

# Week in China

Spring 2018  
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## A billion bookings



*A look at how China's numerous – and increasingly adventurous  
and tech savvy – travellers are reshaping global tourism*

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# Destination: everywhere



Wish you were here? A Chinese tourist shows off the Sphinx near Cairo

**T**ravel broadens the mind, or so the saying goes, which was just as well in the case of the 15 year-old boy from Nanjing who sparked astonishment five years ago by carving 'Ding Jinhao was here' on the walls of an ancient temple in Egypt.

Another tourist from China was so appalled by the graffiti that he posted a picture of it on social media ("the saddest moment during my stay in Egypt... I felt ashamed," he lamented) and the boy suffered a fearful haranguing in the press, resulting in tearful apologies from him and his family.

Even China's foreign ministry was stirred to comment, with words of warning about how the country's tourists had to behave better on their holidays.

But the flip side to the criticism is that Egypt is desperate for the Chinese to visit. International visitor numbers have tumbled since the Arab Spring uprisings and a spate of terrorism attacks on tourist spots, with total arrivals falling from 14 million in 2010 to 5.2 million in 2016, according to the United Nations World Tourism Organisation. The Egyptians are counting on the Chinese to help with the recovery and arrivals were up more than half last year, replacing some of the drop-off from other parts of the world.

It's not just Egypt that wants to welcome the Chinese: visits from the Middle Kingdom are the Holy Grail for hundreds of holiday spots around the world. No nation can afford a tourism strategy that doesn't cater to the Chinese, simply because they are powering so much of the industry's wider growth.

The most recent report from the China Tourism Academy – a state-backed research institute – suggests that the Chinese made 130.5 million trips overseas in 2017, a 7% increase on the year before. Crucially they spend more than other na-



# "THIS IS STILL THE ASIAN CENTURY AND CHINA IS STILL THE KEY PLAYER."

Peter Wong — Deputy Chairman and Chief Executive,  
Asia-Pacific, HSBC

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Time to take off: crowds of passengers at Beijing's airport

tionalities too – about double the global average per capita – and there is the promise of the multiplier effect of new investment in areas like property or education in the countries Chinese visit.

That means that signage in Chinese characters is becoming more commonplace at holiday hotspots and that hotels and restaurants are redesigning their menus to appeal to the tastes of China's travellers. The flood of new holiday-makers is also spurring hopes of a golden era for tourism, and underpinning huge investments in aircraft fleets and airport upgrades, cruise ship lines and ski lodges, hotel chains and beach resorts.

WiC's latest Focus edition conducts a whistle-stop tour of the types of new tourist that are emerging and the kind of places they want to visit. And because the interest in travel is evolving so quickly, we ask how destinations are attracting Chinese visitors, particularly as trends change from group-based tours to more individually-focused holidays.

## China tourism: a bit of history

Vacations didn't get a mention under Mao Zedong (who only ever visited the Soviet Union) and leisure travel was classed as wasteful by the Chinese political class for almost half a century. The miniscule number of overseas trips was restricted to a lucky few on business, international study or visits to relatives. Even when the country started to open up to the wider world in the 1980s, most of the outreach went into attracting investment from overseas, not sending Chinese nationals abroad.

More Chinese were able to afford overseas visits as the economy strengthened, although directives demanded that travel expenses were paid by the hosts to stem outflows of foreign currency. Yet there were signs that interest in travel was growing – especially given the success of newer theme parks boasting replicas of the world's attractions – and restrictions on travel were loosened further in the 1990s, allowing people to venture abroad in greater numbers.

Time was the other issue. By 1995 the five-day work week became the norm as the authorities became more relaxed about leisure time. Four years later the government introduced three "Golden Weeks" into the working calendar – bundling together seven days of national holidays in each. That made travel abroad into more of an option but there was a catch: visas were only available for tours led by government-approved operators, who made sure customers came home by de-

mandating cash bonds that were refunded when they returned.

The policy was important as it steered the first generation of tourists into holidaying on group tours. Asian destinations with the largest populations of ethnic Chinese were the first beneficiaries, although access widened in the late 1990s to countries like South Korea, Australia and New Zealand. More destinations were opened up to the tour operators as the years progressed, including most of the countries in the European Union in 2003 and 2004, and the United States and Canada in 2008.

### Xi Jinping, tour-guide-in-chief

Cross-border flows have now accelerated to the point at which China has been the number one source of international tourists for the last five years and there is a strong sense that the Chinese are following the flag overseas, not only in tour groups but also as a matter of national policy.

At home, tourism and travel is part of the push to refocus parts of China's economy towards the services sector and consumer spending. Tourism has also been classed as one of five 'happiness industries', tasked with improving the nation's sense of wellbeing.

Another of the plusses for the industry is that it hasn't fallen foul of the central government's campaign against graft and extravagant spending in the same way as some other sectors of the economy. Xi Jinping, the country's leader, has also talked about tourism as a bridge between civilisations and cultures, and policymakers see it as part of a much-vaunted plan to promote China's 'soft power' through the reach of its new generation of consumers.

Xi has been setting the tone personally during his foreign trips and Chinese tourists have followed in their tens of thousands to the places he visits.

In one example, the gifting of a teddy bear from a lavender farm during a tour of the Australian state of Tasmania spurred a surge of new arrivals. In another, photos of the president downing a pint at a British pub triggered another influx of thirsty tourists (and the hostelry was later sold to Chinese investors).

Holiday hype like this has deepened the sense that China's tourists are looking for new experiences that go beyond the concentrated bouts of shopping and sightseeing that shaped the first wave of international travel. Motivations for vacations are certainly getting more varied. More than 800,000 Chinese went on study tours to schools and universities abroad last summer, with British and



Photo: Reuters

David Cameron has a pint with Xi Jinping at The Plough in Buckinghamshire

## Going downhill, fast

Skiing as an industry is under pressure: lower-lying snowfields are in retreat because of climate change and numbers on the slopes are declining in countries like the US and France, because the costs of the sport are squeezing out younger consumers.

The one bright spot is China, where new resorts are being built so quickly that there could be 700 of them by the end of this year, which would be more than in Europe.

Another big boost for the sector is that winter sports are strongly supported by the Chinese government. While middle-class pursuits such as golf have few friends in policy terms, skiing has been getting the thumbs-up as part of plans to create 300 million winter sports fans by the time that Beijing hosts the Winter Olympics in 2022.

"Keep in mind that General Secretary Xi Jinping has exhorted us to prepare for the Winter Olympics and to ensure local development" was the message on a banner at one of the newest ski clusters in Chongli near Beijing, which WiC visited last December.

Others wonder whether the sport is sustainable at many of the resorts, which rely on artificial snow or draw down on already-depleted water resources in the mountains.

Of course, the snow shortage is better news for ski centres in other parts of the world: if more of the Chinese catch the ski bug, they will need to travel. Most seem likely to start out in South Korea or Japan, which are nearer to home. But the potential of the Chinese market has caught the eye of countries like Switzerland, now a host of 14 ski schools offering lessons in Chinese, and New Zealand, where the tourism board has been talking up the Kiwi slopes as "the perfect counter-season ski destination for Chinese skiers".

