

Chinese Outbound Tourism

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The wedding of Taiwan-based singer Jay Chou in March 2015 was a major event in the world of Chinese pop, and it lit up Weibo.

"Jay Chou marries" was searched 520 million times on Saturday on the Chinese social network, and it was the top trending topic on Sunday.

The venues of the wedding and the party, Selby Abbey and Castle Howard in Yorkshire, became popular attractions, especially with younger Chinese women, overnight.



Relevance of outbound travel in China – Education and prestige

Travel within China has been an important part of the education process in Imperial China, but outbound travel has no tradition. Xu Xiake (1587-1641), China's most famous traveller, was no Ibn Battuta or Marco Polo, he stayed in China.



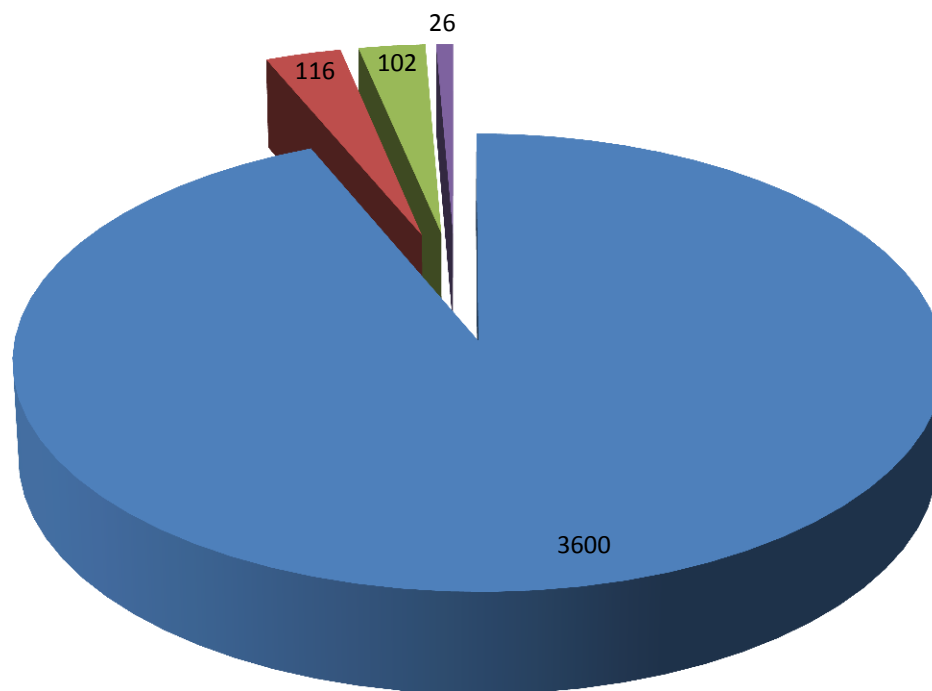
In Maoist time forbidden as dangerous behaviour

Outbound travel starts growing in 1990s

Since 2012 China biggest international tourism source market in the world

International travel experience necessary part of lifestyle and consumption pattern of affluent Chinese

