Development and Trends of Airline Retailing in China

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01 Market Change and New Opportunity
Air Passenger Traffic in China is still growing, but Growth Rate slows down

Note: The statistics don’t include the foreign airlines
Source: CAAC
Changes in China tourism market with the increase of GDP per capita 2001-2018 (Unit: US$)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP per capita</th>
<th>Total Tourism Revenue (Unit: Trillion RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1000</td>
<td>0.5</td>
</tr>
<tr>
<td>2002</td>
<td>$1000</td>
<td>0.56</td>
</tr>
<tr>
<td>2003</td>
<td>$1000</td>
<td>0.49</td>
</tr>
<tr>
<td>2004</td>
<td>$1000</td>
<td>0.68</td>
</tr>
<tr>
<td>2005</td>
<td>$1000</td>
<td>0.49</td>
</tr>
<tr>
<td>2006</td>
<td>$1000</td>
<td>0.77</td>
</tr>
<tr>
<td>2007</td>
<td>$2000</td>
<td>0.89</td>
</tr>
<tr>
<td>2008</td>
<td>$3000</td>
<td>1.1</td>
</tr>
<tr>
<td>2009</td>
<td>$5000</td>
<td>1.29</td>
</tr>
<tr>
<td>2010</td>
<td>$5000</td>
<td>1.57</td>
</tr>
<tr>
<td>2011</td>
<td>$5000</td>
<td>2.25</td>
</tr>
<tr>
<td>2012</td>
<td>$5000</td>
<td>2.59</td>
</tr>
<tr>
<td>2013</td>
<td>$5000</td>
<td>2.95</td>
</tr>
<tr>
<td>2014</td>
<td>$5000</td>
<td>3.73</td>
</tr>
<tr>
<td>2015</td>
<td>$5000</td>
<td>4.13</td>
</tr>
<tr>
<td>2016</td>
<td>$5000</td>
<td>4.69</td>
</tr>
<tr>
<td>2017</td>
<td>$5000</td>
<td>5.1</td>
</tr>
<tr>
<td>2018</td>
<td>$5000</td>
<td>5.4</td>
</tr>
</tbody>
</table>

In 2001, when GDP per capita was more than $1000, the tourism market entered a rapid development era.

In 2006, when GDP per capita was more than $2,000, leisure tourism took off.

In 2008, when GDP per capita was more than $3,000, leisure tourism is booming.

In 2011, when GDP per capita was more than $5,000, China became a mature leisure and vacation market.

GDP Per capita: 64520.7 RMB (About $9,509.8753)

Source: National Bureau of Statistics
Consumers' Demand Became Diversified

Consumers Developed Online Consumption Habit

Consumers Prefer Shopping on the Mobile Device

Consumers' Requirements for Product Consistency

From 【Stone Age】 to 【Internet Age】
02 Airlines' Strategy and Change
Airlines' Strategy

All Domain of Travel

- All Domain of Travel
- All Domain of Transportation
- All Domain of Airline

All Touch Points of Passenger

- Dream & Planning
- Shopping
- Booking
- Pre-Trip
- OutBound
- On Board
- Transfer
- Return
- Post-Journey
## Airlines' Change: Promote Airline Direct Channel