One of the main challenges for all of the resorts is that almost all of China's skiers are going to be beginners, writes Dragon Tail Interactive, a travel-focused digital marketing agency. Most of their ski slopes at home are "one-time experience facilities", suitable only for beginners, and many Chinese are concerned that skiing abroad will simply be too difficult. Destinations that promote themselves on the basis of easier slopes and excellent instruction will do better than others.

That leads to further challenges for the ski destinations – such as finding enough Chinese-speaking instructors to give the lessons. And it's not just the language that poses difficulties for the instructors. Insiders say that many of the newcomers from China display a distinct lack of patience, and that they give up on the sport sooner than others. "Western people don't mind taking a lesson for a few hours each time they go ski, for years," one instructor from a domestic resort told Tim Neville, the author of a feature on China's ski sector in Outside Online earlier this year. "But after two or three days of lessons, Chinese people want to know how to ski, no exceptions, and it's your fault if they can't."



Photo: Reuters





Standing room only: sightseers cram onto the Great Wall

American universities at the front of the queue as destinations, according to Ctrip, China's leading online travel agency. Thousands of Chinese have also been choosing to get married in exotic locations like Bali and Phuket, while back in Britain wedding photo shoots are booming as brides pose for pictures in quaint Cotswold villages or at landmarks like Big Ben and Tower Bridge.

### The madness of crowds

A key concern for some of the best-known destinations is that demand for holidays from Chinese could turn out to be too much of a good thing.

Many of China's domestic attractions have already been swamped by visitors – especially during the Golden Week holidays – and there is a danger that the congestion spreads as millions more people make international journeys. The surge in arrivals has already led to tensions in some commercial districts of Hong Kong, while shopping streets in Japan have struggled to cope with *bakugai* (a Japanese term meaning “explosion shopping”) buying from the tourist hordes.

Another of the challenges for hosts is that the homogenous habits of many of the tourists can have a disruptive impact on the local marketplace, whether it's driving up the prices of baby formula in Hong Kong and Australia or emptying the shelves of cosmetics in Japan and South Korea.

As a means of self-preservation, destinations like Venice and Barcelona have introduced ‘dispersal’ strategies to spread the burden of visitors across a wider range of attractions, and the risks of over-tourism seem real in countries such as Indonesia, which expects to attract as many as 10 million Chinese by 2020, according to its national tourism board.

How hotspots like Bali will cope with the influx is open to question, although the Indonesians are championing a plan to spend \$20 billion on 10 new destinations to divert many of the new arrivals. The Chinese themselves are expected to be the biggest investors in the plan, putting in capital under the banner of Beijing's Belt and Road infrastructure programme.

Tourism bosses aren't going to turn away the Chinese, especially when they are expected to form the basis of long-term demand. In places like Europe there is also the benefit of counter-seasonality, because many Chinese travel over holiday periods in February, May and October when many other nationalities are working.

## 10 million

Expected number of Chinese visitors to Indonesia every year by 2020

Marketing a wider range of attractions is going to be crucial, however, as the arrivals won't want to spend their time fighting through crowds of their countrymen. But national tourism boards see positives in the new numbers, arguing that the prospect of millions more arrivals gives huge incentive to their industry to develop new products and services. "It may sound strange given their number," Eduardo Santander, executive director at the European Travel Commission, told Hong Kong media last year of the new demand from China, "but we believe they can help make the industry more sustainable."



## 2.5 billion

Domestic trips by Chinese tourists in the first half of last year

### No place like home

The numbers of Chinese venturing overseas are still tiny compared to tourists travelling around China on domestic holidays. Data from the China National Tourism Administration (CNTA) suggests that tourists made more than 2.5 billion domestic trips in the first half of last year, nearly 40 times the number of international trips over the same period.

Travel during the Golden Week holidays is particularly frenetic. Many Chinese are going home to spend time with family but visits to domestic attractions are exploding in popularity, with more than Rmb475 billion (about \$75 billion) spent during the most recent Lunar New Year break, according to the CNTA.

Chaotic scenes on roads and railways are commonplace and the congestion at favourite destinations is getting worse because the facilities haven't kept pace with the crowds of new visitors.

The authorities have been scrambling to boost investment, including a campaign to boost the provision of public bathrooms, which are mid-way through a "toilet revolution" of more than Rmb20 billion of spending at tourist sites.

It's enough of a priority for Xi Jinping to be quoted extensively extolling the programme, with detailed reports in the state newspapers on the numbers of new toilets that have been constructed.

All the same, local holidaying can be a hair-raising experience during peak periods as crowds jostle for prime position in queues or fight over scarce tickets for entry. Post-holiday clean-up campaigns truck away hundreds of tonnes of rubbish on the days that follow.

Where are China's favourite places to visit? More affluent locals are flooding the beaches of tropical Hainan, while history buffs and photography fans congregate on the Bund on the banks of Shanghai's Huangpu River. Water is the main attraction at the West Lake in Hangzhou (once reputed for its tranquility), while the Terracotta Warriors are the draw for visitors to Xi'an. The natural scenery pulls in tourists to places like Guilin in Guangxi and the mountain town of Lijiang in Yunnan. And of course, Beijing has the Forbidden City and Tiananmen Square, plus long stretches of the Great Wall to the north of the capital.



### Behaving on the beach

Aside from the sheer volume of visitors from China, another concern is their conduct, following a string of stories about poor behaviour overseas.

There are headlines in the news almost every month, such as the elderly lady who chucked coins into the jet engines of her plane for good luck or the sakura fans that have alarmed nature lovers in Japan by congregating for photos in the boughs of the cherry blossom trees.

There was more anger in London last summer when a busload of visitors stopped for selfies at the blackened Grenfell Tower, shortly after a fire had killed more than 80 people. Challenged by locals, the tour guide tried to claim that his group were health and safety experts, and there was more cross-cultural consternation in Berlin when two tourists were detained for making Hitler salutes in photos outside the Reichstag. Neither had any idea that they were committing a criminal offence.

There's more than a hint of snobbery in the media coverage of some of the transgressions and visitors from other countries haven't always set the highest standards – as stereotypes of boorish Brits, surly Russians and brash Americans suggest. Nonetheless, the behaviour has been enough of a problem to perturb the Chinese government, which has put the worst offenders on blacklists, banning them from further trips overseas. The China National Tourism Administration, a government agency, also publishes regular guides on acceptable conduct, and the state-owned newspapers put out reminders to readers to behave themselves on their international trips.

Even Xi Jinping has issued a few instructions, including words of advice during a visit to the Maldives four years ago. "Don't throw empty bottles everywhere. Don't damage their coral reef. Eat less instant noodles. Eat more local seafood," he warned, half-jokingly.

Yet it would be foolish for destinations to take China's tourists for granted and the Chinese media keeps a close watch for poor treatment of its brethren, with warnings that the nation's holidaymakers can always take their business elsewhere.

A series of muggings in Paris made headlines last year, for instance, and the Chinese embassy in the French capital warned its nationals to be vigilant about "large-scale violent robberies" after an incident in which 40 tourists were tear-gassed in a car park near Orly airport. "We urge French police to crack this case as

### Minding their manners

A survey from the China National Tourism Administration last year asked foreign hosts whether their visitors from China were behaving better. In general the answer was 'no', especially at mass-market destinations.