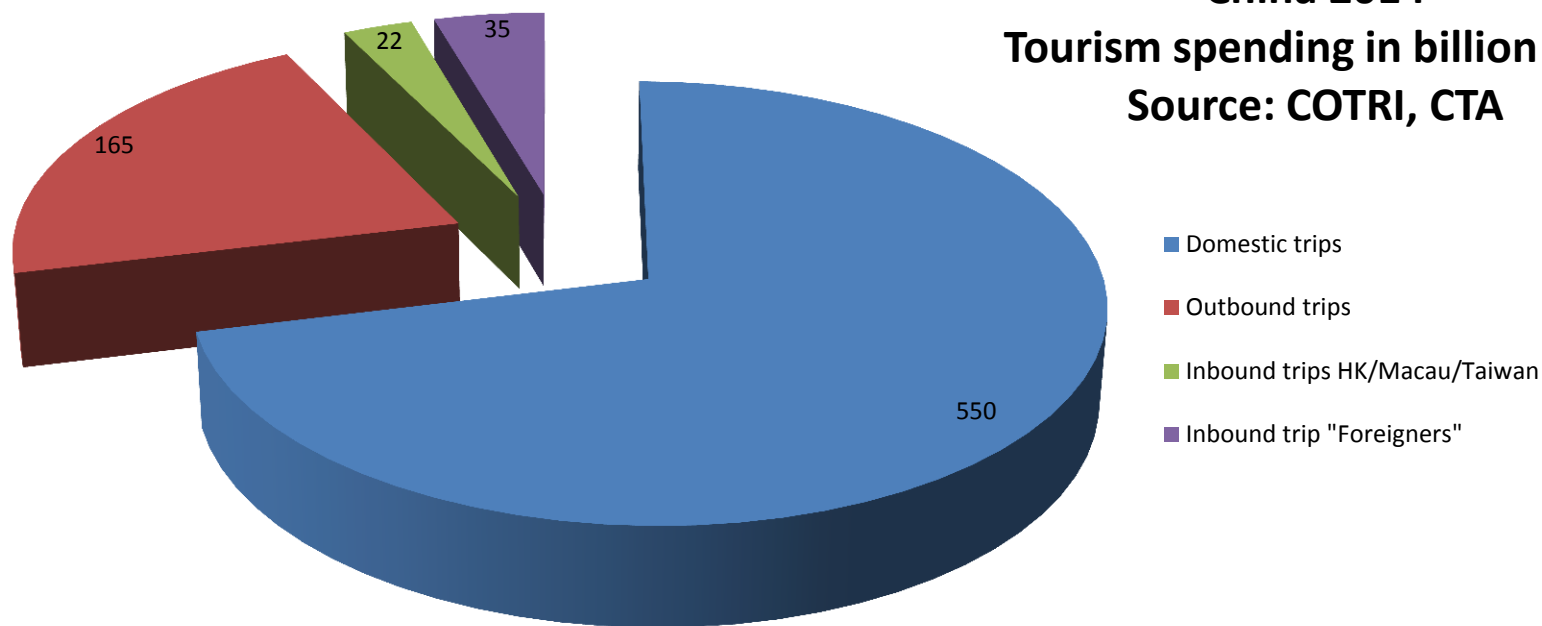
Relevance of outbound travel for Chinese tourism industry by number of travellers



China 2014
Number of trips (million)
Source: COTRI, CTA

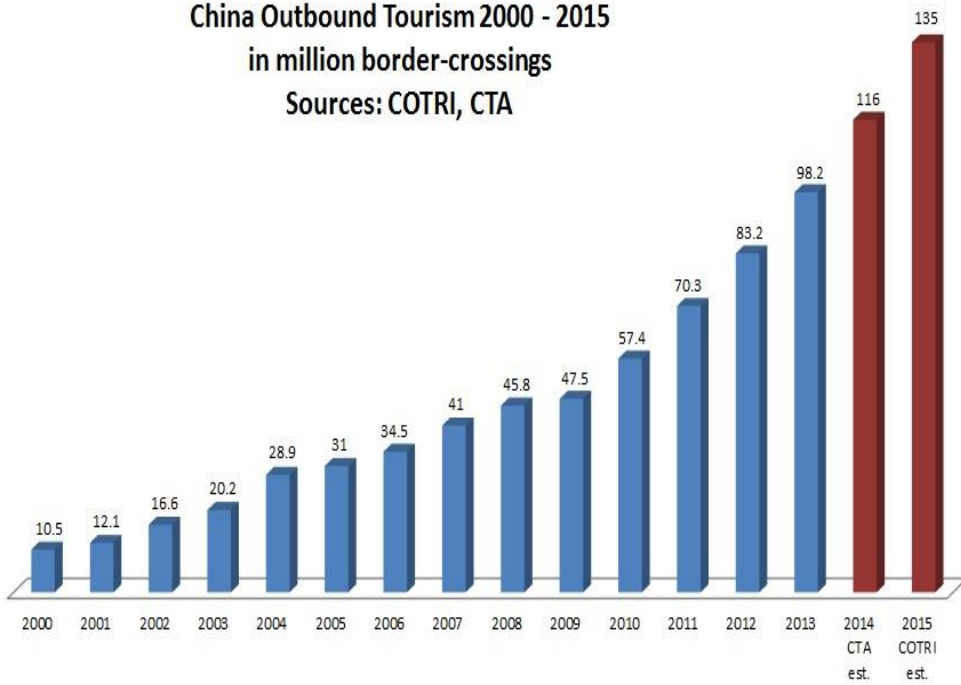
- Domestic trips
- Outbound trips
- Inbound trips HK/Macau/Taiwan
- Inbound trip "Foreigners"

