

# China: The promised land?

CHINA HAS BEEN HIGH ON THE LIST OF DEVELOPING BOATING MARKETS FOR SOME TIME NOW. REPORTING ON TWO MAJOR RECENT CHINA BOAT SHOWS, *IBI* GAUGES JUST HOW FAR THE MARKET HAS COME AND HOW CLOSE IT IS TO REALISING THAT MUCH VAUNTED POTENTIAL

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**R**eflecting perhaps the sense of excitement that surrounds the burgeoning Chinese leisure marine market, not one, but two major shows billed themselves as must attend events in October – the Yacht CN 2013 Nansha International Boat Show in the Pearl River Delta close to Hong Kong and the somewhat controversial (within the boating industry) new ICOMIA-backed International Boat Show & Festival in Sanya City on the island of Hainan. *IBI* was there for both.

## YACHT CN 2013

The second edition of the Yacht CN show opened on Thursday, October 10 with the official opening taking place on Friday in the presence of the Guest of Honour, the former French Prime Minister Dominique de Villepin and the Deputy Governor of Guangdong Province, Mrs Zhao Yufang.

Nansha Marina is China's first Five Gold Anchor Marina, awarded by the UK-based Yacht Harbour Association, and is located in Guangdong Province with an urban population of over 50 million. The marina is easily accessible from Hong Kong, being just over one hour away by fast ferry, and also just 40 miles from the key China mainland city Guangzhou, situated upstream on the Pearl River. The province supports a boat manufacturing hub and with the opening of marinas is becoming a growth area for leisure boating.

Over 50 boats were on display on water and land with many international brands present, including Azimut, Beneteau, Chaparral, Cranchi, Fairline, Jeanneau, Maiora, Marquis, Sunseeker and Princess as well as locally built Chinese boats. The feature exhibit at the show was the 42m superyacht trimaran *Adastræ*, built by the Chinese arm of Australian builder McConaghay Yachts.

According to Albert Khong, the marina's general manager: "The average length of our boat exhibits has increased this year. Our visitor policy is to admit visitors by invite only during the first three days of the

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show, with the last day of the four-day event being accessible by public purchasing an entry ticket."

Anita Chen, marketing director of Poly Marquis Yachts, the Chinese distributor of the US-built Marquis brand, said: "In my opinion the visitors at the show are more informed about leisure boating than previously, an indication that the market is developing."

The variety of China-built yards exhibiting maintained an upturn in quality observed over recent years with European designers making increasing inroads. Pricing of China-built yachts is extremely competitive against imported yachts, in some cases about 60 per cent of an equivalent imported yacht, which is subject to shipping and import taxes of 43 per cent. In almost all cases locally built yachts for the China market have a distinctly different layout, with large Karaoke areas and with fewer and much smaller sleeping cabins and smaller galley areas.

Present at the Yacht CN show was Yang Xinfia, chairman of the China Boat Industry Trade Association, one of the two government-linked marine trade associations in China. In an exclusive interview with *IBI*, Yang commented on the ➤

▲ The 42m *Adastræ* took pride of place at the opening ceremony of Yacht CN 2013

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current state of the leisure marine industry locally in Nansha and the bigger picture in China. "The Chinese government has given Nansha a new policy to develop the water sports industry, and my association is giving some help. It's important not just to do boat shows but to educate the public about the possibilities of leisure boating. The China regions need different types of boats as the Chinese boating lifestyle is different. We currently have over 6,000 leisure boats in China. In 2011 there was fast growth but it slowed due to changes in government policy. Now the government has announced new plans to grow boating for the middle class, not supporting the superyacht sector so much. The government is also promoting shared ownership and boat rental."

### INTERNATIONAL BOAT SHOW & FESTIVAL

The first edition of the International Boat Show & Festival and the associated industry conference was held in the city of Sanya, on the sub-tropical island of Hainan in southwest China. The island is fast becoming known as the "Hawaii of the East" with long stretches of sandy beaches populated by holiday makers, but few Chinese are sunbathing. Only the Russian tourists are intent on acquiring their status tan, while the Chinese beachgoers huddle under umbrellas to preserve a pale skin, much valued in Chinese culture.