### China Air Market Share by Channel

<table>
<thead>
<tr>
<th>Year</th>
<th>B2B</th>
<th>BSP</th>
<th>Third-Party</th>
<th>B2C</th>
<th>CTO</th>
<th>Call Center</th>
<th>Other</th>
<th>Direct</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>42.19%</td>
<td>37.22%</td>
<td>79.41%</td>
<td>10.42%</td>
<td>6.70%</td>
<td>2.67%</td>
<td>0.79%</td>
<td>20.58%</td>
<td>100%</td>
</tr>
<tr>
<td>2013</td>
<td>43.31%</td>
<td>32.84%</td>
<td>76.15%</td>
<td>13.51%</td>
<td>6.94%</td>
<td>2.98%</td>
<td>0.42%</td>
<td>23.85%</td>
<td>100%</td>
</tr>
<tr>
<td>2014</td>
<td>43.23%</td>
<td>30.97%</td>
<td>74.20%</td>
<td>14.85%</td>
<td>7.91%</td>
<td>2.73%</td>
<td>0.32%</td>
<td>25.81%</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>40.06%</td>
<td>25.30%</td>
<td>65.36%</td>
<td>21.98%</td>
<td>10.11%</td>
<td>2.39%</td>
<td>0.26%</td>
<td>44.21%</td>
<td>100%</td>
</tr>
<tr>
<td>2016</td>
<td>26.99%</td>
<td>28.80%</td>
<td>55.79%</td>
<td>28.11%</td>
<td>13.36%</td>
<td>2.48%</td>
<td>0.26%</td>
<td>44.21%</td>
<td>100%</td>
</tr>
<tr>
<td>2017</td>
<td>21.04%</td>
<td>31.26%</td>
<td>52.30%</td>
<td>31.92%</td>
<td>13.80%</td>
<td>1.79%</td>
<td>0.19%</td>
<td>47.70%</td>
<td>100%</td>
</tr>
<tr>
<td>2018</td>
<td>20.41%</td>
<td>32.56%</td>
<td>52.97%</td>
<td>33.56%</td>
<td>10.49%</td>
<td>1.53%</td>
<td>2.68%</td>
<td>48.26%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: TravelSky*
【Airlines' Change】
Expand New Channels
Social Media

WeChat

Mini Program
### List of Flagship Store in Alibaba's Fliggy

#### Flagship Store Entrance of China Eastern Airline

<table>
<thead>
<tr>
<th>Location</th>
<th>Date</th>
<th>Price</th>
<th>Discount</th>
<th>Location</th>
<th>Date</th>
<th>Price</th>
<th>Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>09-14</td>
<td>¥380</td>
<td>1.7折</td>
<td>Beijing</td>
<td>09-14</td>
<td>¥370</td>
<td>2.5折</td>
</tr>
<tr>
<td>Beijing</td>
<td>09-15</td>
<td>¥400</td>
<td>2.9折</td>
<td>Beijing</td>
<td>09-14</td>
<td>¥460</td>
<td>1.5折</td>
</tr>
<tr>
<td>Beijing</td>
<td>09-28</td>
<td>¥490</td>
<td>2折</td>
<td>Beijing</td>
<td>09-20</td>
<td>¥600</td>
<td>2.6折</td>
</tr>
<tr>
<td>Beijing</td>
<td>09-09</td>
<td>¥630</td>
<td>3.5折</td>
<td>Beijing</td>
<td>10-02</td>
<td>¥1050</td>
<td>6.2折</td>
</tr>
</tbody>
</table>

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**China Eastern Airline**

China Eastern Airline Group (formerly known as China Eastern Airlines) is one of the three major national overhaul aviation groups in China. In 2002, under the leadership of China Eastern Airlines, China Eastern Airlines Group, the merger of China Eastern Airlines, China Northwest Airlines, and Northwest Airlines, was established and formed China Eastern Airlines Group. This group is one of the three major national overhaul aviation groups in China.
**NDC**

- **Airline:** China Southern Airlines is certified by IATA NDC Level 4 certification

- **Agent:** The six big Chinese OTAs/wholesalers are taking NDC contents from both Chinese and foreign airlines

- **IT Provider:** TravelSky is certified by IATA NDC Level 4 certification - IT Provider and Aggregator and working with OpenJaw on Cathay Pacific's NDC project
【Airlines' Change】

Sell New Products

01. Branded Fares
02. Optional Services
03. Air-Rail Intermodality
Branded Fares

Basic Economy (Z)

- No refund
- No rebook
- No advance seat assignment/No online check-in
- No upgrade
- No free checked baggage
- Final group to board possible

Do you confirm your choice of Basic Economy ticket? May be subject to many limitations.

¥ 700
Tax ¥ 58.2

Available

Accept terms and conditions
In 2018, Seventeen Domestic Airlines

Five kinds of Optional Services

- Cabin Upgrade, 17.38%
- Seat Assignment, 36.33%
- Baggage, 46.28%
- Other, 1%

Optional Services
--- Air-Rail Intermodality

**Departure**

07:47  SUZHOU
Suzhou Railway Station

**Duration** 00h32m  Non-stop  08:19

**Arrival**

SHANGHAI
Shanghai Hongqiao Railway Station T2
We are at the Crossroads of the Airline Retailing Revolution...