The top five gripes about their conduct were that the Chinese were making a racket in public; jumping the queue; not showing respect for local culture and customs; spitting; and urinating and defecating in public places.



soon as they can and bring the criminals to justice, and take even more effective measures to ensure the safety of Chinese citizens in France,” a foreign ministry spokeswoman demanded.

In another case consular officials in Copenhagen issued warnings that bogus policemen were targeting Chinese nationals by demanding to see their wallets and travel documents, and then stealing their cash. Elsewhere, the country's tourists are getting wiser to acts of exploitation, it seems, including the case of a beach shack in Japan's Okinawa prefecture that was revealed to be charging the Chinese skyhigh prices for sun shades. “Chinese tourists have terrible manners,” the store's owner argued in justification of the pricing premium. “I have tolerated them for years but as I don't want to rent to them now I decided to charge them 10 times as much.” The man backed down once the discrimination was reported in China and he was savaged in an online campaign by netizens. Local tourism bosses also got involved, worried that the story would deter new visitors. In this case at least, the power of the Chinese tourist prevailed. ■

### Blushing brides

Much of China's wedding tourism has a different flavour to some of the ‘destination weddings’ common in the West, according to coverage of the trend in Jing Daily last year.

The focus is less on an intimate, personal day for the couple and their closest friends and relatives, and more on capturing the event in all of its visual glory, for the primary purpose of showing off.

“The perceived higher status is a psychological factor. After all, an overseas wedding is still novel and perceived to be more expensive. Hence, exotic wedding photos will stand out on WeChat newsfeeds and win the envy of friends,” a wedding planner told the travel site.

Destinations have also been marketing themselves as romantic locations by hosting the weddings of Chinese celebrities. When the actress Yao Chen tied the knot in Queenstown in New Zealand, she told the story to 66 million of her fans on Sina Weibo, with the New Zealand tourism board a very willing host. Something similar happened when pop star Jay Chou took the unexpected decision to get married at Selby Abbey in northern England. Nearby Castle Howard hosted the reception, rushing out a brochure in Chinese for future visitors. So many couples from China later wanted their pre-wedding photos taken at the abbey in Selby that the church is now charging £100 per time.

Another favourite for pre-wedding photos in Britain are stately homes, drawing on the popularity of the drama series *Downton Abbey*. The locals seem bemused by many of the shoots, however, thinking they are witnessing the real event. “We had a crowd of over 200 people watching us,” one would-be groom outside St Paul's Cathedral told Hong Kong's South China Morning Post last year. “I didn't know where to look. I've never felt so embarrassed in my life.”



The Maldives – another hotspot for wedding tourism



# Who are these big spenders?



Dressed to impress: Chinese visitors wearing Korean *hanbok* pose for photos at the Gyeongbokgung Palace in Seoul

**M**ore than six and a half million Chinese travelled overseas during the Lunar New Year break in February in what has become a frantic few days for many of the world's holiday hotspots. Yet this is just the beginning of an outflow that seems set to transform the tourism map.

Their reasons for venturing overseas often reflect changes in their home country, highlighting trends such as the spread of wealth to towns and provinces in the central and western regions, newer attitudes towards leisure and lifestyle, and the rise of higher-earning, career-focused women.

What's clear is that hundreds of millions of Chinese have aspirations to visit other countries, replicating the experience of the wealthiest urbanites on the southern and eastern coasts, many of whom are already experienced travellers.

Less sophisticated parts of the country are set to drive much of the growth in travelling numbers, while large cities like Nanjing, Changsha and Dalian are home to millions of people with the disposable income to spend on travel.

This mix in outbound travellers is feeding a range of destinations around the world, which are targeting their own niche of holidaymakers.

Generally speaking, the more novice tend to try Hong Kong or Macau first; second-timers opt for travel in the Asian region to countries like Japan or Thailand; and the most experienced tourists are heading to different parts of Europe, Australia and North America.

The same trends are shaping the ways that the Chinese choose to travel. First-time tourists are more likely to pick a holiday in a group and spend more of their time shopping, while seasoned travellers are graduating to holidaying by themselves or with their families, with less of a focus on tour guides and duty-free stores, often hiring cars to get around.

There's also a change in the age groups of those travelling the most. In the past, the bulk of tourists were 30-49 year-olds, who were benefiting first from China's economic boom and keen to show off their status as higher earners.

Today more of the growth is coming from different ends of the spectrum: younger people, including the children of the first generation of tourists, are demanding a more individual, adventurous experience, while older people are making waves as 'silver' tourists.

Sometimes both groups are travelling together on multi-generational holidays, which are becoming more of a feature for families.

Our list is far from exhaustive, but here is our profile of five of the most common types of Chinese tourist.

### Tour groups

Spend some time at the world's busiest airports and China's package tourists will soon be apparent: groups of older-looking travellers, often wearing the same coloured caps and a similar slightly bewildered look.

These kinds of tourists give up control of their holiday itineraries to tour operators. They travel on lower budgets, choosing less expensive hotels and eating cheaper meals, primarily at Chinese restaurants.

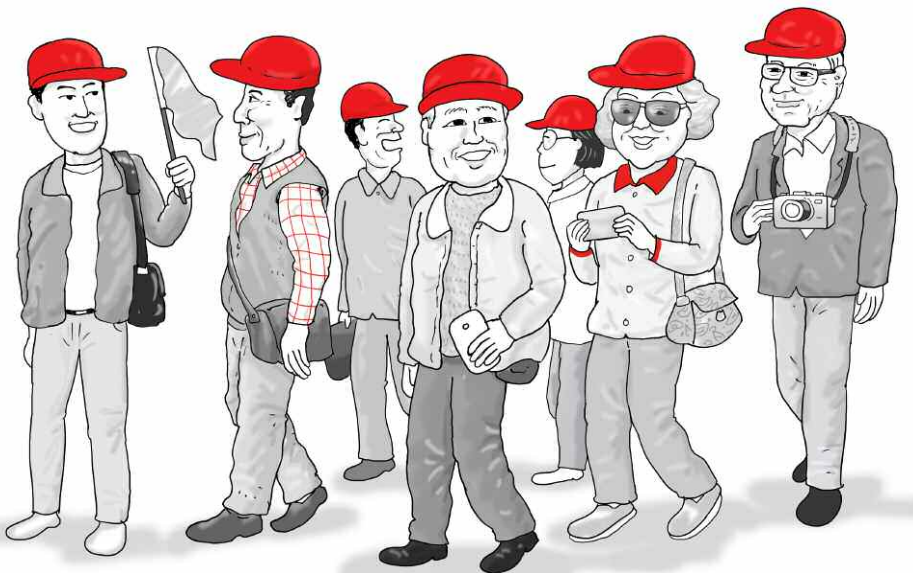
Distinguishing 'package' tours from 'free and independent' tourists (FITs) isn't always straightforward. Plenty of FITs rely on travel agents for their flight and hotel bookings but choose where to go, what to eat and how to shop on their own, rather than traipsing around behind a tour leader.

'Semi-FITs' plan most of their itineraries on their own but rely on the services of group buses to move between one destination and another.

Tour groups are often more interested in quantity than quality for their holidays, with a typical visit to continental Europe packing in five countries in 10 days. The idea is to get the major attractions ticked off the list as quickly as possible and to spend more of the holiday budget on consumer goods, sometimes in outlet malls.