Business is booming in Sanya, which has become the place for vacations, blessed by the year-round equitable climate unlike the northern mainland. Accessible to the wealthy and the rapidly rising numbers of middle class from the pollution-stricken cities of Beijing, Shanghai, Guangzhou and Hong Kong, Sanya has become the playground for those who want rest and relaxation. For the Chinese, Hainan Island is hassle-free with no borders to cross

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or associated visa problems, unlike those experienced in Europe or the US. In addition there are no language problems or unfamiliar food. The island is a popular choice for short breaks, particularly with older people with limited foreign language skills as is evident by the thousands of holiday apartments in Sanya. Many have been bought by family groups where the elder members spend much of the winter months in order to escape the bleak winters of the northern cities.

Alongside the growth in property has been the development of the boating market, with four marinas in Hainan. The largest and most established is in Sanya Town, the Visun Royal Yacht Club, where the annual Hainan Rendezvous for superyachts has been held for the past four years every April and is still planned to go ahead in 2014 despite an apparent split between the partners who set up the event. Membership of the club costs a one-off fee of US\$30,000 plus annual fees.

According to general manager Jeff

Chen: "We have the largest concentration of yachts in China with 130 boats over 50ft berthed in the marina with a maximum size of 110ft and we are in the process of expanding the marina from 217 berths to 600. We have our own Immigration and Customs office to cater for visiting yachts which mainly come in the busy period from November until after Chinese New Year at the end of February."

There is little doubt that Hainan Island attracts the well heeled and the beautiful from the Chinese mainland, as the rising number of five-star hotel resorts, marinas and massive construction sites of holiday apartments testify. Weddings are also big business in China and especially so in Sanya, where it's the dream for many Chinese young people from across the country to get married. So much so, that right next to the venue hotel for IBSF stands two buildings under construction, reputedly built to satisfy the booming wedding industry. A church distinguished by a small spire and what appears to be a mosque with minarets, cater for differing tastes and religions. The insatiable quest for the tourist dollar also makes it possible to get married on a yacht, for a price.

### IBSF RESULTS

The new Sanya Serenity Marina was the venue chosen by the organisers of IBSF, the Hainan New Century Cultural Industry Investment and Development Co, Ltd, who together with the China Cruise and Yacht Industry Association (CCYIA) organised and produced the show. The show is supported by the International Council for Marine Industry Associations (ICOMIA), which is assisting with international promotion of the event and ➤

▼ Quiet pontoons at the IBSF show. Just how the industry sparks interest in boating amongst China's burgeoning middle class remains to be seen



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advising on the organisation of the show.

Clearly the organisers of IBSF have a strategy to tap into this mother load of Chinese elite in Sanya and convert them into boating enthusiasts. Interestingly the declared objective of IBSF is to target the middle class boating market rather than the larger motorboat and superyacht segments. This is contrary to most Asian boating markets and indeed in China where boating has developed with a 'top down' approach, marketed very much as an exclusive past time for the rich. So far this approach seems to have worked well in a culture where flaunting one's wealth is admired socially.

However, the strategy taken by IBSF is sympathetic to recent government policy in China that has seen a curb on excessive spending, both within government and private business with the authorities now seeking to promote policies to develop a better lifestyle for the fast expanding middle class. Previously there has been little evidence of a middle class boating market. Will the Chinese really want to take to the

clearly a disappointment for the organisers and exhibitors. The degree to which the show attendance was affected by a three-day delay, caused by a typhoon warning, is difficult to say. The show did, however, run as planned over the important weekend dates. In what is likely a first for China and for many boat shows worldwide, there was a refreshing honesty and clarity by the organisers in quoting their attendance figures and displaying open and transparent communication that bodes well for the future of IBSF.

Regrettably the decision taken by local government to close the waters to both leisure and fishing boats because of the typhoon warning resulted in some 20 boats missing the opening of the show, although there were still a credible 50 boats on the water. Total exhibitor numbers were an encouraging 92, but not all were leisure boating companies.

### CONFERENCE SUCCESS

Part of the program of IBSF included conferences and workshops held over the two days in advance of the show with an interesting title translated from Chinese 'International Yachting Economy Forum 2013'. Despite the rather clunky English translation of the title, the event was an outstanding success. The timing was good, the speakers, a mix of Chinese and Western, were top class and above all the high percentage of Chinese trade delegates from all over the country among the 200 present indicated a positive interest in leisure boating.

