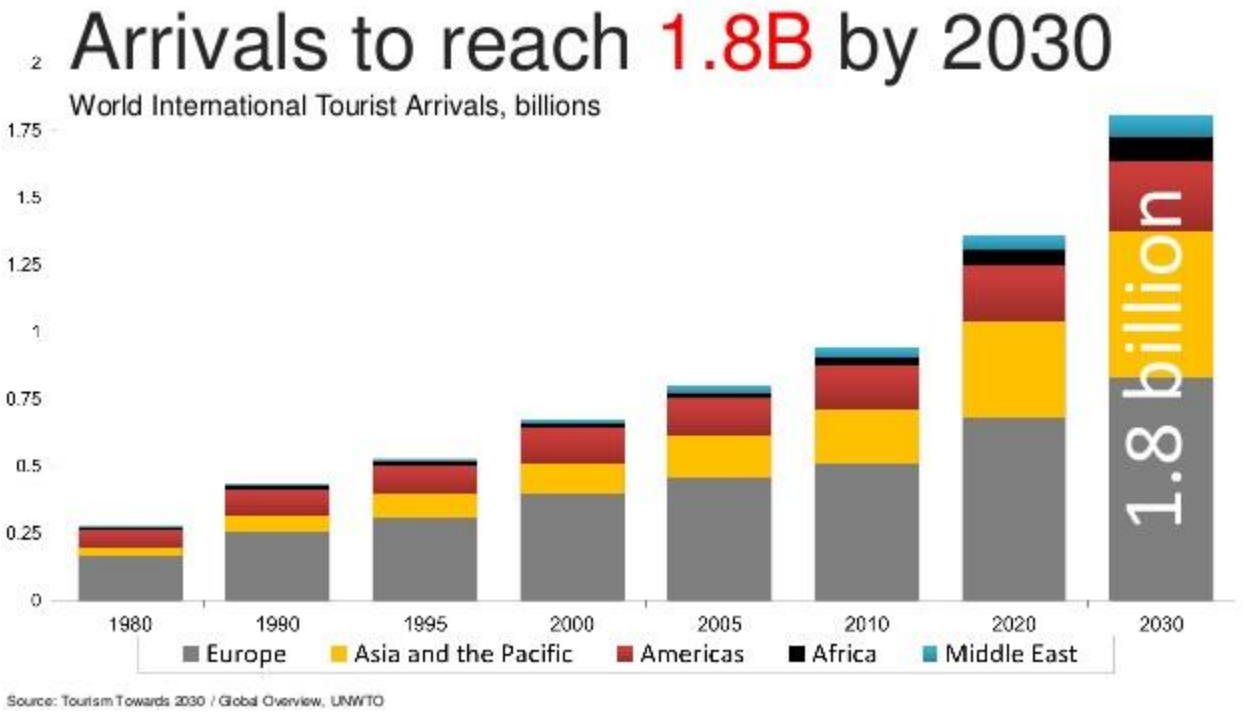
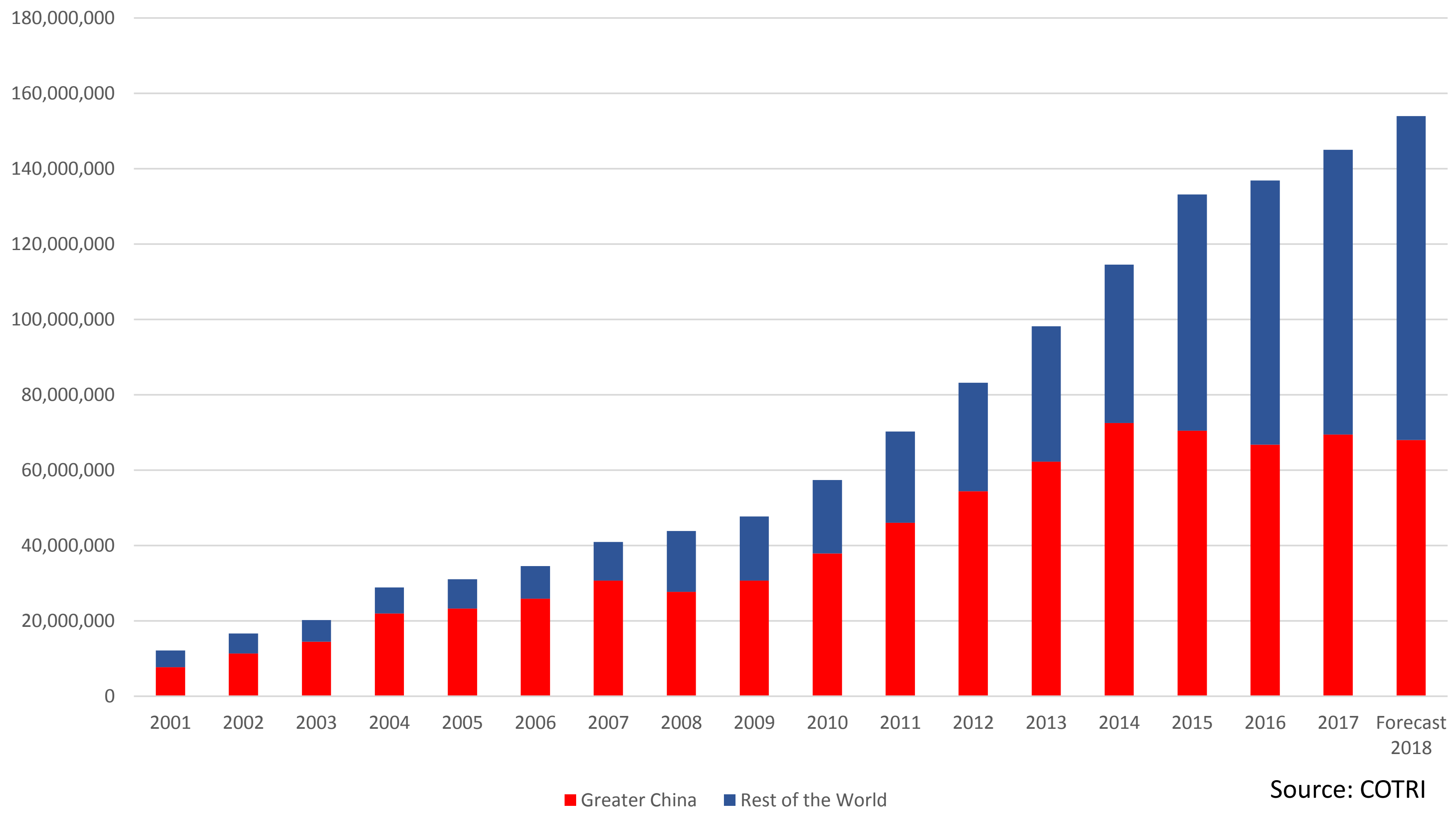
Chinese outbound tourism