Historically the Chinese have toured in groups because it was a cheaper and easier way to travel overseas. As other countries have made it more straightforward to get visas, some of the attraction of group tours is receding. More direct flights from Chinese cities to destinations around the world are also making it easier to travel independently.

**Distinguishing 'package' tours from 'free and independent' tourists (FITs) isn't always straightforward**







Follow the flag: tour guides are still a common sight

Group tours from China tend to attract less experienced holidaymakers. Participants are older than average too, although younger tourists may take tours the first time they go abroad. Usually they are less affluent, with more customers from smaller, less prosperous cities. They like familiar things, such as kettles in their hotel rooms (to make instant noodles), and they expect their guides to speak Mandarin. The cheapest versions of group tours ('zero-fee' or 'zero-dollar' arrangements in industry parlance) get a bad press for corralling visitors into spending at specified shops. In an extreme case in Hong Kong three years ago a man refused to shop as enthusiastically as his tour guide wanted. The quarrel turned into a fight and the visitor died of a heart attack. The incident stoked an outcry on social media about the high-pressure tactics used to compel mainlanders to spend in the shops. "If you don't buy enough in the shopping paradise [of Hong Kong], they will send you straight to heaven," one cynic sniped.

Traditionally the group tour has accounted for a much larger share of tourist numbers than independent travel, although its dominance has been declining as more Chinese strike out on their own. Tours will diminish further in popularity as a proportion of outbound tourism, although the number of group tourists is holding up in absolute terms, because so many of the Chinese are wanting to travel for the first time.

A survey last year from China Luxury Advisors, a consultancy for retail brands, and the Fung Business Intelligence Centre, which monitors retail and tech trends, suggested that 70% of outbound travellers were planning to make their own arrangements for their next overseas trip. When asked how they travelled on their most recent trip, 35% said they went with a tour group.

Research from the China Outbound Tourism Research Institute last November also claimed that FITs were responsible for almost all of the outbound sector's recent growth. "While group travel will continue to remain a feature of the Chinese outbound travel market as increasing numbers of lower-tier city residents take their first overseas trips, growth in package tours is stagnating or even decreasing in numerous destinations," the report concluded.

The preference for group tours has meant that many destinations have dealt solely with travel agents in the past. In future they will have to do things differently in marketing themselves more to their end customers. Another problem with groups is that they can create bunching at the most popular destinations, which can be overrun by visitors. The decline of the package tour could relieve some of the pressure, although the transition away from groups seems likely to be more advanced in English-speaking destinations, where the Chinese are more confident about speaking the local language.

# 70%

the share of outbound travellers planning to make their own arrangements for their next overseas trip, according to a survey last year from China Luxury Advisors



### Millennials

Millennials in the tourism context are younger, more adventurous travellers who don't want to be herded on package tours, preferring places more 'off the beaten track'.

Born in the 1980s and 1990s, there are about 400 million of them in China, with many working in white-collar jobs.

Although they make up a little less than a third of China's population they account for almost two-thirds of the country's outbound tourists, which makes them a key demographic for the travel trade.

Millennials are already the segment where growth is strongest, with the China National Tourism Administration reporting 62 million outbound trips in the first quarter of last year, an increase of 36% on the year before.

Fortunately for tourism operators, many of the Millennials have money to spend, with less college debt than their peers in Europe and North America, and less of a focus on saving for their first home (because their parents often help out in buying them their first property).

A key feature is that they are looking to do different things to the previous generation of Chinese tourists. Although Millennials still enjoy shopping, it is less of a concern for them on holiday than for their parents. More active, more exploratory travel is a higher priority. Self-drive holidays, vacations spent enjoying nature and the outdoors, and holiday activities that offer 'learning-by-doing' are key trends.

Because their foreign language skills are usually better than their parents, Millennials are readier to book their own accommodation and more prepared to travel independently by train or rental car.

Another difference to earlier generations is that foreign food is a key feature: they want to try the local cuisine.

Millennials can't be described in a similar way to the 'backpackers' from Western countries, who typically choose longer, more budget-conscious itineraries. That's not to say that the Chinese aren't price-conscious in how they select their holidays (most use price-comparison websites, and respond well to discounts and deals), but they are more often described as cash-rich but time-poor.

At the upper end of the age range many Millennials aren't even that young and some are already spilling over into middle age. For instance, last year's China International Travel Monitor from Hotel.com highlighted how middle-aged businessmen were featuring on road cycling and hiking holidays in Italy and Switzer-



High up in Hobart: Chinese visitors atop Mount Wellington in Tasmania



land. It also reported that interest in eco tours was greatest among tourists born in the 1960s, while a fifth of respondents in the same age group said they planned to do 'backpacking' the following year, up from just 6% the year before.

Nor are the Millennials always quite so independent as their peers in the West. Many choose to travel with their parents (and older ones are often the organisers of larger family tours, see next section).

While they don't want to be swallowed up in crowds of tourists from their home country, they expect their destinations to cater for Chinese visitors in basic ways. And Millennials also prepare carefully for their holidays, continuing to research during their trips with their smartphones. That means that destinations have to market themselves in the appropriate social media channels and they have to provide easy access to WiFi once the holidaymakers arrive.

Another challenge with this category of traveller is that they can be promiscuous in their travel desires. Surveys suggest that they change their minds frequently on where to visit and they are difficult to capture as repeat business. It's better news for niche and up-and-coming destinations, however, which always have a chance to grab the Millennials' attention.

### Shoppers

Forget about heritage and history in the UK: most Chinese visitors to Britain make a beeline for Bicester Village, now the second most-visited destination after Buckingham Palace

Not much more than 20 years old, the retail park lures about two-thirds of Chinese tourists, who spend about three times more than the typical visitor on shopping.

Similar set-ups have been snaring shoppers at La Vallee outside Paris, Fidenza Village near Milan and Kildare Village in Ireland.

Shoppers from China have served as the lifeblood of the luxury goods sector in flagship stores and duty-free outlets for years. Bain, the management consultancy, thinks that they account for almost a third of luxury retail sales worldwide. That means that warnings about a lower share for shopping in tourist budgets can send shivers through brands and retailers alike. But fortunately it's not happening yet: average 'in location' spending by outbound tourists from China last year was equivalent to \$3,064 a head, according to a survey released last month by Alipay, the mobile payment app, and Nielsen, the market research firm.

Shopping was still the leading expense (25% of budgets), compared to 19% on holiday accommodation and 16% on dining. Smaller items included entrance fees to tourist attractions, the costs of local transportation, and expenses on phone calls and the internet.

Tourists from China are spending significantly more on shopping than visitors

## A taste for travel

Spending on food on holiday was up 14% last year, according to the travel review site Mafengwo. The top 10 foods for Chinese tourists, according to the survey:

1. Seafood
2. Tom yum soup (Thailand)
3. Ramen (Japan)
4. Desserts
5. Bak kut teh (Singaporean pork rib tea)
6. Indonesian duck
7. Vietnamese rice noodles
8. Tropical fruits
9. Japanese grilled eel
10. French baguette



Bicester Village is much-loved by Chinese visitors to the UK



from other countries, the survey also reports. One reason why is that they are shopping for goods for friends and family, and not just for themselves. That helps to explain some of the high levels of per capita spend, as well as the robust contributions from visitors from lower-tier cities, where incomes are generally lower.