A key presentation was from Zheng Weihang, secretary general of the China Cruise and Yacht Industry Association, which is one of the supporting organisations of IBSF. In his presentation, Zheng provided data obtained from the General Administration of Customs for the People's Republic of China that 570 boats in the 8m-90m size range were imported into China in 2012. Zheng went on to show how his association had been working with the government over the past three years and had successfully negotiated special arrangements that have made boating easier in Hainan. More controversially, Zheng forecasted a growth in the number of leisure boats over the next 5-10 years (by 2018 to 2023) in China to be in the order of 100,000 units, a number that appears optimistic by any standard. Indeed, if achievable, where would the berths come from? This sort of demand would also far exceed the capacity of the world's boating industry to supply, although it would be a nice problem to have.

### WORK IN PROGRESS

The show results in comparison to the conference were disappointing. Despite the reasonable number of boats on display, most were spread out all over the large marina berthing complex and one of the two exhibition tents contained distinctly non-nautical exhibits best described as local goods. Other issues

**PETER METHVEN | PRESIDENT  
ICOMIA**

*The IBSF conference and seminars were extraordinarily successful and set a new benchmark for the region*

water for enjoyment as in the West? The existing Chinese boating lifestyle is linked to prestige, display of wealth, business entertaining and socialising – the Karaoke machine taking centre stage. Boats often rarely move from their berth. The estimates for the growing Chinese middle class vary widely; even the term itself is not officially recognised in what is still notionally a Communist country. In China the preferred term is *xiaokang* – a Confucian term loosely translated as meaning 'basically well off'. According to Oxford UK academic Karl Gerth the number in this class could be 430 million, of which 150 million can be classified to own brand-name watches and luxury goods, perhaps a sector of middle class boat owners, if they so aspire. So the customer base will be there if the activity attracts them. This is the key question that remains to be answered.

With the total attendance over the four-day show given as 2,000 visitors, the figures for IBSF were



▲ Sparse offering: The inaugural IBSF show at Sanya Serenity marina disappointed, but the potential remains

revolved around visitor promotion. With the policy of no entry fee, one would have expected the exhibition to be swamped with visitors, which was not the case, and the number of VIPs and potential boat buyers appeared to be thin on the ground.

International exhibitors were also in short supply. Whilst most international brands present were represented by their Chinese dealers, the number of international exhibitors venturing into China to explore the market on their own account were minimal.

#### THE ICOMIA PERSPECTIVE

Peter Methven, current president of ICOMIA, commented on the show: "ICOMIA's support of IBSF is part of a wider strategy to best serve the interests of the established global marine industry and our member marine industry associations. On behalf of ICOMIA, I congratulate and praise our members, Hainan New Century Cultural Industry Investment & Development Co Ltd and the China Cruise & Yacht Industry Association, organisers and hosts of the International Boat Show & Festival (IBSF), for their commitment to promote boating in China. The IBSF conference and related seminars were extraordinarily successful and set a new benchmark for the region."

ICOMIA has signed a 10-year contract for IBSF with New Century, a cultural development company. According to New Century, a big program is rolling out to develop boating and the 2014 IBSF event has already been scheduled to run from December 4-7.

#### CONCLUSION

Getting a clear outlook on the China leisure marine industry, and anticipating what the Chinese boat buyer is thinking and expecting is a challenge for exporters. Language barriers, cultural misconceptions, lack of free information and the

country's vast size, pose significant obstacles. There is no doubt, however, that the business potential is there for those prepared to accept the challenge and work hard to make contacts and gain an insight using accurate information.

Leisure boating sales slowed at the end of 2011 in the run-up to a new government administration with concern about new policies. Now these are clear, there is some growth again in boat sales although tempered by the policy of not overtly displaying wealth. How promoting a better lifestyle for the middle classes, which are growing rapidly, will work out for a boating market previously highly focused on the wealthy will be interesting to observe.

Boat shows are vital in a non-transparent market such as China – they are a communication channel for reaching out to the customer and are fundamental to market growth. The Yacht CN Show in Nansha has, after two events, established itself as a credible event in the Pearl River Delta, a key area for leisure boating accessible to Hong Kong and in the heart of a major Chinese boatbuilding region. Next year's edition of the Yacht CN show in October 2014 will bring alongside the second edition of the China Marina Conference, which will bolster its standing in the industry.

The International Boat Show & Festival in Hainan is still a work in progress. Despite an excellent conference the event still has to find its identity and work out if it's in the right location to promote its declared key objective, the development of middle class boating in China. If the partnership between Hainan New Century and ICOMIA can be made to work and IBSF can develop and grow to become a major show in China, it will be doing a great service to the global marine industry.

At present the jury is still out on whether this can be achieved. **IBI**

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