Global international tourism growth up to 2030

The UNWTO graph illustrates the strong growth of international tourism, with a forecast of reaching 1.8 billion border-crossing trips by 2030, adding 500 million to the 1.32 billion of 2017.
Already today about 11% of all arrivals are generated by Mainland Chinese.



Chinese outbound tourism up to 2018



Source: COTRI

The Attitude of Chinese Travellers Towards Outbound Tourism – Gaining Knowledge

“One trip equals reading 10,000 books”

- 中 In Chinese culture, travelling has a long and positive tradition. Since ancient times, mobility has been important for scholars, administrators, monks and pilgrims.

- 中 Travelling is seen as a way of understanding the nature of the world and of oneself.

- 中 Travelling in most cases however happened within China, Xu Xiake, depicted on the stamp, was no Marco Polo or Ibn Battuta. Exceptions: Buddhist monks and Zheng He (1371-1433), the “Chinese Columbus”.

Xu Xiake 1587-1641

Political Background of Chinese Outbound Tourism

1983

- *The government permitted citizens to travel abroad for **private reasons**, but only for those who had relatives abroad. This type of travel first took place between Mainland China and Hong Kong or Macau.*

1987

- ***First cross-border travel to North Korea**. Starting from this year, the Chinese government gradually approved of travelling to neighbouring countries to visit relatives and family members.*

1997

- ***Official start of outbound travel from China**. The "Provisional Regulation on the Management of Outbound Travel by Chinese Citizens at their own Expense" for the first time acknowledges Chinese citizens' demand for leisure travel.*

2012

- *China becomes **the biggest source market of international tourists worldwide**.*

2015

- *Following in the footsteps of the United States, numerous destinations begin to introduce **multiple-entry tourist visas for Chinese passport holders**.*

2018

- ***Ministry of Culture and Tourism started.***

Chinese outbound tourism First half 2018

COTRI reports for the **first half of 2018** a total of **80 million** border crossings, with more than half going beyond Greater China, an increase of **16% YoY.**

The Chinese Ministry of Culture and Tourism published a total of **71.3 million** Chinese border crossings for the **first half of 2018**, an increase of **15% YoY**.