Relevance of outbound travel for Chinese tourism industry by spending

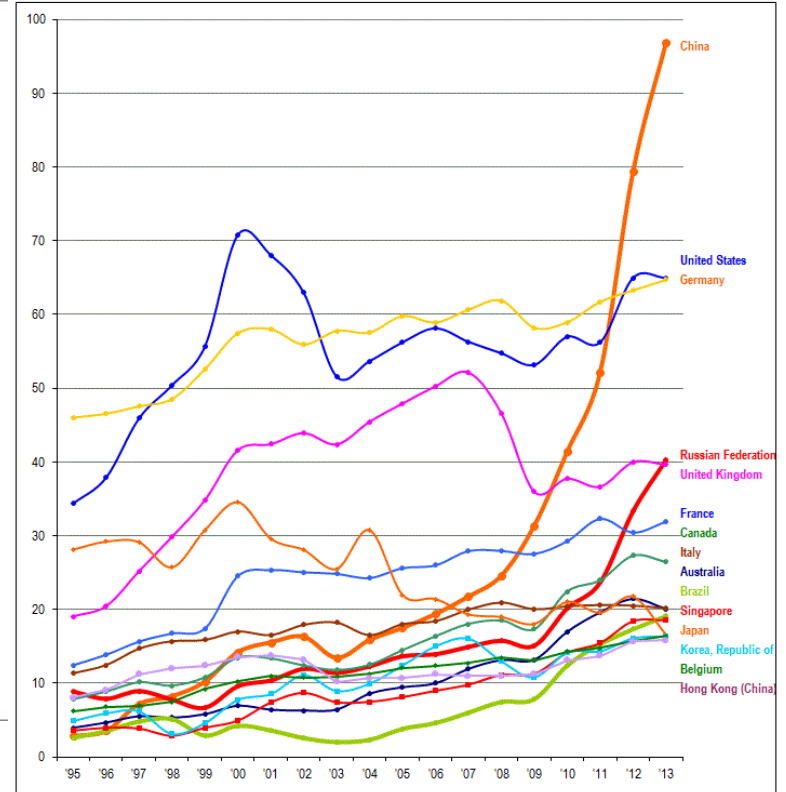


CHINA – International tourism source market No. 1 in the world in terms of border-crossings and spending

China Outbound Tourism 2000 - 2015
in million border-crossings
Sources: COTRI, CTA



World and regions: Outbound Tourism
International Tourism Expenditure



Source: World Tourism Organization (UNWTO) ©

Global Importance and Importance in China

Chinese Outbound Travel will increasingly represent a major part of global tourism and include more destinations, but will still be restricted to the Top 10% of the Chinese society

- 中 In **2014** *one out of ten of all international border crossings started from Mainland China*
- 中 In first half of **2015** *one out of nine of all international border crossings started from Mainland China*
- 中 In **2020** *one out of seven of all international border crossings will start from Mainland China*

Chinese Outbound Travel will continue to grow despite the economic slowdown and political crisis in China

First of all, because long-distance outbound travel is not a private decision, but an investment, **not a holiday**:

- 中 **Direct investment**: Buying real estate and companies for profit and for passports
- 中 **Indirect investment**: “Leisure” Travel and shopping for self-esteem and peer group confirmation of status and prestige
- 中 **Long-term investment**: Formal and informal education, market knowledge, experiences

