Chinese food in the capitals.

Q11:

What do you focus on in your advertising:

A11:

Main selling points are as hotels and sights.

Q12:

How do you work with the incoming?

A12:

Miramar designs its own packages based on information from NTOs, land operators, and the products of the competitors. Miramar has power over the incoming.

Q13:

Which part of the province/surrounding provinces do most of your customers come from?

A13:

All customers come from Hong Kong.

Q14:

When do you start planning your high season products?

A14:

Two months in advance.

Q15:

Are you wholesale, retail, or both?

A15:

Miramar is 100 % retail.

Other:

Airline:

Miramar finds it difficult working with European and American carriers as these constantly change their business and pricing policies.

Miramar's customers are mainly retired, civil workers or specialists with extensive knowledge about the Nordic region. They belong to the upper or middle income groups.

People from Hong Kong want to gamble. They also want to go shopping (what they pick up are mostly local souvenirs).

Coach trips are popular as the HK travelers do not mind spending time on a bus and love getting off to eat and experience local culture and nature up front.

The HK travelers, according to Miramar, are not into adventurous activities. H.C. Andersen and the Vikings, on the other hand, are very popular.

Miramar believes there are few if any FITs from South East Asia to the Nordic countries. The reason is limited knowledge of and available information on the Nordic region.

There are no possibilities for optionals, commissions, or other kick backs in the Nordic countries. Miramar brings along a HK tour leader and hires local Nordic guides when in the capitals.

Miramar is comfortable with joint promotion involving competing travel agents.

People in Hong Kong have two weeks of holiday per year. Days not spent

can be transferred to the following year by the end of which they expire.

The biggest problem when trying to sell the Nordic countries is the season. It is way too short. Season in combination with price is the major obstacle for increasing the volume to the Nordic countries.

Miramar brought up the the dollar for dollar system in which advertisement costs are split 50/50 between the NTO and the travel agent. Miramar also believes that media trips as well as special products (ice, perhaps, but not a lot of winter activities) are needed to sell the winter products.

## 7.6 Sunflower

Q1:

Which Nordic packages are most popular and why?

A1:

We got in contact with the wrong person – someone who knew very little about the Nordic region and the products.

Q2:

Have there been any developments in your product portfolio over the past few years?

A2:

Sunflower has registered an increased interest in the Nordic countries and therefore wants to include the region in its portfolio.

Q3:

Do you sell high-end or low-end products?

A3:

Sunflower belongs somewhere in the lower part of the price/quality spectrum. Sunflower sells 8-9 day European trips for less than HKD 10,000 (EUR 1,000).

Q4:

How much growth do you expect this year?

A4:

Based only on speculations, Sunflower hopes to realize 1,000 pax if able to come up with the right products.

Q5:

Are the Nordic products requested by the consumer or pushed by the travel agents?

A5:

People inquiring about the Nordic countries know this is where they want to go. Generally speaking the awareness of the Nordic countries is very low.

Q6:

When is high season?

A6:

High season for Nordic tours is May to September and particularly June-August.

Q7:

Are there any differences in consumption during the various seasons?

A7:

No, the expenditure level is the same throughout the year.

Q8:

Do you see any major shifts in consumer preferences in the future?

A8:

Travelers are constantly looking for new, unexplored destinations, so the Nordic countries might become the next big thing.

Q9:

What are the consumer wants/needs/demands?

A9:

The HK travelers want Chinese food in addition to the local Nordic.

Q10:

In which newspapers, magazines, and other media (radio/TV) do you promote your European/Nordic products? Who are the target markets?

A10:

Sunflower places ads in Apple Daily, Oriental, and Mingpau newspapers from Monday through Friday. If an NTO and the respective national carrier each are willing to put up 25 % of the price, Sunflower will splash out the remaining 50 % for a TV commercial. Sunflower also buys into radio shows.

Q11:

How is your relationship with the incoming?

A11:

When it comes to the Nordic products, Sunflower relies heavily on the incoming, since Sunflower knows very little about the region. Sunflower buys directly from the incoming.

Q12:

How is your relationship with the other agents?

A12:

Sunflower would never team up with another agent in order to do joint promotion.

Q13:

When do you plan your high season products?

A13:

Since lead time is incredibly short, Sunflower does all planning on ad hoc basis. It might take only a few days between producing an itinerary and selling it.