Chinese outbound tourism 2018-2030

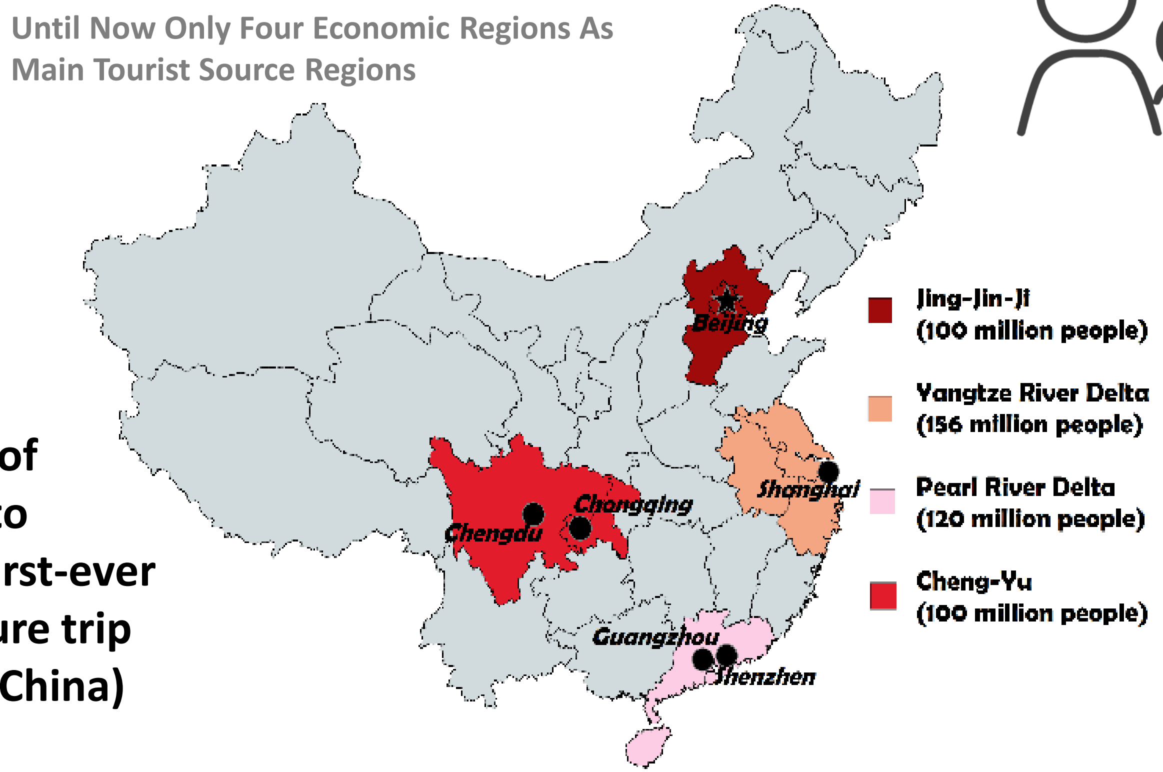
COTRI forecasts that 2018 will see a total of **160 million** Chinese arrivals worldwide, which would consist of 75 million trips made to Greater China destinations and 85 million to the rest of the world.

By 2030, 390 million outbound trips will originate in Mainland China, most of them going beyond Greater China, 250 million more than 2017 - meaning **HALF of the additional outbound travellers in next decade will be CHINESE**.

Chinese outbound tourism growth potential

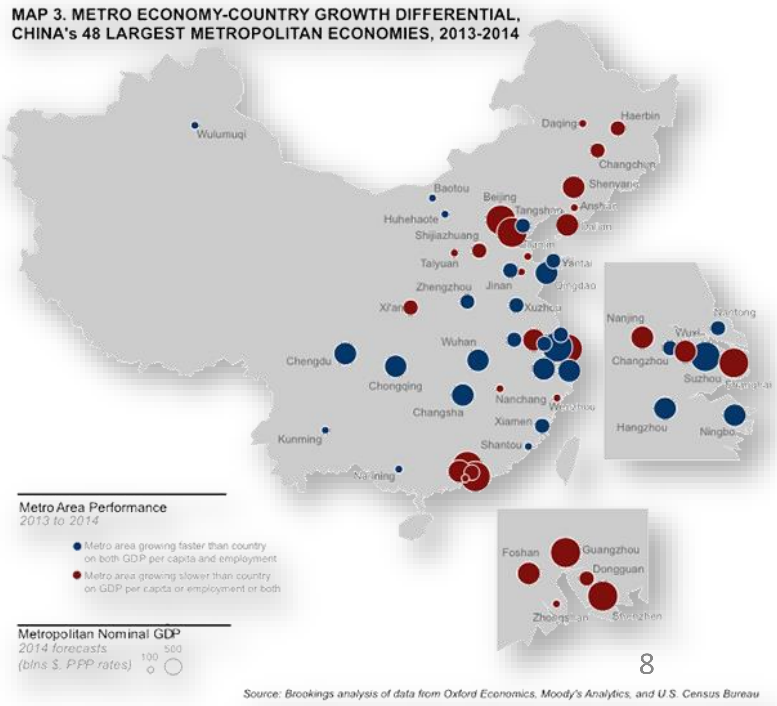
Today no more than 10% of Chinese citizens possess passports

Almost all live in 1st and 2nd tier cities



The vast majority of Chinese have yet to experience their first-ever long-distance leisure trip (inside or outside China)

75% of Chinese tourists believe that travelling is a vital factor for improving their life quality and happiness.



Changing role of outbound tourism

Change of Chinese governments global policy – Soft Power through tourism and new international organisations – BRICS, Belt and Road Initiative, Shanghai Cooperation Organisation

New institutions

In March 2018 the National People‘s Congress (NPC) decided that the Ministry of Culture and CNTA China National Tourism Administration will be merged into a new **Ministry of Culture and Tourism.**

NPC official announcement: “The move is aimed at coordinating the development of cultural and tourism industries, **enhancing the country's soft power and cultural influence**, **and promoting cultural exchanges internationally.”**

The World Tourism Cities Federation (started 2012, Beijing) becoming more important.

The new World Tourism Alliance (started 2017, Hangzhou) building big new headquarter in Hangzhou.

