

# The Impact of Hainan Free Trade Port's Tax-Free Shopping Policy on Tourists' Shopping Behavior

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**Abstract:** At present, tourists' shopping behavior has become a hot topic in academic research and market management. This research studied the influencing factors of tourists' shopping behavior selection behavior from the consumer behavior perspective. It opened up a new idea for future research on tourists' shopping behavior decision-making. This research consisted of three parts: literature review, empirical research, and discussion of the Hainan Free Trade Port's tax-free shopping policy. In the literature review part, this research discussed the research methods of consumer behavior, the theory and model of tourist shopping behavior, and its influence on consumers in the past with the factors of tourist shopping behavior selection behavior were reviewed. Five independent variables of attractive policy approach, the credibility of policy approach, advertising approach, product selection, cost-saving, and tourist attitude were set to test their relationship with the tourist shopping intention.

**Keywords:** Hainan Free Trade Port ; Tax-Free Shopping Policy ; Tourists' Shopping Behaviour

## 1. Introduction

The outlying island tax exemption policy implemented in Hainan in 2011 has become an important measure to support the construction of Hainan's free trade port and the implementation of the "Belt and Road" initiative, providing new impetus for Hainan's social and economic development. According to survey data from the Hainan Provincial Bureau of Statistics, in 2010, before implementing the duty-free policy on outlying islands, tourists spent only 89.34 yuan per day on tourism, and shopping in Hainan shopping accounted for only 13.82% of tourism expenditure. After implementing the policy, the per capita shopping spending of domestic tourists in Hainan has increased year by year, and in 2014 it increased to 219.38 yuan. The proportion of shopping expenditure rose to 28.1%. In 2018, according to the data of Sanya International Duty-Free City, the total shopping volume of tourists had reached 6.4 times that of the beginning of the 2011 policy (Harrison: et al. 2019)<sup>[1]</sup>. During the Spring Festival in 2019, tourists' per capita shopping consumption exceeded 3,000 yuan. This shows that implementing the outlying island tax exemption policy significantly impacts tourism shopping.

## 2. Theoretical Basis

### 2.1 Research on the attractive policy approach

The most normal finding to emerge from the research is that policy must consider all of these different factors to influence consumer choice effectively. An improved understanding of consumer behavior gives policymakers a more comprehensive range of policy instruments to achieve policy objectives (Choi; & Park. 2018)<sup>[2]</sup>.

### 2.2 Research on the credibility of policy approach

Consumption of goods and services is at the very heart of the challenge of achieving a more environmentally, socially, and economically sustainable Chinese economy. Here, as well as in the Chinese economy, quality of life has improved at an astonishing rate over the ten to fifteen years, enabling more people to live better lives. While certainly a remarkable achievement, this development of consumption has come at a high price for the environment and Chinese consumers (Erkan; & Evans. 2018)<sup>[3]</sup>.

### 2.3 Research on an advertising approach

Marketers have always adapted to changing business requirements when creating new advertisements. The use of ads has significantly increased industrialization expanded the need for manufactured products. However, not many businesses practiced advertising in the time of early days.

### 2.4 Research on product selection cost-saving

Although some businesses are more advanced than others in cost reduction methodologies, in-depth solutions to product costs are usually a sensitive topic. The company is rightly concerned that changes to its products may result in poor customer reception and decreased sales (Jimenez-Bravo: et al. 2019)<sup>[4]</sup>.

## 3. Understanding the Impact of Hainan Free Trade Port's Tax-Free Shopping Policy on

## **Tourists' Shopping Behavior**

### **3.1 Theories about consumer loyalty**

Aghdaie: et al. (2011)<sup>[5]</sup> believed that maintaining and improving the loyalty of tourists' shopping behavior has been widely recognized as the core goal of marketing activities. In the highly cited definition of tourist shopping behavior loyalty, the loyalty of tourist shopping behavior is expressed as "the degree of consumer's emotional attachment to tourist shopping behavior, and it is suggested that it has dimensions in consumer repurchase willingness and price premium.

### **3.2 Tax-free shopping policy**

In China, tax-free policies appear in all kinds of duty-free shop advertisements, from small east and small west to luxury goods, all spread through the mass media. Recently, in sporting goods, a wide range of advertising has begun to be used for marketing (Dupuis. 2019)<sup>[6]</sup>.

## **4. The Conceptual Framework for the Research Study**

First Theoretical significance and value – Shopping behavior is an essential part of the human resource management of merchants. Researching shopping behavior is helpful to the realization of merchants' goals and the reasonable allocation of merchant resources. Research on foreign shopping behaviors began in the 1970s. Still, in practical applications, the effects are quite different, and they are not compatible with the business model of my country's merchants and the overall management level.

Second The duty-free shopping policy of Hainan Free Trade Port refers to companies taking customer needs as the starting point, obtaining customer demand and purchasing power information based on experience, and the expectations of the duty-free shop sector, and organizing various business activities in a planned way. For duty-free shop companies, as market demand for traditional life insurance, property insurance, and auto insurance is becoming increasingly saturated, quickly seizing the new market area of shopping is the top priority of corporate competition. Companies adopt appropriate Hainan Free Trade Port duty-free shopping policies, customizing shopping products with lower revenue, linking with social duty-free shops to acquire new customers, analyzing customer group data to subdivide customer types, and strengthening sales methods such as product innovation and sales promotion. This will give current companies an irreplaceable advantage in future industry competition.

## **5. The Countermeasures for the Impact of Hainan Free Trade Port's Tax-Free Shopping Policy on Tourists' Shopping Behavior**

### **5.1 Hainan free trade port**

Hainan Free Trade Port is part of its ongoing efforts to develop Hainan Island into a globally influential free trade port. The policy lays the legal foundation for constructing the Hainan FTP and offers the region greater autonomy for delivering comprehensive reforms and market opening.

### **5.2 Tourist shopping behavior**

Tourist shopping behavior is a mixture of planned, impulsive, and experiential consumption.

### **5.3 Attractive policy approach**

The attractive policy approach refers to the respective policies and guidelines to guide decisions and positively achieve rational outcomes.

## **6. Conclusion**

The strategic charm of the tax-free policy has a positive impact on tourists' shopping behavior and purchase intention. The reasons for choosing the tax exemption policy include popularity, status symbol, attractiveness and charm, favor and recall value, or familiarity with the tax exemption policy. In addition, due to its cuteness and magnificence, the tax exemption policy is also considered to attract people's attention to advertising. Another study showed that the attractiveness of the tax exemption policy has a positive impact on customers. The three main factors-similarity, familiarity, and preference for tax exemption policies, are leading factors in information validity, as explained by the source attractiveness model. In an Asian context, tax exemption policies are ideal; people follow their life stories and lifestyles and like their core. Therefore, the attractiveness of the tax exemption policy is fundamental, and advertisers need to consider its attractiveness when choosing a tax exemption policy.

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