



**Post Covid-19**

**UK International Retail Recovery Plan**

## **A post Covid-19 recovery plan for international retail**

Countries world-wide have been working to limit Covid-19's impact on human life, and our thoughts are with all families and communities that have been impacted. As a sector, our priority is always the health and wellbeing of our staff and customers, and we support all efforts to contain and combat Covid-19.

A major element of the work to restrict the spread of Covid-19 has been the dramatic reduction in travel to and from China. Airlines have effectively ceased flights from China until such time as the outbreak has been controlled. This is clearly a right and necessary response given the potential gravity of the outbreak.

While the immediate priority must be to combat the spread of the virus, work can start on preparing to bounce back once the threat has passed. A number of governments are already giving detailed consideration to economic recovery plans for affected sectors, including international tourism which is so important to the global economy. The time lag between proposing new ideas and having them accepted and implemented is such that initial planning needs to take place now.

The Association of International Retail (AIR) has produced a menu of actions for both government and business which will help to ensure that Chinese visitors return to the UK.

### **The importance of Chinese visitors to the UK economy**

International retail (sales by UK shops to international visitors) generates over £6 billion pounds of sales annually. This makes international retail the 12 largest UK export sector.

Chinese visitors are by far the highest spenders worldwide and are the biggest international shoppers in the UK. Chinese visitors account for over 25% of all tax-free shopping sales in the UK, over three times more than the next biggest spenders at 7%. So while the outbreak has hit international travel from many countries, our retail recovery plan focuses on restoring and growing Chinese visitor numbers as the most effective way of repairing any economic damage.

The abrupt, but necessary, halt of Chinese visitors has therefore had a significant impact on retail sales in the UK's international centres. Once the Covid-19 has been beaten, AIR is proposing a plan to encourage more Chinese visitors to the UK. While other countries are exploring options for direct financial support to certain sectors, which we would clearly welcome in the UK, our plan proposes a complementary series of relatively cost free policy changes that would result in increasing Chinese visitor numbers and spending to help the international retail sector.

## **AIR's UK International Retail Recovery Plan**

- 1) Make further enhancements to the visa application system**
- 2) Create a more coordinated and targeted marketing approach**
- 3) Digitalise the tax-free shopping system**
- 4) Enhance the welcome**
- 5) Improve the shopping experience**

### **1. Make further enhancements to the visa application system**

Over the past eight years, the UK Government has been innovative in introducing enhancements to the visa application process, some suggested by the business-led UK China Visa Alliance (UKCVA), which is now incorporated into AIR. These include measures to create a virtual one-stop shop for visitors applying for both a UK and Schengen visa and the introduction of a two-year, multi-entry visitor visa as standard. These have helped to increase the number of visitor visas issued in China by over 150%, outstripping the rise of 104% in the Schengen area.

To build on these successes AIR proposes:

- **Introducing a three-year student family visa to encourage multiple trips by the parents of the 100,000+ Chinese students in universities throughout the UK**

Chinese students form over one third of all overseas students in UK universities. They tend to come from more affluent Chinese families given the cost of courses (£25,000+ per annum), travel, accommodation and living costs. A three-year multi-entry visa (in place of the current two-year standard visa) would encourage more visits to the UK by these wealthier parents.

They would visit cities outside London where their children are studying (Manchester, Edinburgh and Coventry have the largest number of overseas students outside London). Eligible families would self-identify when their children apply for a student visa. A three-year visa in place of two two-year visas would reduce the workload of visa staff.

- **Extending the electronic visa waiver scheme, currently used for some visitors from the Middle East, to China to allow visa free travel for those judged to be low risk**

Currently all Chinese visitors require a visa to enter the UK. All are assumed to be the same level of risk. But it is possible to take a more sophisticated risk assessment to determine whether a visa is required

Already the UK operates a risk assessment on certain visitors from the Middle East through an electronic visa-waiver scheme. This system should be introduced for visitors in China to allow those who are considered low risk to enter the UK without a visitor visa.

- **Introducing a ten-year multi-entry visitor visa as standard, as currently exists in the USA and some other countries, as an advance on the two-year visitor visa**

The current standard two-year, multi-entry visitor visa was introduced in January 2016 following a public commitment by former Prime Minister David Cameron during a visit to the UK by President Xi of China. This was a pilot scheme to pave the way for a 10-year visitor visa as standard.

The USA and Canada have 10-year visitor visas as standard for Chinese visitors. When the USA introduced their new visa, applications rose by nearly 80% in the first two months. A 10-year visa in the UK would enable Chinese visitors to make multi-country European tours without having to apply for two separate visas (Schengen and UK).

- **Extending the pilot Visa Application Centre (VAC) sharing scheme from Belgium to a larger Schengen member, such as France**

The pilot scheme to enable applicants to apply for a UK and Belgium (Schengen) visa at each country's Visa Application Centres has proved a success. But Belgium only issues 45,000 visitor visas annually. We would like the VAC sharing scheme extended to larger countries, particularly France.