Rich and Poor in China

Since the start of the *reform and opening* process in 1978 in China:

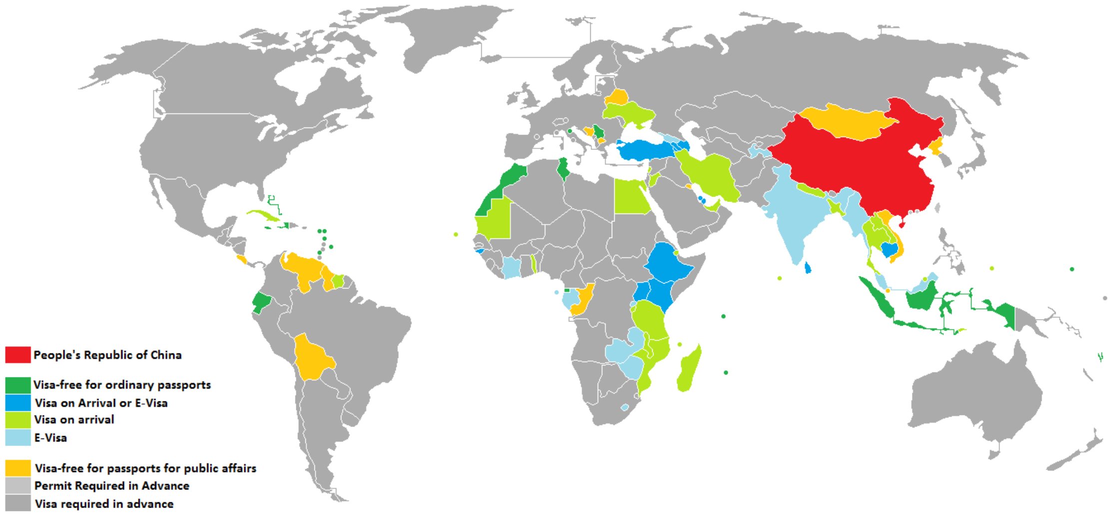
- Living standards have risen throughout the country
- The income gap between the more developed coastal regions and the less developed inland regions increased

By 2015, the wealthiest 10% of Chinese society owned 70% of the country's private wealth.

Three main drivers for China's outbound tourism in 2018: 1. Visa

Simplified visa procedures

27 destinations offer **visa-free** entry for Chinese citizens
39 destinations offer **visa on arrival or E-Visa** for Chinese citizens



Visa free entry:

Asia	UAE
	Jeju Province, South Korea
	Indonesia
	Quang Ninh Province, Vietnam
North America	Barbados
	Bahamas
	Grenada
	Antigua and Barbuda
	Dominica
	Haiti
	Saint Kitts and Nevis
	Turks and Caicos Islands
	Jamaica
South America	Ecuador
Europe	Serbia
	San Marino, Albania, Bosnia & Hercegovina
Oceania	Fiji
	Tonga
	French Polynesia
	Northern Mariana Islands
	Samoa
Africa	Mauritius
	Seychelles
	Réunion
	Morocco
	Tunisia
Antarctic	South Georgia and the South Sandwich Islands

Three main drivers for China’s outbound tourism in 2018: 2. Connectivity

More direct flight connections

In 2017 more than 100 new air connections were started, with more in the pipeline for 2018, mostly connecting second tier airports in China and abroad.

Country	City	China city	Airline company	Operating from
Australia	Cairns	Guangzhou	China Southern Airlines	December
	Brisbane	Shenzhen	Hainan Airlines	September
	Melbourne	Shenzhen	China Southern Airlines	June
	Melbourne	Chongqing	Tianjin Airlines	September
	Sydney	Beijing	Qantas	January
	Sydney	Qingdao	Beijing Capital Airlines	September
Belgium	Brussels	Shanghai	Hainan Airlines	October
Brunei	Bandar Seri Begawan	Kunming	Lucky Air	July
Cambodia	Phnom Penh	Shanghai	Spring Airlines	March
	Phnom Penh	Shenzhen	Spring Airlines	March
	Siem Reap	Fuzhou	Xiamen Airlines	May
Canada	Montreal	Shanghai	Air Canada	February
Egypt	Aswan	Xi'an	Egypt Air Leisure	July
Ethiopia	Addis Ababa	Chengdu	Ethiopian Airlines	May
Finland	Helsinki	Xi'an	Finnair	June
Indonesia	Jakarta	Beijing	Air China	September
	Denpasar	Fuzhou	Xiamen Airlines	March
Israel	Tel Aviv	Shanghai	Hainan Airlines	September
	Tel Aviv	Beijing	Hainan Airlines	September
Italy	Milan	Jinan	Neos Air	May
	Milan	Guiyang	Neos Air	July

