

Chinese Travelers: Trends for Adventure Companies and Destinations



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China may soon become the most important market for American and European Tour Operators as numbers of outbound Chinese continue to grow. In the adventure travel industry, looking beyond the traditional traveler source markets of North America and Western Europe is becoming more important, especially as shifts in global finances bring more wealth to new travelers. Adventure travel tour operators should begin to think about marketing directly to Chinese travelers, understanding their profiles and motivation for travel when developing marketing messages and selecting partners.

This brief provides an overview of the Chinese tourism industry and information about Chinese travelers to support international adventure travel companies in preparing for this important group of travelers.

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Chinese Tourism Overview

With a population of over a billion people and remarkably high levels of economic growth, China has generated tremendous volumes of domestic, inbound and outbound tourism; all three categories project continued and strong growth. Understanding the Chinese tourism market is increasingly important for international operators and destination management organizations.

More Chinese nationals are traveling beyond their borders than ever before. Outbound tourists numbered 40.95 million in 2007, up 18.6% from 2006. Approximately 89% traveled to other Asian locations; 6% to Europe, 3% to the Americas; 1% to Africa; and 1% to Oceania. UNWTO estimates that by 2020, China will generate over 100 million outbound trips annually, making it one of the most lucrative outbound travel markets worldwide.

International tourists are displaying a growing curiosity in visiting China as well. Visitor arrivals totaled 132 million in 2007, including 55 million overnight visitors, or about 41% of the total. Visitor arrivals and overnight visitors grew 5.5% and 9.6%, respectively. Of the 132 million, 16.1 million originated in other parts of Asia, 6.21 million from Europe and 2.72 million from America. As this number is still only equivalent to a ratio of about 3 inbound visitors per 100 inhabitants, further increases can be expected. PATA expects the number to rise to 163 million by 2010 (source: China National Tourism Board information). International tourism receipts totaled U.S.\$41.9 billion, 23.5% higher than in 2006.

Domestic tourism continues to be important for the country. In 2007, 1.6 billion domestic visitors were estimated to have traveled, achieving a 15.5% year-over-year growth rate. Domestic tourism receipts amounted to about US\$107 billion, up 24.7% from 2006. There are 13,361 travel agencies in China, only 1,364 of which currently handle international travel.

China has been heavily investing in infrastructure to accommodate increasing numbers of inbound tourists. In addition to the developments made to host the 2008 Olympic games, there has been a tremendous increase in **FDI** into China's economy, including in a variety of projects to improve and upgrade tourism facilities including airports, railroads, hotels, roads and other accommodations. In January 2008, China announced that it planned to add 97 airports by 2020 to the 142 it had at the end of 2006. According to state media, investment in infrastructure will see double-digit growth every year for the rest of the decade. Between 2006 and 2010, \$200 billion planned for investment in railways alone, four times more than in the previous five years. In June 2008, the world's longest sea-crossing bridge, a 36km six-lane highway across Hangzhou Bay, is due to open.

As the regional power in Asia, the tourism trends in this country have significant implications for the region. Observers believe that, as Asia continues to be the major recipient of FDI and sees increases in many multinational corporations in the region, business travel within and to Asia will continue to grow at a rapid pace. Asia is expected to be the most sought after location for conventions over the near to intermediate term. Companies in China have begun to realize the importance of the MICE (Meetings, Incentives, Conferences and Exhibitions) market, which is expected to have solid growth potential. In fact, PATA recently stated that in addition to MICE, special attention should be paid to cruising, "red" (cultural) tourism, green tourism, and health and wellness tourism. PATA believes that the meeting and convention sector has the most potential, with the ability to leverage three world-class events, the Olympics in Beijing the 2010 World Expo in Shanghai, and the 2010 Asian Games in Guangzhou. It also believes that there is a significant opportunity to leverage global interest in traditional Chinese medicine to expand its health and wellness tourism footprint.

The Chinese Traveler

Chinese outbound leisure travel is expected to rise quickly in the coming years. The easing of passport procedures, the introduction of Approved Destination Status for many destinations and the installation of national “Golden Weeks” holidays, many impediments to travel are disappearing rapidly for the middle class Chinese person.

China outbound leisure tourism to destinations outside Asia started with the first ADS groups going to Australia and New Zealand in 1999. Since then, the total number of Chinese citizens leaving Mainland China grew within five years from less than 10 million to almost 30 million persons, an increase of 313%. Outbound traffic reached almost 41 million in 2007.

ChinaContact, a firm specializing in Chinese market entry for businesses, notes that there is beginning to be a break with tradition as a result of political change, economic growth and advancement and demographic shifts. This is resulting in a change in the types of activities Chinese tourists desire. Many Chinese travelers are now seeking more family-oriented activities, a variety of shopping experiences and increased sophistication, children’s pastimes, “deep impact” sightseeing with a cultural emphasis, and the development of short-break holidays in Asia.

Motivations for Travel

According to ChinaContact, Chinese outbound travelers currently choose their destinations based on:

- Politics;
- Time;
- Cost;
- Cultural affinity;
- Language; and
- Food.

The top desired destinations are based on:

- Status;
- Novelty;
- Culture;
- Business needs; and
- Shopping.

Although Chinese tourists are still heavily focused on shopping trips, as the prestige and status associated with adventure tourism grows, we expect greater numbers of these travelers to shift their attention to adventure tourism.

Similar to ChinaContacts findings, Nielsen’s May 7, 2008 *China Outbound Travel Monitor* summarizes the findings of a survey of Chinese travelers on the factors they use to choose a destination: affordability (61%) topped the list. However, what was surprising is that good food was a close second, with 58% of respondents considering it an important factor when choosing a leisure destination.