Generally speaking, the Chinese shop overseas with particular goods in mind. Arrivals in Japan have a hankering for electronics and household appliances. In South Korea, they want cosmetics and skincare. In Hong Kong and Europe the priority is watches, handbags and jewellery.

Duty free shops host the majority of the action, although luxury outlets take the lead in North America and Europe, and department stores have grabbed top spot in Japan.

Shopping abroad in its purest form is the domain of the *daigou* – or “shuttle traders” – who travel overseas to circumvent local Chinese taxes on imported goods, reselling their purchases in person or online.

Sizing the market is difficult but examples of *daigou* demand crop up anecdotally across the world map, from the queues to get into high-end stores in Hong Kong and Paris to the shortages of tins of milk powder in Sydney and trendy cosmetics brands in Seoul.

One suggestion is that the parallel trading accounts for as much as a fifth of the infant milk formula bought by Chinese worldwide, while newspaper reports from Australia have claimed that there are at least 3,000 *daigou* earning an income in Sydney alone, many of them Chinese students at local universities.

Undeclared income could have surpassed \$750 million, the tax authorities have warned, although accurate estimates are difficult because the final transactions are conducted offshore.

Late last year the Chinese government cut tariffs on almost 200 consumer goods, including cosmetics, apparel and pharmaceuticals. But consumption and value-added taxes were largely untouched, bolstering domestic prices at a higher level than their international equivalents.

Luxury brands and duty-free retailers often denigrate the *daigou*, blaming them for confusion around pricing and product authenticity. In truth, the shuttle traders are significant customers, as last year's duty free sales in South Korea confirmed. Although arrivals from China fell almost 38% year-on-year to December, duty free revenues jumped by more than a fifth. The best explanation is that *daigou* traders had taken up the slack. Spend per customer was up by more than two-thirds, the Korean Duty Free Association reported.

The *daigou* may run into difficulties as more Chinese start to shop for luxury

**Arrivals in Japan have a hankering for electronics and household appliances. In South Korea, they want cosmetics and skincare, and the priority is watches, handbags and jewellery in Hong Kong and Europe**



goods on e-commerce platforms and as more of the luxury brands harmonise their prices between China and overseas (see next section for Erwan Rambourg's account of how this is happening).

There are also signs that better-travelled tourists are less likely to purchase gifts abroad for friends and family, and the Alipay survey hints at changes in habits among younger travellers, who are switching their spending to dining and visits to local attractions instead.

Yet it's too early to say that China's tourists are losing interest in shopping. Even as shopping becomes less important for more experienced travellers, newer generations are venturing abroad. The likelihood is that overall spending by holidaymakers will stay buoyant, even if per capita spending is reduced.

### 'Silver tourists' and families

The estimate from Ctrip, the biggest online travel agency, is that travellers aged 50 and over accounted for about a fifth of the Chinese market last year. The segment was also said to be growing by at least 30% a year.

Much of the demand is concentrated on domestic tourism but the potential for 'silver-haired' tourists is clear. While the number of over-60s in China numbered about 230 million last year, they will increase to 280 million by 2025, making up a fifth of the population.

Retirees have more time to travel and they can plan their holidays outside of the busiest periods, which translates into cheaper fares and longer trips.

Older Chinese are still more likely to choose package tours and book their breaks in groups through travel agents. But online travel platforms are starting to capture more of their business. Data last year from Tuniu, another online travel platform, suggested that travel had increased 88% among people older than 55 and the age group already accounts for 18% of Tuniu's bookings.

One area where older tourists take the lead is holidays that are nostalgic for the Communist past. Thousands make the pilgrimage to Trier in Germany to visit the birthplace of Karl Marx (taking photos outside his house but rarely paying to enter the museum, the local media reports) and nearby Wuppertal is trying to tap into the same trend by promoting the birthplace of Friedrich Engels, its most famous son.

Red tourism has been a hit in Russia as well, prompting concerns in the media that the country isn't attracting similar numbers of younger tourists from China, who lack the nostalgia about the Soviet era. In the meantime fans can sign up for

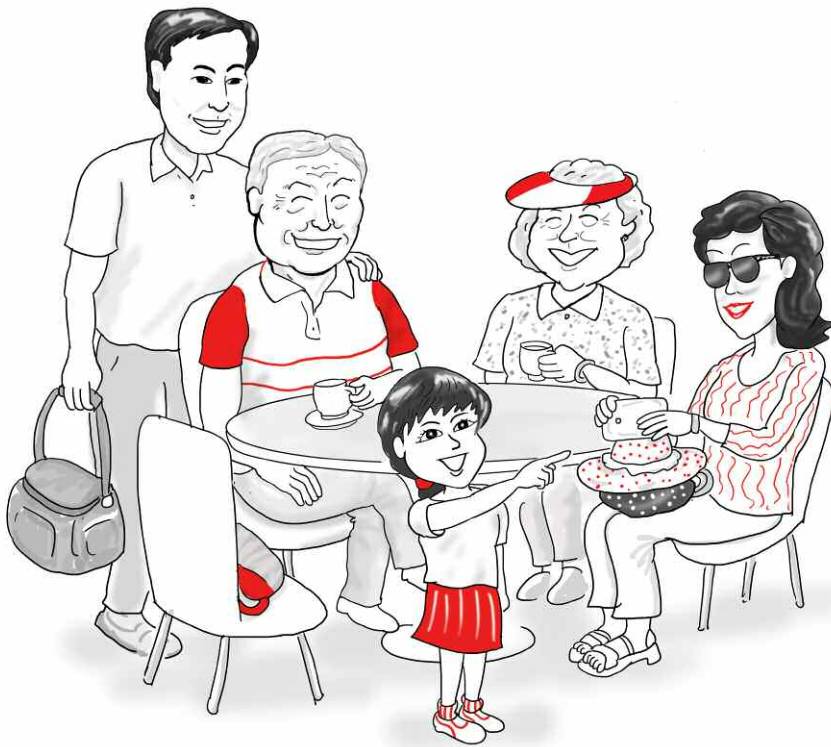
# 30%

The growth in international tourists from China aged 50 and above last year, according to Ctrip



Photo: Reuters

Chinese passengers are joining cruises in large numbers



the full revolutionary experience on a Lenin tour: starting out in Ulyanovsk, the city on the Volga where he was born, before moving onto Kazan, where he studied law, and then journeying to Saint Petersburg, the former capital, where the Bolshevik revolution was plotted.

For other holidaymakers a cruise is the bourgeois choice, offering a safe, predictable experience and an easier format for travelling as an extended family.

Indeed, China's elderly are much more likely to travel with their children than 'silver tourists' from other countries and multi-generational holidays are increasingly popular, including the '6+1' format of 4 grandparents, 2 parents and a child.

Interest from seniors has already prompted the design of the first cruise ship specifically for the Chinese market, the Norwegian Joy, which arranges programmes of entertainment designed to appeal to senior travellers.

Royal Caribbean, another of the world's largest cruise lines, has introduced square dancing, which has more than 100 million practitioners in China, and connected cabins are another feature for passengers travelling together as extended families.