Country	City	China city	Airline company	Operating from
Japan	Tokyo	Shanghai	Jetstar Japan	June
	Sapporo	Nanjing	China Eastern Airlines	March
	Sapporo	Changsha	Hainan Airlines	January
	Sapporo	Chongqing	China West Air	April
	Sapporo	Shanghai	Junyao Airlines	April
	Okinawa	Xi'an	China Eastern Airlines	April
	Aomori	Tianjin	Okay Airways	January
Lao	Vientiane	Chongqing	Lao Airlines	June
	Vientiane	Haikou	Hainan Airlines	January
	Luang Prabang	Haikou	Hainan Airlines	January
	Luang Prabang	Kunming	China Eastern Airlines	March
Macau	Macau	Beijing	Beijing Capital Airlines	July
	Macau	Hangzhou	Spring Airlines	April
Kazakhstan	Astana	Beijing	Air China	June
New Zealand	Auckland	Chengdu	Sichuan Airlines	June
	Auckland	Shenzhen	Hainan Airlines	January
Malaysia	Kuala Lumpur	Kunming	Lucky Air	January
	Kuala Lumpur	Haikou	Malindo Air	March
	Kuala Lumpur	Nanjing	Malaysian Airlines	June
	Kuala Lumpur	Guangzhou	Malindo Air	March
	Johor Bahru	Guangzhou	Sichuan Airlines	February
	Langkawi	Shenzhen	AirAsia	March

Three main drivers for China's outbound tourism in 2018: 2. Connectivity

Country	City	China city	Airline company	Operating from
Philippines	Cebu	Kunming	Lucky Air	June
	Cebu	Chongqing	Sichuan Airlines	March
	Manila	Kunming	Lucky Air	May
	Manila	Shenzhen	Shenzhen Airlines	August-September only
	Clark	Shanghai	China Eastern Airlines	October
Portugal	Lisbon	Beijing	Beijing Capital Airlines	July 26th
Russia	Moscow	Chongqing	Tianjin Airlines	June
	Moscow	Tianjin	Tianjin Airlines	June
	Moscow	Qingdao	Beijing Capital Airlines	July
	Moscow	Kunming	Lucky Air	June
	Vladivostok	Tianjin	Tianjin Airlines	July
Singapore	Singapore	Hangzhou	China Eastern Airlines	August
Seychelles	Seychelles	Chengdu	Air Seychelles	July-August only
	Seychelles	Beijing	Air Seychelles	Sept/Oct additional flights
Spain	Barcelona	Shanghai	Air China	May
Switzerland	Zurich	Beijing	Air China	June
Taiwan	Taipei	Changsha	China Airlines	September
USA	New York	Chongqing	Hainan Airlines	October
	Los Angeles	Chongqing	Hainan Airlines	March
	Los Angeles	Chengdu	Hainan Airlines	March
	Los Angeles	Xiamen	Xiamen Airlines	June

Country	City	China city	Airline company	Operating from
Thailand	Bangkok	Shijiazhuang	Hebei Airlines	March
	Bangkok	Shenyang	China Southern Airlines	July
	Bangkok	Nanchang	Spring Airlines	July
	Bangkok	Nanjing	Thai Lion Air	March
	Bangkok	Zhanjiang	China Express Airlines	March
	Chiang Mai	Guangzhou	Thai Lion Air	July
	Chiang Rai	Haikou	Beijing Capital Airlines	March
	Hat Yai	Kunming	Kunming Airlines	April
	Phuket	Yinchuan	China Southern Airlines	April
	Phuket	Fuzhou	Xiamen Airlines	March
	Phuket	Xi'an	Okay Airways	March
	Phuket	Haikou	Hainan Airlines	July
	Krabi	Shanghai	Shanghai Airlines	August
	Krabi	Hefei	NewGen Airways	June
	Koh Samui	Chongqing	Bangkok Airways	July
	U-Tapao	Sanya	Hainan Airlines	April
Vietnam	Hanoi	Nanjing	Vietnam Airlines	June
	Hanoi	Changsha	China Southern Airlines	March
	Da Nang	Tianjin	Okay Airways	July-September only
	Cam Ranh	Nanjing	Vietnam Airlines	July
	Cam Ranh	Wuxi	Vietnam Airlines	July

Three main drivers for China's outbound tourism in 2018:

3. Information and Mobile Payment

More information available

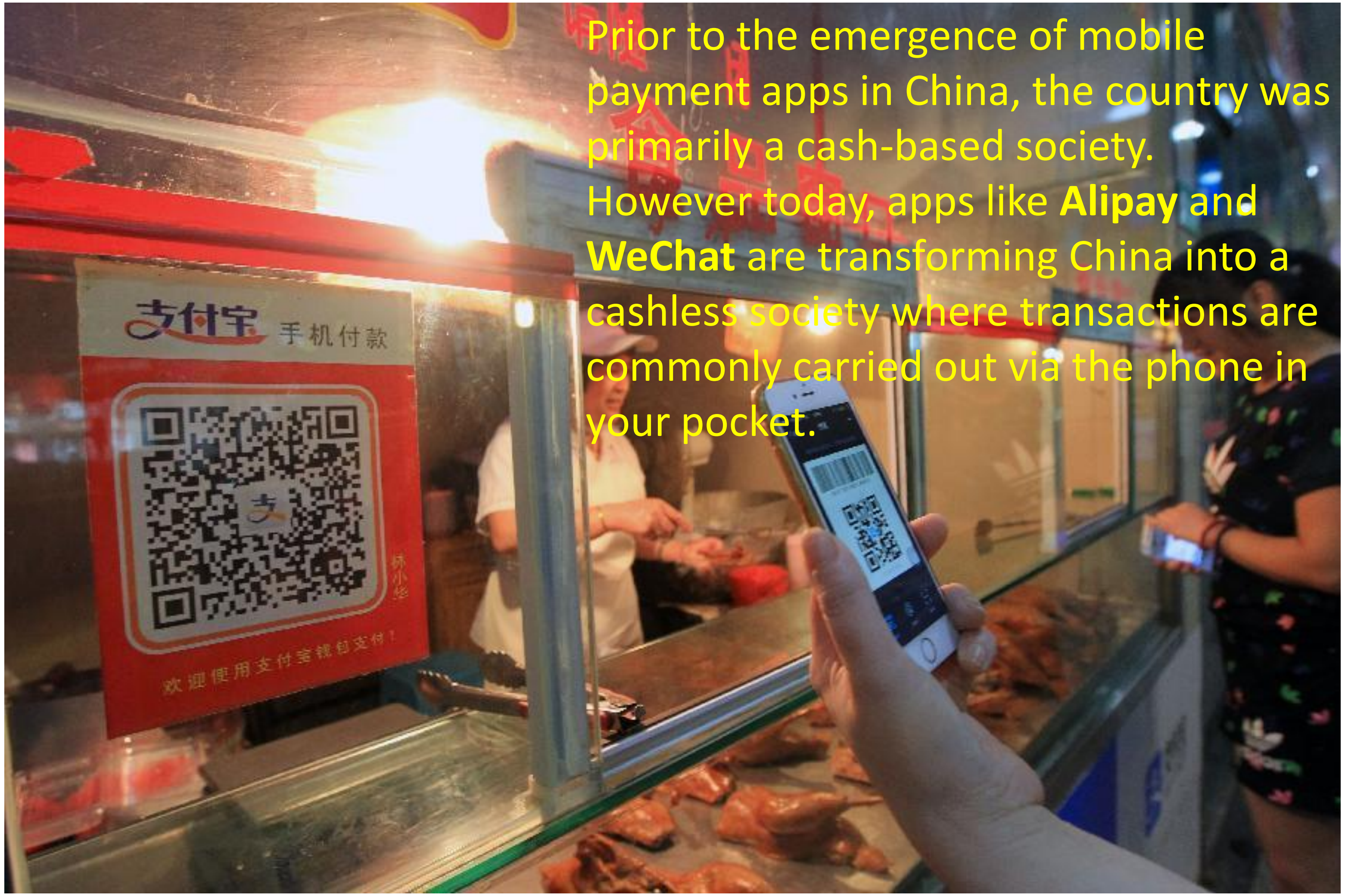
Most global destinations have intensified their provision of information to both Chinese outbound tour operators and to potential FIT visitors, using fairs like the new ITB China or Social Media in the form of WeChat channels entries, online trainings, and increasingly videos.

With each year of Chinese travellers visiting more diverse destinations the chance is getting bigger for potential travellers to know somebody (in real life or online) who already visited a specific destination and can give advise, making it easier to organize a trip without the help of a tour operator.

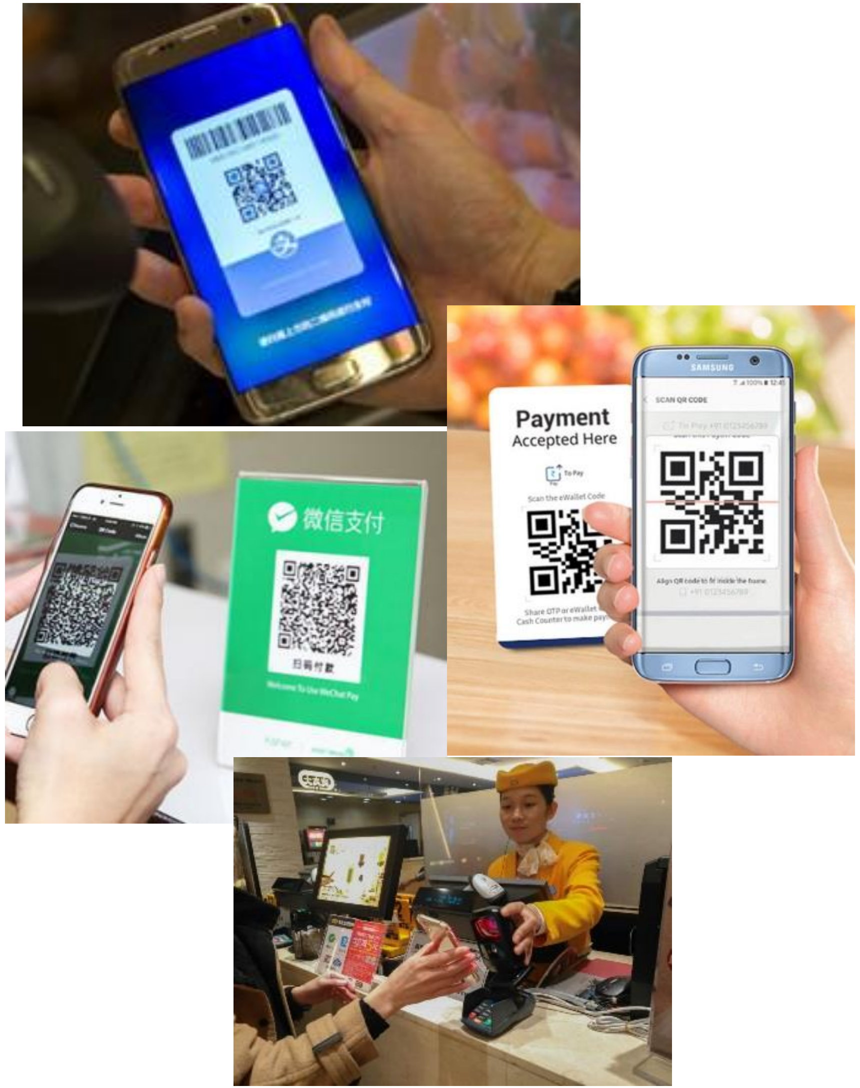
IT and AI provide increasingly sophisticated tools to receive customized information before and during the trip.