In addition, “With limited knowledge about many overseas destinations, Chinese outbound travelers are more likely to visit famous landmarks and major tourist attractions than they are to visit little known or niche regions. But knowing that Chinese people are influenced by good food provides a unique opportunity for marketers to tap into the fact that Chinese are influenced by destinations known for their good food,” said Dr. Grace Pan, Head of Travel & Leisure Research, The Nielsen Company, China.

Chinese outbound tourists also consider safety to be a very important influencer, with 57% taking safety into account when choosing a travel destination. The fourth most important factor, “eco and nature” highlights the growing importance of the environment when selecting a holiday destination.

Desired Destinations

Currently the top destinations for Chinese travelers are:

- Hong Kong
- Macau
- Japan
- Korea
- Thailand
- Vietnam
- Russia
- U.S.
- Singapore
- Australia
- Malaysia

Other destinations of choice include France, Switzerland, U.K., Germany, Canada and Italy.

Visitor Profile

ChinaContact found that by and large, Chinese travelers are middle and high income, white-collar professionals with annual income of U.S. \$25K on average. They have an established pattern of business trips combined with leisure holiday and a desire to “outclass” others. Convenience and access to a wide range of activities is preferred. They are originating mainly from South China, and secondly, from the eastern seaboard, and North East and Western China.

The ChinaContact study found that Chinese travelers tend to travel in groups. Especially the following types of groups:



- Small groups on an incentive trip;
- Top management of companies and government bureaus;
- “Internationalized” Chinese; and
- “4:2:1” (3 generations traveling together)

Last year at an industry summit, PATA discussed changing nature of the profile as well as the nature of desired travel of Chinese tourists. The factors affecting these changes are diverse:

- *Demographics.* Over the next 15 years, the percentage of mainland Chinese aged 65 years and older will jump from the current 8% to almost 24% by 2050;

- *Rapid urbanization.* By 2015, it is expected that almost half of China's population will live in major urban centers, and by 2030, that figure is expected to reach over 60%;
- *Rise of secondary and tertiary cities.* According to the China Briefing Report, both as population centers and as generators and recipients of tourism, 24 of these "second-tier cities" accounted for 12% of China's population but generated 21% of national GDP and attracted 45% of nationally-used FDI. Some of these regions will experience strong international visitation as they develop. Yunnan and Hainan, for example, are each forecast to expand their international arrival numbers by more than 18% per annum to 2009; Sichuan is predicted to rise by almost 22% each year over the same period; and
- *The demand for goods and services.* The Chinese traveler increasingly demands authentic, high-quality goods and services and is prepared to travel and spend in order to get them. Air capacity has grown significantly to help support this demand. In the last three years, scheduled weekly air seat capacity between China and Asia alone has increased by close to 40%.

ChinaContact emphasizes the critical importance for localization efforts by host countries in order to attract and keep Chinese tourists satisfied. There are a number of factors driving this need:

- Language differences in greater China causing difficulties within as well as outside of China;
- Lack of confidence in foreign languages;
- Trust in local presence an important part of purchase decision;
- The importance of Chinese language-based search engines, enabling Chinese travelers to feel comfortable doing their own research and using their own search tools; and
- High levels of customer service expected to feel comfortable in foreign locations.

To satisfy a Chinese client, the following aspects of service are important:

- Attention to personal details;
- Understanding cultural sensitivities;
- Knowing your "Hans from your Hui";
- Knowing regional differences;
- Being flexible and adaptable to changes in plan;
- Providing information in the Chinese language; and
- Exceeding expectations.

Future Trends

ChinaContact foresees the Southeast Asia market growing and adapting to accommodate FITs (“fully independent traveler,” that is, one who arrives on a holiday and does not purchase pre-packaged travel or pay for anything other than international airfares prior to arriving in the host country), to include such activities as golf, sailing, gaming, shopping, and short excursions;

For outbound Chinese travelers, Europe is slated to become more fashionable. Chinese visitors to the US will likely increase with the recent signing of the memorandum of understanding on June 17, 2008 to allow Chinese leisure travelers to travel to the U.S. in group tours and to allow U.S. tourist destinations to market themselves directly in China. In addition, the countries agreed to standards for U.S. tour operators to ensure that they translated materials into Chinese, employed competent translators on every tour, kept promised itineraries and made sure the tourists departed and returned as a group.

The U.S. Department of Transportation also reached an “Open Skies” agreement with the Chinese government in the summer of 2007 to phase in full liberalization. The initial agreement provides that both countries can double the number of flights allowed over the next five years.

Conclusion

For adventure tourism, it stands yet to be seen what types of activities will most interest the Chinese, but knowing they are frequently motivated by the perceived status of a particular destination and activity is important information for adventure travel companies developing new products and creating marketing specifically for Chinese travelers. Below, some general guidance for adventure travel operators looking to build a strong base of Chinese travelers:

Product Development

- Look for high-prestige adventures and promote the rarity of the experience; associate the experience with known status symbols
- Pay close attention to details such as food and don't try to market trips to the Chinese that can't also deliver on the softer side of the experience such as dining
- Add shopping days on to traditional adventure travel itineraries
- Prioritize staff with language skills
- Consider marketing adventure trips with a training component – for example, a series of trips in which skills build will appeal to Chinese work ethic and the status of earned experiences

Marketing

- Be specific and direct in highlighting aspects of the adventure itinerary that will attract the new Chinese adventure traveler – prestige, dining, shopping, safety
- Build relationships with Chinese agents who can establish trust with potential travelers

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