"Typically-speaking, a Chinese family group that might book a Norwegian Joy cruise package would consist of a wealthier couple paying to take their older parents on an overseas trip (often for the first time) in a comfortable, secure and luxurious environment as a means of 'repaying' them for having too little free time to properly care for them – as is expected in Chinese society," reported the China Outbound Tourism Research Institute last year.

Cruise ship passengers from other countries are more normally retirees, travelling as couples. But the Chinese are being lured onto boats for all the family: casinos, duty-free shops, karaoke rooms, online game playing rooms, rock climbing walls and bumper cars are among the attractions on offer.

Of course, many of China's older pensioners haven't benefited from the country's economic transformation in the same way as their children or grandchildren. So family holidays across two or three generations often see the parents make the arrangements, with the grandparents tagging along. Because the younger generation is in charge, older holidaymakers feel more confident about travelling to less-traditional locations or places where little Chinese is spoken.

The dynamic can be very different for parents travelling with kids from the post-90s generation. According to last year's China International Travel Monitor study put out by Hotels.com, it is the older tourists that pay for these kinds of holiday because about a third of the Millennials lack income of their own. The les-

**Royal Caribbean, one of the world's largest cruise lines, has introduced square dancing for its older passengers**



son is that China's family travel is characterised by a range of age groups and income brackets, so holiday firms need to decide which kinds of family group they want to target.

### Women tourists

Girl power made headlines in March when a film studio in central China was mobbed by female visitors promised free entry on International Women's Day.

The studio in Hubei, which specialises in the production of Tang Dynasty movies, was deluged by 45,000 visitors by opening time. It couldn't cope and two hundred police officers had to be deployed to disperse the crowds.

China's female tourists are a force to be reckoned with in countries like Thailand too. Better known for attracting men to some of its less salubrious nightspots, Thailand reported that women visitors were the majority for the first time two years ago. The main reason is a surge in female arrivals from China, which have increased by a factor of four. In 2016, almost 60% of the 8.7 million Chinese tourists to Thailand were women, according to Jing Daily, a specialist in travel and retail news.

"When Chinese men make a lot of money, they tend to take their wife, daughter, and mother to travel, making the ratio heavier on the female side," explained Virat Chatturaputpitak of the Association of Thai Travel Agents, at the time.

In fact, the evidence points to women venturing overseas on their own volition, rather than relying on the men for vacation time.

A study from Ctrip last year said that Chinese women were more likely to travel alone than men, and that 58% of the customers for the agency's self-guided and group tours were women.

Tourism was already the number one choice for wealthier women in terms of leisure and entertainment spending, the report claimed, and women are more prepared to spend a higher portion of their income on travel than men of a similar age.

Studies from travel sites Tuniu and Mafengwo have reported something similar: a higher share of women as customers, and female tourists more likely to make multiple trips abroad and spend higher amounts on shopping.

About half of Tuniu's female customers last year were white-collar workers aged between 20 and 35. For the women who travelled overseas, Japan, Thailand, Indonesia, Vietnam and France were the top five destinations, followed by the Philippines, Malaysia, Singapore, Russia and the United States. Some of these tourists are so-called 'leftover' women, the rather unpleasant term for those un-

# 60%

The female share of Chinese tourists  
arriving in Thailand in 2016



Photo: Reuters

Enjoying the sun in Casablanca, Morocco



married women of a certain age. The same group – often discerning, independently-minded with money to spend – is a prize target for retailers in other sectors. And correspondingly, women travelling on their own are more likely to focus on experiential holidays, put more of their budget into visiting attractions, and spend more on food.

Tuniu says that “film location tours” are another new draw, although the trend is a feature of the wider market and not just for female travellers.

Six years ago arrivals to Chiang Mai spiked after the city was featured in the hit Chinese movie *Lost in Thailand*, while destinations in Croatia, Iceland and Spain have been reporting an influx more recently on the back of the popularity of the *Game of Thrones* franchise.

It's not just the singletons with wanderlust: the survey from Ctrip also suggests that women are opting to travel with close friends rather than their husbands or boyfriends. Younger women are also more minded to travel by themselves than their male counterparts because they are better at speaking other languages, although their personal security can be a concern, which steers many women towards destinations where they feel more comfortable, such as Japan and South Korea.

Safety fears are skewing a majority of female travellers towards packaged tours, Tuniu believes, although independent travel in the company of friends is getting more common.

To instill further confidence about travelling to a wider range of destinations, travel providers have also been developing features including SOS hotlines, certified networks of approved local guides, and booking options for breaks that allow customers to find like-minded companions for travel. ■



# The hot spots



**Hong Kong: still the favourite destination for tourists from mainland China, with 44 million visits last year**

**C**ould half a trillion Chinese soon be visiting a town near you as holiday fever grips a new generation of the Middle Kingdom's consumers?

The estimate from HSBC is that the Chinese will make more than 150 million international trips this year (153.5 million to be more precise), although Erwan Rambourg, global co-head of the bank's consumer and retail research team, thinks this is just the beginning in terms of the potential for outbound flows.

"Less than 10% of Chinese nationals have passports, according to government figures. In many Western countries the ratio is closer to half, so there is a huge opportunity for growth," he explains.

Rambourg isn't predicting that passport ownership in China is suddenly going to reach the same level, but he does think the figure could rise relatively quickly towards something like a fifth of the population, which would have a massive impact on tourism-related spending.

"People often tell me that the luxury stores in their countries are already packed with Chinese visitors, but I tell them that tourist flows are still at an early stage," he suggests.

But where are the millions of new tourists from China likely to be travelling, and what are the factors that make the different destinations appealing? WiC spoke further to Rambourg to find out.



Chinese tourists take pictures on a floating raft in Ha Long Bay in Vietnam

### Make way for the Lucky Eight

With outbound travel still in its infancy, many Chinese tourists take their first steps in Hong Kong and Macau, made easier by their proximity to mainland China and the fact that visitors don't need a passport to get into either territory.

Both cities are part of what Rambourg's team has christened the 'Lucky Eight' – eight destinations in Asia that have been capturing most of the tourist flows.

In fact Chinese visits to the group didn't grow quite as strongly last year as many analysts had predicted, primarily because political tensions disrupted tourism to Taiwan and South Korea. That said, Vietnam was one of the main beneficiaries, seeing visitors from China increase by half.

Older favourite Hong Kong and the casino king Macau head the group by a huge margin and HSBC forecasts that the two cities will attract more than 68 million visits from mainland China this year, from an estimated total of about 104 million to the Lucky Eight group.

Strictly speaking the Chinese don't regard the trips to either location as leaving home soil – it's more a case of visiting two of the country's special administrative regions. Yet the majority of outbound tourists travel to these two cities. Over the past four years Hong Kong has welcomed about half of China's global holidaymakers, but Rambourg says that the city, while rebounding in visitor numbers, is unlikely to recapture the boom times of earlier years, when double-digit visitor growth was common, because tourists are choosing to travel to alternative places.

Macau is going through a similar period of consolidation. After a contraction in 2015, it recovered to flat growth in 2016, and visitor numbers grew about 8% last year, helped by the tensions between China and other destinations, and a series of new casino openings in the gaming enclave.