Five Reasons why Chinese Outbound Travel will continue to grow despite economic slowdown and political crisis

- 1) By the end of August 2015, the Shanghai Composite and the exchange rate of the RMB are back to the levels of January 2015. Bubbles have burst , but for the top 5% of Chinese society, the ability to spend a few thousand dollars for a trip has not been seriously hampered.
- 2) The environmental problems connected to corruption problems as illustrated by the explosion of 3,000 tons of dangerous chemicals on Aug. 13 only increase to pull to travel to places offering a safe and clean environment.

Five Reasons why Chinese Outbound Travel will continue to grow despite economic slowdown and political crisis

- 3) **Visa procedures are getting easier for Chinese nationals with multiple-entry visa introduced by major destinations.**
- 4) **Hong Kong and Macau are losing their appeal for Chinese travelers. The increase in outbound travel goes almost completely to destinations beyond Greater China.**
- 5) **International travel has already become a firm part of the consumption pattern of everybody who is anybody in China. *Reisefreiheit* is a freedom which will not be taken away the Chinese upper and upper-middle class even if in other areas (culture, education) China returns to neo-Maoism.**

Chinese outbound tourism market: Growing Segmentation

Segmentation of the market - Main groups:

- 中 **Visitors to Hong Kong, Macau, Taiwan**
- 中 **Mass-market *package tour***
- 中 ***Business/official* travellers**
- 中 **Chinese *expats* and *students* living in the region**
- 中 ***Second Wave* experienced Chinese travellers**

Segmentation

中 Visitors to Hong Kong, Macau, Taiwan

Still more than half of all travels from Mainland China end in “Greater China”: The Special Administrative Regions of Hong Kong and Macau and the island of Taiwan

Most visitors from neighbouring provinces, including also day visitors. For most visitors no need for tour operator services.

These travellers are included in most general statistics, so beware of averages! Example: Gender ration female:male including Greater China 52:48, excluding 48:52

Segmentation

中 **Mass-market *package tour***

**Still the important group for big destinations,
mostly first-time traveller from lower tier cities.
Looking for low price, sightseeing, brands**

→ Will remain the dominant segment for coming years in terms of number of travellers, but not in spending. Even package tour member look for flexibility and reject being the hostage of the tour guide.

Segmentation

中 *Business/official* travellers

**Still interested in luxury and high-level travel and
- if less conspicuous - consumption in main destinations**

中 *Chinese expats and students*

Not all Chinese live in China!

**Increasing in importance, travelling themselves and
receiving guests**

More time and more interest in local situation

Segmentation

中 *Second Wave experienced Chinese travellers: Niche topics, themed tours, bespoke arrangements, activity based trips*

“Second Wave” travellers moving from “*money rich but time poor*” to “*money and experience rich but time poor*”, looking for new kicks and lifestyle affirmation, new destinations and authentic activities, nature, culture and stories