## **2. Create a more coordinated and targeted marketing approach**

A recent workshop, jointly hosted by UKCVA and Walpole, to explore how the public sector marketing agencies and businesses could work together more effectively to promote the UK and its major brands to high net worth Chinese visitors, suggested the following actions:

- **Establish a set of robust data on Chinese visitors to replace various contradictory formal figures**

There is conflicting official data on Chinese visitor numbers. The International Passenger Survey figures show far fewer visitors than would be expected given the number of visitor visas issued in China each year. This gives a confusing picture of numbers and trends and makes planning and evaluation of marketing projects difficult.

Government departments need to agree on a single set of data that gives a true picture of the Chinese visitor market.

- **Study the full Chinese visitor experience to identify areas for improvement**

We need to fully understand the Chinese visitor journey from start to the finish to identify any difficulties and explore ways of creating the best visitor experience.

- **Establish joint marketing activities between public and private sector organisations, particularly digital**

Publicly funded marketing agencies, such as VisitBritain, London & Partners and Marketing Manchester, promote Britain's various locations throughout the world. The major brands promote themselves and their products globally too. Both elements are very attractive to Chinese visitors. We believe that the place promotion agencies working together with major brands would have a bigger impact and create a greater attraction to potential Chinese visitors.

Digital marketing is particularly important in reaching Chinese people. The public marketing agencies and the major brands have a wealth of digital data which, if combined, could have a major impact in attracting more Chinese visitors.

- **Establish an annual embassy retail event in Beijing**

High net worth Chinese visitors spend large amounts of money in the UK, creating and protecting jobs and boosting the UK economy. From experience, it is important to build strong and consistent relationships over many years to develop trust and loyalty. Many major brands already host regular events in China to develop these relationships. We believe that the Government should initiate an annual embassy event with the British Ambassador that brings together potential high net worth visitors with the best of British brands.

### **3. Digitalise the tax-free shopping system**

- **Quickly introduce the digitalisation of tax-free shopping validation to bring the UK in line with most of the rest of the world and enhance the tax reclaim experience for Chinese (and other international) shoppers**

Tax free shopping is a great draw for Chinese visitors, allowing them, in certain circumstances, to reclaim the VAT on goods purchased that are taken out of the UK.

While most stores have digitalised the recording of tax-free shopping (customer registration and sales), HMRC still has a paper-based system for validating claims. This leads to long queues at airports with some shoppers being unable to reclaim their tax back in time to catch their flights. This is a very bad last impression of the UK and discourages future tax-free shopping visits.

Most other governments offering tax-free shopping have already digitalised this part of the process. Britain is lagging behind. HMRC is currently exploring ways to digitalise the system in the UK. This needs to be done quickly and in the least disruptive and most risk-free way that fits with the globally accepted standards.

### **4. Enhance the welcome**

- **Reduce queues for entry at Heathrow Airport to make the experience more pleasant**

At times, entry queues upon arrival to Heathrow are very long. For Chinese visitors who have been on long flights this does not give a good first impression. Border Force and Heathrow Airport have made

improvements, but we would like to explore how these can be built on to make entry to the UK more pleasant and welcoming.

This could include expanding electronic entry methods and the use of more resources at (predictable) peak times.

- **Ensure that border staff provide a warm welcome to international visitors at our borders**

Border Force and airport staff are the first point of contact for visitors from China (and other countries). They should be trained to be smiling, pleasant and friendly to welcome visitors to the UK.

## 5. Improve the shopping experience

Many major retailers have invested heavily in creating a welcoming experience for Chinese visitors through their tax-free shopping lounges, employing Mandarin speakers, and installing Chinese payment methods. But growth in Chinese visitor numbers may require even more and across a wider range of stores.

- **We need to encourage more Mandarin speakers to work in stores and hotels**

To make Chinese visitors feel welcome we need to expand the number of Mandarin speakers. Following discussions with retailers, hoteliers, skills bodies for retail and hospitality and the university sector, AIR has developed an outline programme for increasing the number Mandarin speakers working in stores.

This includes a series of initiatives such as working with universities that have Chinese students; recruiting from Chinese people living in the UK; and making better use of new translation technology.

We would like support to take forward these recommendations and turn them into real increases in Mandarin speakers working in shops and hotels.

- **We need to increase the number of shops accepting Chinese mobile-based payment systems**

Chinese shoppers tend to use mobile phone-based payment systems, such as UnionPay, WeChat Pay and Alipay, rather than credit cards. While some stores have geared up to accept these payment methods, many have not. This restricts the ability of Chinese people to buy goods in some UK stores.

AIR is seeking to create a package to promote to retailers to help them welcome more Chinese shoppers through enhanced payment methods.