What is clear from the visitor numbers in general is the ebb and flow in visitor growth as preferences change and China's tourists switch between countries.

Fluctuations in currency also have an impact in diverting traffic to different destinations. Two years ago a weakening in sterling after the British voted to leave the European Union prompted an uptick in visits to the United Kingdom as the costs of accommodation and shopping fell. The year before something similar happened when the rouble depreciated against the yuan, with Russian tourism operators reporting a flood of Chinese visitors to cities like Moscow and St Petersburg. At a similar time the weaker yen was drawing crowds of Chinese shop-



Erwan Rambourg: China's tourist boom is in its early stages



# The Lucky Eight

## THAILAND

**Arrivals from China in 2017: 9.8 million, up 12% on previous year**

Trips to Thailand zoomed on the back of the popularity of *Lost in Thailand*, a comedy that was a hit in cinemas five years ago, with visitor numbers nearly doubling following the film's release. After a surge in cheaper-priced tours, arrivals then slumped in late 2016 following a crackdown on 'zero-dollar' trips, which mandate shopping stops and visits to the tour operator's selection of hotels and restaurants. Thailand's government called a halt to the practice, saying it wanted to focus on smaller groups of higher-spending visitors, although there was a recovery in numbers in the later part of last year, with the final months showing a 60% increase in visitors.



## VIETNAM

**Arrivals: 4 million, up 48.6%**

The Chinese now account for about a third of international visitors despite tensions over disputed islands in the South China Sea that led to anti-Chinese riots in 2014. Vietnam scores strongly for its convenience and affordability, with short flight times from China. Many of the early visitors have headed to Da Nang or Nha Trang, coastal cities famed for their beaches, sights and seafood. Visitor numbers increased by almost half last year, helped by measures that eased land crossings at the border between Vietnam's north and China's southwest.

## SINGAPORE

**Arrivals: 3.2 million, up 12.7%**

Chinese visitors have overtaken the Indonesians as top spenders. Some of the new arrivals have been diverted from trips to Taiwan and South Korea by political tensions, but they are also drawn to Singapore's food, shopping and multicultural heritage. The city's casinos are another attraction. The local tourism board says that the growth in Chinese visitors has been fuelled by a rise in tourists from secondary cities. Singapore also serves as a pit stop for group tours travelling to other countries in Southeast Asia.



## MACAU

**Arrivals: 22.2 million, up 8.5%**

Macau's pitch is that it is the only place where casinos are legal on Chinese soil and the tiny enclave has other advantages in land border crossings from the mainland and easy day trips from Guangdong. Its mass-market appeal is still nascent, however, and visitors generally eschew Las Vegas-like entertainment in favour of non-stop play at the baccarat tables. The city is also very sensitive to policy headwinds: a clampdown on capital outflows and illicit spending hit revenues hard in 2015 and 2016, and adjustments to visa rules prompted another slowdown in new arrivals.





## JAPAN

**Arrivals: 7.4 million, up 15.4%**

Japan wows its Chinese visitors with its high-quality goods and sense of civic order and cleanliness, despite longstanding historical tensions between the two countries. In the past its department stores made headlines as venues for *bakugai* tours (or “explosive buying”) of items such as rice cookers, ‘smart toilet seats’, thermoses and kitchen knives. The frenzy has slowed and interest is widening to other attractions including Mount Fuji and the northern island of Hokkaido. The Japanese have also picked up business from tours that have been blocked from visiting South Korea and Taiwan.

## SOUTH KOREA

**Arrivals: 4.2 million, down 48.3%**

Chinese visitors are drawn by the ‘K-Wave’ cool of South Korea’s pop stars and soap operas. The same branding spills over into the cosmetics sector, with skincare and make-up the top sellers, and into plastic surgery, where Korean clinics are favourites. In 2016 the 8 million visitors from China accounted for almost half the total. But a year later the inbound flows imploded because of a row over Seoul’s deployment of a protective missile shield that China opposes. Beijing banned group package tours and the South Koreans lost out on more than \$4.8 billion in spending, based on the previous year’s figures. There were signs last November that some of the restrictions might be lifted, although online sales of package tours, and charter flights and cruise trips are still prohibited.



## TAIWAN

**Arrivals: 2.7 million, down 22.2%**

Taiwan has seen fewer Chinese visitors since elections in 2016 were won by a party viewed by Beijing as hostile. Since then group tours from China have been restricted, although individual travel is still possible. Arrivals dropped more than 600,000 in the first year of the ban and have continued to fall since then. Critics of the restrictions say they have backfired because Taiwan has been courting business from elsewhere in Asia, setting new records in visitor numbers.

## HONG KONG

**Arrivals: 44.4 million, up 3.9%**

Still the number one destination for the mainland Chinese and a longstanding favourite for first-time tourists. Last year was the first growth in visitor numbers since 2014. Good for shopping and shorter tours, and the city also serves as a transit point to head elsewhere. But Hong Kong’s headiest days are probably behind it as the Chinese opt for more adventurous trips and do more of their luxury shopping at home. Better transport links with cities in nearby Guangdong may boost short-stay visitor numbers, however.





pers to department stores in Tokyo. Japan's airlines kept things flowing by offering double baggage allowances on their homeward flights.

### The politics of passports

Another factor in shaping where the Chinese are going on holiday is politics. Beijing rarely hesitates to wield the spending of its nationals as a political weapon. The highest-profile case currently is in South Korea, where the Chinese authorities imposed restrictions on group tours last year in retaliation at Seoul's adoption of an American missile shield defence system. The number of Chinese visitors has halved, costing the Koreans nearly \$4.8 billion in tourism-related revenues, local news agency Yonhap reports, citing estimates from the country's central bank.

"The Chinese stopped going because it is impossible to book onto group tours, not because sentiment towards visiting Korea suddenly changed," Rambourg confirms.

Beijing has also made it harder for tour operators to organise visits to Taiwan, where the number of Chinese arrivals has slumped by a fifth since the electoral victory in 2016 of a party Beijing views as hostile. The Taiwanese have responded by courting visitors from the rest of Asia, setting new records for international arrivals.

Even the tiny Pacific nation of Palau is suffering from a tourism ban in what is believed to be a protest from Beijing over a visit by the leader of Taiwan. Yet Palau's government professes not to be bothered by loss of about half of its arrivals because the large inflows were posing a problem for a country with such a small local population. Instead it has announced plans to limit new hotel construction to five-star facilities that focus on fewer but more affluent visitors from other markets.

Thailand – one of the Lucky Eight – has also been trying to cultivate interest from wealthier visitors, including a campaign against 'zero-dollar' tours that compel Chinese tourists to shop at specified stores and dine in designated restaurants.

Typically organised by firms registered in Thailand but with Chinese owners, the tours target low-price, high-volume tourists. But the Thais complain that they sell their country short as a destination. Much of the revenue goes straight to the Chinese parent firms so local hoteliers and restaurateurs miss out, and the tour operators skirt local taxes, depriving the government of income.