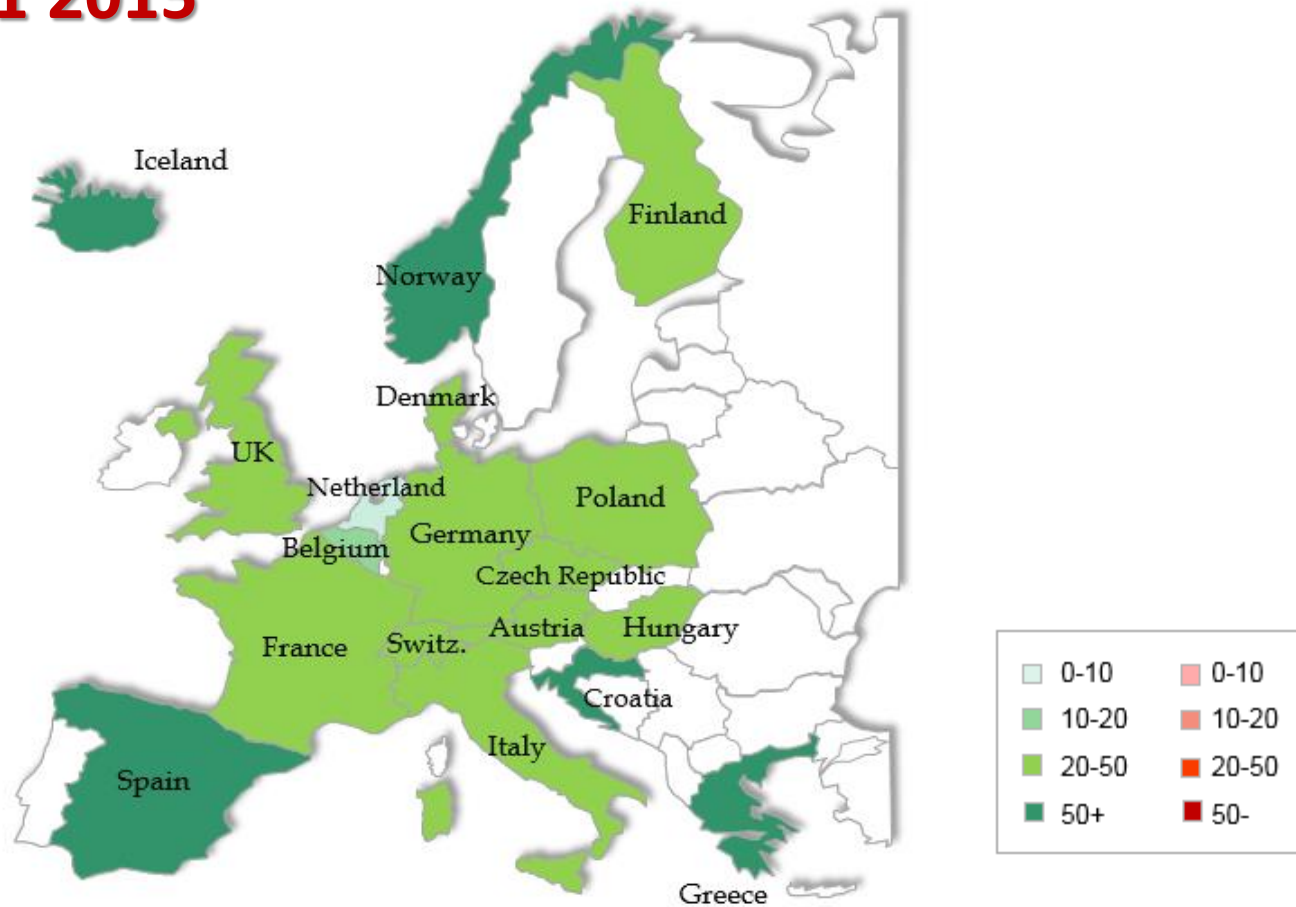
→ **For smaller destinations main target group, can be interested in new products at new places at new times of the year**

Chinese Outbound Travel trends

Jan.-Nov. 2014 Chinese citizens outbound travel (CNTA, first port of call)			Share of total	Arrivals 2014 Destination statistics / COTRI Estimates	YoY growth (%)
Country (Region)	Jan-Nov	YoY growth (%)			
Total	105,633,900	18.0			
Asia Total	94,773,900	17.0	90%		
of which HK/Macau	70,583,000	18.0	67%		
Americas Total	2,812,800	14.4	2.7%		
Europe Total	3,665,600	10.7	3.5%		
Germany	455,500	14.9		1,027,654	18.2
France	551,400	37.3		1,900,000	17.0
UK	496,500	6.7		182,321	-7.0
Russia	902,600	3.5			
Oceania Total	1,213,100	24.3	1.1%		
Africa Total	2,940,700	80.9	2.8%		
Others Total	227,800	21.7			

Europe still No. 1 destination outside Asia, but loosing market share to new destinations

Chinese Outbound Travel trends to Europe Q1 2015



In Europe fringe countries and smaller cities within major destinations attracting more Chinese travellers