Three main drivers for China’s outbound tourism in 2018:

3. Information and Mobile Payment



Prior to the emergence of mobile payment apps in China, the country was primarily a cash-based society.
However today, apps like **Alipay** and **WeChat** are transforming China into a cashless society where transactions are commonly carried out via the phone in your pocket.



Three main drivers for China’s outbound tourism in 2018:

3. Information and Mobile Payment

Chinese outbound travellers used to be happy if tourism service providers, retailers and ATMs accepted UnionPay credit cards.

Chinese travellers now are demanding strongly the acceptance of mobile payment freeing them from money exchange and danger of pickpocket thefts.

If shops and service providers do not accept AliPay or WeChat Pay, a growing number of them will try to find another business offering this service.

Accepting mobile payment has developed from an extra service to a necessity.

Shifting Patterns

As outbound travel experience grows in China, patterns in the **travel preferences of outbound tourists from different parts of the country** are becoming increasingly clear.

These can be influenced by factors ranging from geographical location, to the availability of flight connections. First and second tier city residents, who make up the majority of Chinese outbound travellers, are generally moving away from popular destinations in favour of **more novel, less-visited locations**.

At the same time, growing numbers of residents from third and fourth tier cities are starting to take their first trips abroad. This growth is being aided by the growing numbers of international flights and visa centres becoming available outside of first tier cities.

Like 60% of Chinese outbound tourists, they typically travel in groups.

Increasingly Diverse Age Groups

- 中 Chinese outbound tourists:

  Middle aged -> diverse demographic age mix

- 中 A growing number of older Chinese tourists is looking to invest their free ne and money in travelling the world

- 中 Education strongly influences numbers of Chinese outbound travelers – many Chinese are studying overseas in the US, Australia and the UK, as well as in other countries and draw additional VFR (Visiting Friends and Relatives) visitors and also attract other related investment from China

- 中 More and more secondary school-aged students are also taking part in educational summer camps and exchange semesters

Who Is Travelling?

So who are the Chinese outbound travellers?

- 中 Outbound tourism is an *upper class* phenomenon in China - **less than 10%** of Mainland Chinese people have ever crossed a border and only **about 5%** of Chinese tourists are affluent enough to travel intercontinentally

- 中 ***Remember***: The 145 million border crossings in 2017 were not made by 145 million different people

“*The*” Chinese Outbound Traveller does not exist

- 中 Chinese FIT are more affluent than Western FIT, most of them spend also more than group travellers. They are price sensitive in both directions, looking out for bargains but also willing to pay premium prices for value for money offers with high bragging power.
- 中 Most of them are seekers of prestige and self-affirmation, trying to find themselves abroad. They often pursue “serious leisure” activities, often choosing the activity, not the destination, first.
- 中 FIT Second Wave travellers more open to suggestions, but also more confident and demanding than ever. They can be attracted to new places, new activities, new times of the year, bringing not only more, but a different kind of business.
- 中 Almost all Chinese travellers are „Money rich, but time Poor“. For them there can be no “cheap” far-away destination, as they have to pay with their travel time.

First tier inhabitants: Living like a local (for a short time)

- 中 For affluent 1st tier city inhabitants international travel is already fixed part of consumption pattern, mostly travel self-organised or customised tour for fixed group
- 中 More and more segmentations into niches including big niches like health tourism, cruises, food and wine, adventure, educational etc.
- 中 Second Wave experienced Chinese travellers: Niche topics, themed tours, bespoke arrangements, activity based trips, moving from “money rich but time poor” to “money and experience rich but time poor”
- 中 Key motivation to choose destination: Not too many (but not none) Chinese have travelled yet to this place

Second tier citizens: Following KOLs to “must-sees”

- 中 Aspiring 2nd and 3rd tier city inhabitants catching up fast, most growth comes from lower tier cities
- 中 Older customers starting with package tour, younger travellers move directly to half-/ or self-organised tour
- 中 For young families or 6+1 multigenerational groups self-drive / LV gaining importance
- 中 More likely to still ticking off the „must-see“ list of destinations and sights
- 中 Key motivation to choose destinations: All KOLs and some of my friends have already been there

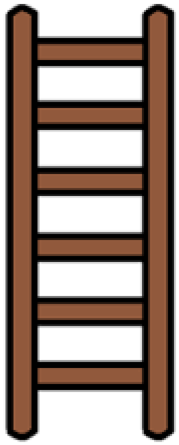
The Attitude of Chinese Travellers Towards Long-distance Outbound Tourism – No Holidays!