Q14:

How can we best support you?

A14:

Sunflower would like to see the Nordic NTOs participate in travel fairs and

conduct media trips. Seminars (preferably in Mandarin) would also be greatly appreciated.

Other:

Sunflower needs at least 15 people in a group to break even and groups of less than 10 people will get cancelled.

Contrary to on the mainland, consumer rights are enforced in Hong Kong. Consequently travel agents have to deliver what they promise lest they will quickly find themselves in court.

The agents in Hong Kong do not share or trade travelers/groups. Neither do they merge groups to increase group size and thus margin. This is due to quality concerns and fear of losing control of the groups.

The HK tour guides get HKD 120 (EUR 12) in tips per day.

The HK travelers know very little about the Nordic region.

## 7.7 Wing-On

Q1:

Which Nordic packages are most popular and why?

A1:

Four countries/10 days (Copenhagen, Helsinki, Oslo, Stockholm, Bergen, and the Fjords (Aurland)). This itinerary is referred to as the classic trip. The Icebreaker, Santa Claus Village in Rovaniemi, and the North Cape make up the three possible extensions. The price for the classic tour is HKD 20,000 (EUR 2,000) during high season.

Q2:

Have there been any developments in your product portfolio over the past few years?

A2:

Wing-On is very interested in developing new Nordic products but is hesitant to do so because of limited knowledge of the region. Even so, Wing-On believes it might be possible to sell the Nordic countries as mono-destinations.

Q3:

Do you sell high-end or low-end products?

A3:

Wing-On is a high-end company and has, as the only HK travel agent, an ISO certificate to prove it (issued in 1996). Wing-on is the second largest travel agency in Hong Kong.

Q4:

How much growth do you expect this year?

A4:

Wing-On does not have any expectations but hopes to come up with products that will generate 1,000 pax.

Q5:

Are the Nordic products pulled by the consumer or pushed by the travel agents?

A5:

The Nordic tours get pulled by the consumers. Awareness of the Nordic countries is very low.

Q5:

What do you think of the price on the Nordic package?

A5:

The Nordic price is considerably higher than that of other destinations. Wing-On does not see this as a problem if the product is positioned accordingly.

Q6:

When is high season?

A6:

High season for visiting the Nordic countries is May to September and particularly June-August.

Q7:

Are there any differences in consumption during high and low seasons?

A7:

No, expenditure level is the same throughout the year.

Q8:

What changes in consumer behavior can we expect in the future?

A8:

The Nordic countries might become more popular as the Hong Kongese get tired of the usual, old travel destinations.

Q9:

In which media (newspapers/magazines/radio/TV) do you promote your European/Nordic products? Who are the target markets?

A9:

Wing-On advertises in newspapers, magazines, and on TV. Wing-On uses the Fjords, cruises, seafood, and the midnight sun as key selling points.

Q10:

How is your relationship with the incoming and other travel trade players?

A10:

Wing-On buys its products directly from the incoming (Lotus), which helps Wing-On design the packages. Wing-On also asks the NTOs and SAS for input.

Q11:

When do you plan your high season products?

A11:

Winter products are planned around the end of July and summer products just after Christmas.

Q12:

How can we best support you?

A12:

Wing-On would like to see the Nordic NTOs participate in travel fairs.

Other:

Airline:

Airfares are considerably lower in May and June than in July and August.

If a group consists of more than 10 people, the airlines will offer group fare discounts. Wing-On is struggling with SAS being off-line. Whereas the incoming allows the travel agents to buy on credit, the airlines do not.

Hong Kongese going to the Nordic countries are upper class and around 40 +. Feedback shows that the travelers are more than satisfied with the Nordic product. The quality of the tour justifies the way above average price. The HK travelers feel they get their money's worth.

The HK travelers seem less demanding than their mainland and Japanese counterparts, as they have no special requirements when it comes to hotels i.e. they do not insist on neither water boiler nor bathtub. The Hong Kongese are alone interested in the Nordic nature.

15 people are needed in one group to break even.

Wing-On seems to have discovered ways of working with optionals, commissions, and kickbacks in Finland, though Wing-On did not specify how.

Wing-On compliments own HK tour leaders with local Nordic guides.

## Endnotes

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