Chinese tourists behaviour in terms of group vs. individual travellers

Group vs. FIT is not a simple “either-or” but a sliding scale. On the one end are old-fashioned package tours “8 countries in 7 days” mainly done for the “me in front of the Eiffel Tower” photo. On the other end are fully autonomous backpackers. In between are all kind of ‘semi-self-organized’ packages, customised or bespoke tours with varying degrees of flexibility. Online travel agencies like Haiwan.com or Woqu.com increasingly develop products of one or two day organised tours, which can be booked before or during the otherwise self-organised trip.

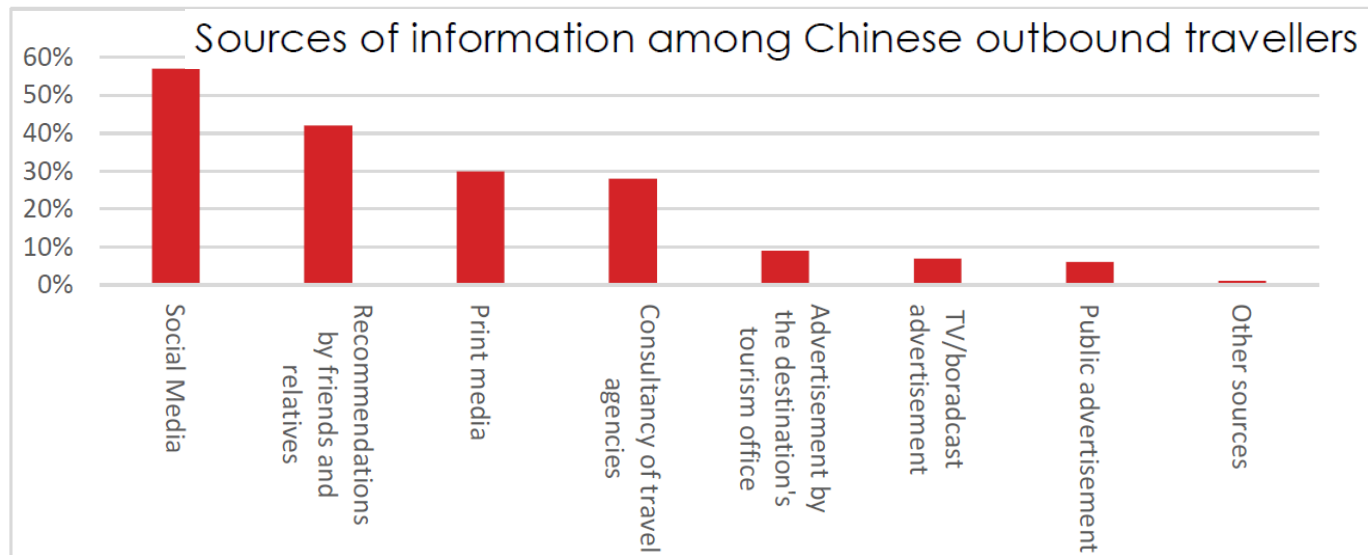
 海玩网

 **WOQU.com**
我趣旅行

The relative importance of self-organised travel varies between different markets, from 0% for destinations, which cannot be reached without an organised tour (Antarctica) to more than 70% for destinations like Hong Kong and South Korea.

Chinese tourists behaviour in terms of planning

The primary information source for Chinese travellers to gain information is the internet, especially social media and travel blogs. Many of China's 650 million Internet users in the world are actively creating blogs and other user generated content. WOM², the combination of 'Word of Mouth' and 'Word of Mouse' is the fastest way to get a positive message across.



Chinese tourists behaviour in terms of booking

57% of Chinese travellers are now booking travel arrangements either on the web or via mobile apps online.