Chinese people **do not travel to distant locations simply for a holiday and/or for relaxation.**

Long-haul leisure trips are undertaken mainly to **acquire personal status and useful knowledge** about the local culture, economy and the technology of other countries or even to gather information for investments abroad in real estate and companies.

Starting Chinese Quality Tourism

Five steps up the ladder to success in the Chinese market:

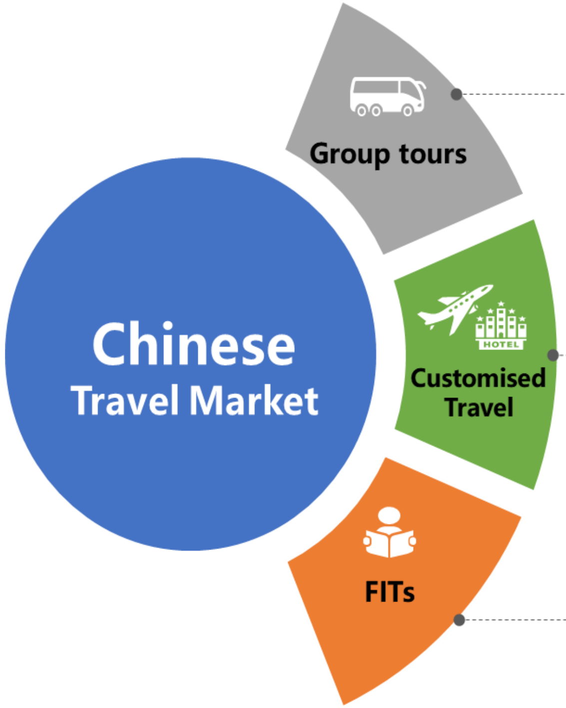


Higher arrival numbers →
Higher number of overnights →
Higher level of spending per visitor per trip →
Higher margin →
higher level of satisfied Chinese visitors,
recommending the destination to their peers.

There is no point in just aiming at "more" Chinese arrivals.

Customised Travel: The fastest growing sector

CTRIP APPROACH: CUSTOMISED TRAVEL



- Mainly touristic landmarks
- Fixed itinerary
- Hidden costs, e.g. optional activities
- Coerced shopping

- Small private groups with greater say over chosen itinerary and activities
- Services that are flexible, thoughtful, hassle-free and professional
- No hidden cost
- Consultancy services provided
- Relatively higher cost

- Can make own decisions - freedom
- Various OTAs can provide services as requested
- Flexible to change during trips
- Time-consuming in travel planning

Customised travel advantages

Growing number of Chinese travelling as FITs.

But FITs' experience is not suitable for everyone.

Customised tours start to take significant shares.

Ctrip 2017:

- package group tours 44%
- FIT related products 42%
- Private groups and customised tours 14%

Six Traps to avoid in Chinese outbound tourism

Trap No. 1

The **Florida*** trap

Telling the same story to all markets – what works for customers on the other side of the Atlantic, does not work for those coming from the other side of the Pacific.

* Florida only gets 3% of all Chinese arrivals to USA

Trap No. 2

The **Maldives*, Mauritius**, Fiji & Louis Vutton** trap

Starting as a luxury destination, but lowering the prices under pressure from Chinese tour operators, losing bragging rights and accordingly visitors as the destinations appears to become common.

*   Maldives 2015: 365,000 Chinese arrivals, 2017: 305,000 arrivals
** Mauritius 2015: 90,000 Chinese arrivals, 2017: 60,000 arrivals

Trap No. 3

The **Sri Lanka, Nepal, Spain, Norway, Palau and many others** trap

Being successful in increasing arrival numbers by offering low prices for package tours, resulting in pushing out traditional markets and environmental destruction without earning much money or gaining satisfied Chinese customers in the process – ultimately killing the brand.

Trap No. 4

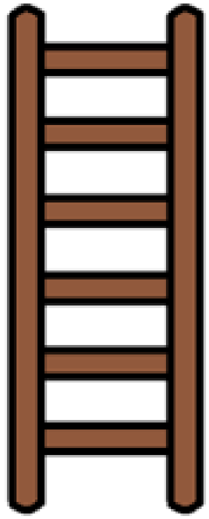
The **Tunisia** trap

Being used to international visitors coming for a longer period of time for adventure and relaxation, enjoying the laid-back lifestyle, having difficulties in understanding the needs of a need customer group of visitors who come to WA to work on their bragging rights, status, social capital and self-esteem, who are leisure tourists, but not holiday makers.

Trap No. 5

The **Füssen etc.** trap – locals blaming Chinese travellers for overtourism

Six steps up the ladder to success in the Chinese market:
Higher arrival numbers →
Higher number of overnights →
Higher level of spending per visitor per trip→
Higher margin →
higher level of satisfied Chinese visitors, recommending the destination to their peers→
Non-alienated locals.



Trap No. 6

The **USA, UK & Brazil** trap – putting welcome into question

Pushing through government policies which create uncertainty about the level of welcome for foreigners and about the possibility to visit the destination short term or long term, including studies and investment.