China's OTA market Q1 2015:

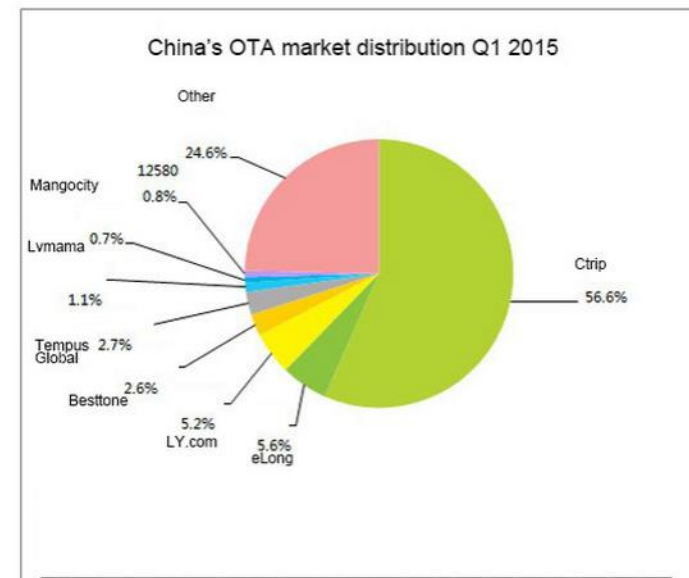
Transactions RMB 87.5 billion (approx: US\$ 14 billion)

Increase QoQ 12%, YoY 29%

Revenue RMB 4 billion (approx.: US\$ 648 million)

Increase YoY 26%

**Ctrip dominates,
rest of market fragmenting
more and more.
Intensive price wars continue.**



Chinese tourists behaviour in terms of booking – visa

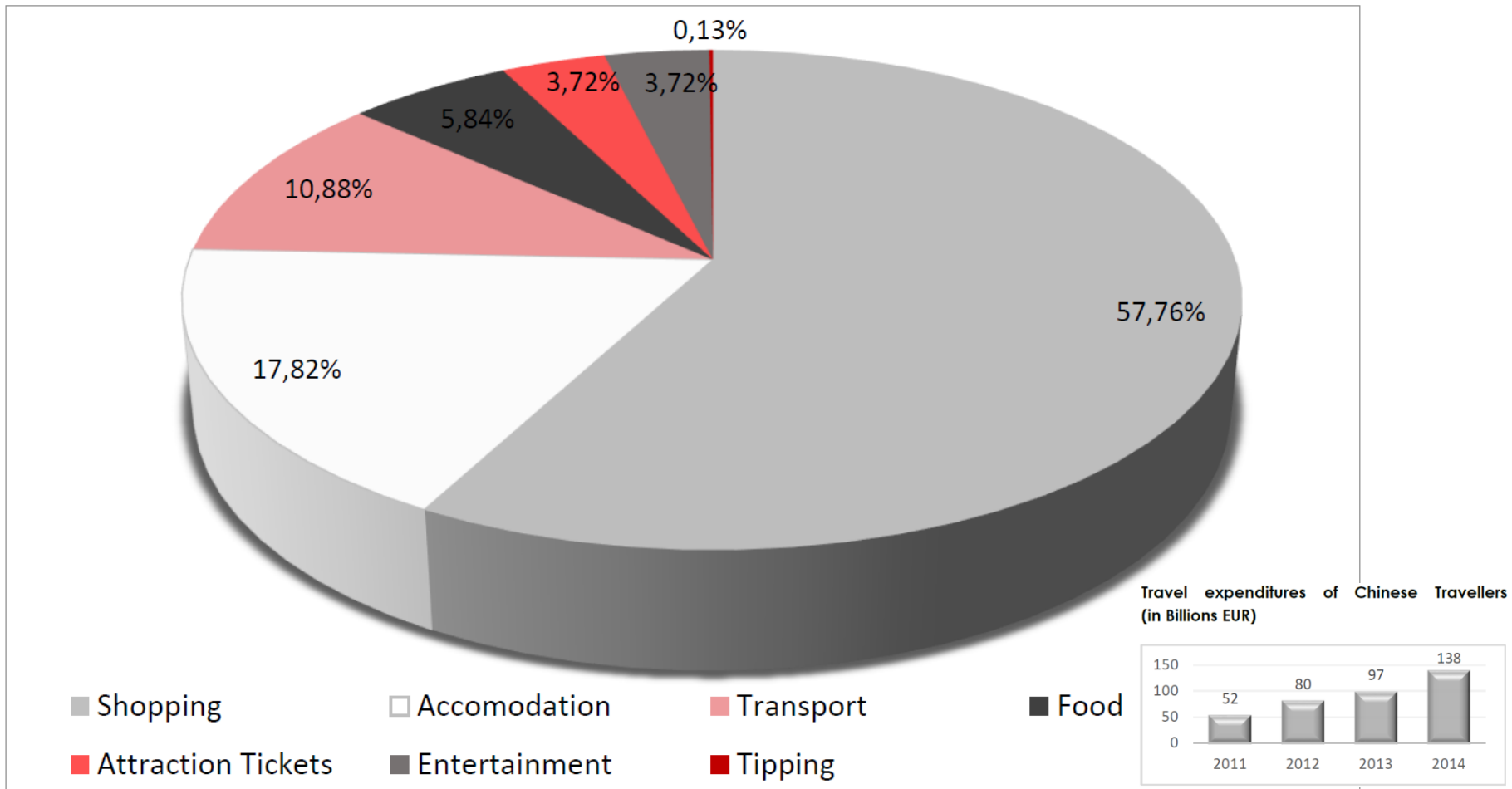
Chinese travellers are able to book conveniently, last minute and without the need to refer to a tour operator or to obtain an invitation letter for trips to an increasing number of countries: Smaller destination offering visa-free or free-of-charge visa on arrival policies for Chinese citizens (f.i. Mauritius, Jamaica, Madagascar)

Bigger destinations offer very long running permanent visa (f.i. USA, Canada, South Korea, Australia)

Schengen is introduction multiple entry visa by Oct. 1st, 2015, however based on the introduction of the Visa Information System (VIS), requiring electronic fingerprints.

Chinese tourists shopping preferences

Division of Expenditures among Chinese Outbound Travellers 2014



Example Shopping: Understanding why Chinese tourists buy what they buy

- **Buying Gifts:**
 - Smaller, cheaper items in bigger number of identical items a gift for neighbours, colleagues, normal friends
 - Special items for close friends and family
 - Prestigious, expensive items for boss, important contacts
 - Healthy / pedagogical expensive items for child
 - Authentic, regional, special, new, lifestyle items for myself
- **Buying Evidence:**
 - Evidence to prove that the trip took place, even by buying Chinese cigarettes with Western countries warning stickers
- **Buying Prestige:**
 - Not available in China, limited editions, hand-made, original
- **Buying for Resale:**
 - Items for resale on Taobao (ebay) or for shopping list

Example Product Adaptation:

Understanding why Chinese tourists do what they do

Do Chinese tourists like a romantic ride in a horse-drawn carriage in the snow when visiting the Alps?

Certainly, but why:

Experience: Sampling the experience as seen in movies

Evidence: Getting pictures of themselves sitting in the carriage, with their nice apparel, the coach-driver and the horses visible

Prestige: Doing what the rich people do (in stories/movies) or celebrities have done (and documented in Weibo etc.)

So: Offering a 30 minutes ride, not a two hours ride

So: Offering a professional photographer taking photos (with the customers cameras/smartphones) more important than explanations about the names of the mountains in sight

So: Document which famous customers sat in the carriage before

Second Wave travellers more open to suggestions, but also more confident and demanding than ever

- 中 Second Wave Chinese travellers can be attracted to new products, new places, new activities, new times of the year, bringing not only more, but a different kind of business**
- 中 But: To satisfy the Second Wave Chinese travellers needs more preparation and understanding to keep the balance between treating Chinese Second Wave customers as international citizens and still showing respect to the Chinese culture by providing the right kind of reasons to come, the right story to tell and providing the feeling of being more welcomed as Second Wave Chinese traveller than any other kind of customer**