Eighteen months ago the authorities responded by impounding more than

**Thailand has also been trying to cultivate interest from wealthier visitors, including a campaign against 'zero-dollar' tours**



Photo: Reuters

The Thai tourist board wants fewer but wealthier visitors from China



Hong Kong's Tsim Sha Tsui district is still a favourite for shoppers from China

2,000 tour buses used by the Chinese tourist agencies and the wider crackdown led to a 30% drop in the number of visitors in the last quarter of 2016. Some of the cheaper tours resumed quietly last year but the policy does seem to be having an impact, with fewer Chinese travelling to Thailand in groups. Fortunately, the number of independent tourists is making up for the loss, official statistics have indicated. "It was presented more as a way of protecting people from getting cheated but it significantly affected the numbers of Chinese visitors," Rambourg says. "But receipts aren't falling anything like as sharply as the number of visitors. In cash terms, we don't see the same level of declines."

On the flipside, plenty of other governments are desperate to host more of the Chinese, now that they have a better understanding of the returns for their tourism sectors. In particular, they are re-examining their visa policies and making it less onerous for the Chinese to visit. "We've seen that happening in markets like Australia, South Korea and Japan, with much easier access for Chinese tourists," he comments. "The European Union is offering something similar under Schengen and the United States started to grant 10-year, multi-entry visas under President Obama. Why make it complicated when you know that the Chinese are coming to spend?"

In Britain (a non-Schengen state), visa policy has become a political talking point. Travel bosses including Willie Walsh, chief executive of the International Airlines Group, have been disappointed in the efforts of the government in delivering new 10-year visas, which were first promised two years ago. "We need a step change on China. We make it hard for Chinese tourists to visit," the airline supremo has complained. "Making it easier for Chinese businesses and tourists to come to the UK is critical to boosting our economy and enhancing global trading links, especially post-Brexit. We continue to lose out on the new jobs that Chinese investment and affluent tourists bring."

### Shop till you drop

Shopping is one of the key drivers in the flows of Chinese to overseas destinations as tourists hunt for more expensive, luxury goods.

Cities like Hong Kong, Milan and Paris have gorged on high-spending visitors attracted by cheaper prices than back at home in China, where the same items are subject to higher taxes.

Two years ago a weaker renminbi started to make some of these trips less cost-



effective. More importantly, many of the luxury brands have tweaked their pricing strategies. The result: the discounts that tourists once received by buying goods in Europe or Hong Kong have shrunk.

Research from HSBC last year pointed to previous periods in which luxury items in China were priced as much as 40% higher than the same goods in other parts of the world. Savings on high-end watches purchased in Switzerland or France pretty much paid for trips to Europe, for instance. “It was a no-brainer for tourists. Why bother buying the goods in China?” Rambourg asks.

But many of the luxury brands have been ‘harmonising’ their prices, he reports, giving the example of a Cartier watch, which now costs the same in China as it does elsewhere.

The rise of e-commerce has also encouraged the Chinese to buy at home rather than travel in search of bargains. Previously, shoppers were often unsure that the goods on offer in their home cities were the real thing. Having travelled, they are more confident that they know the difference between legitimate goods and knock-offs, which is generating new trust in local shopping.

“In the past we often described luxury outlets in China as showrooms,” he reports. “Shoppers looked at the items but they would buy them overseas because prices were so much lower. Now these showrooms are transforming into functional, profitable stores because the Chinese are much more likely to be buying the goods at home.”

### Independent thinking

If the reasons to shop overseas aren’t quite as compelling – in price terms, at least – what might the Chinese do instead? One interpretation is that more of them will follow a path similar to the Japanese, who started out in larger groups on whistle-stop bus tours in the 1960s and 1970s, before opting for more instances of self-guided, independent travel in the decades that followed.

Rambourg cautions that some of the similarities in behaviour across the two nations have been overstated. “An obvious distinction is concerns about security, which seem to have a greater impact on the Japanese than the Chinese. This has

40%

The price premium for luxury goods sold in China compared to other parts of the world. The price gap has started to narrow for some brands

## Paying a premium

Luxury goods are still more expensive to buy in China than elsewhere. Here’s HSBC’s latest assessment of the price differential in a few locations for a small group of items, compared to a base value in Italy and France.



Burberry  
classic  
cashmere scarf



Hermes  
plain silk  
twill tie



Prada  
Saffiano leather  
bag



Louis Vuitton  
Speedy 30  
monogram  
classic

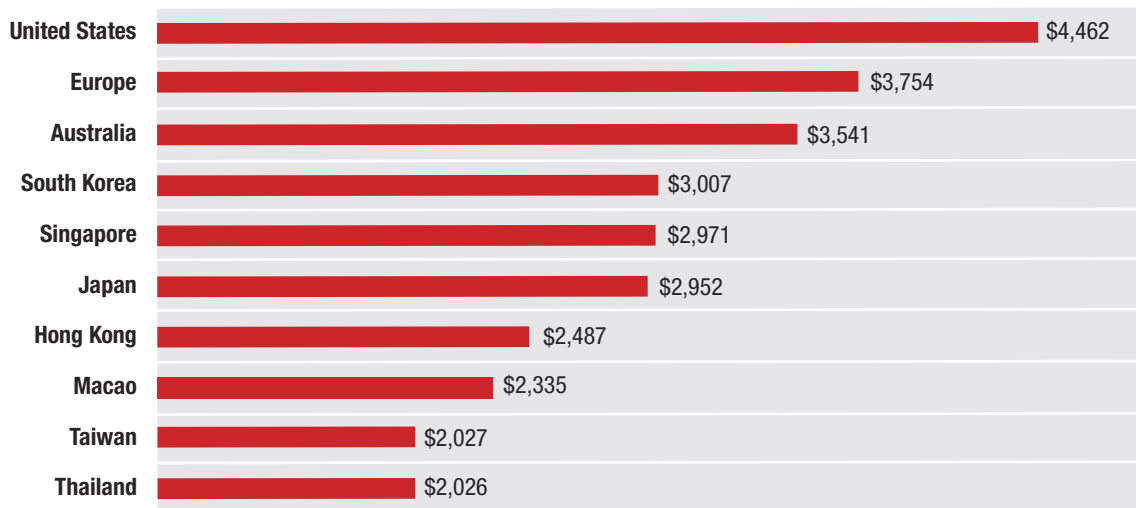


Rolex  
Oyster  
34mm  
steel

	Burberry classic cashmere scarf	Hermes plain silk twill tie	Prada Saffiano leather bag	Louis Vuitton Speedy 30 monogram classic	Rolex Oyster 34mm steel
Italy and France	100	100	100	100	100
Japan	111	111	119	113	85
China	126	117	133	125	114
Hong Kong	102	98	107	110	87
Switzerland	99	102	93	94	90

## Walking wallets: what the Chinese spend in different destinations

Per person spending by market (excluding tour and travel costs)



been very apparent after the terror attacks in Europe over the last three years. Obviously Chinese tourists still have concerns about security risks but they soon start returning to destinations where attacks have happened. It's not the same with the Japanese, who just stop travelling to a market if there are security fears."

In another instance of how the Chinese are different, many have been slower to acquire the more curious mindset of independent travellers. "On their first visits overseas they generally want validation or what we might call 'bragging rights'. The goal is to get a top-of-the-range handbag from Milan or the best cosmetics from Korea," he suggests. "Japanese motivations have typically been a bit broader and they have been more adventurous at an earlier stage. They are more likely to visit Michelin-starred restaurants or go to museums, for example. In general terms, the Chinese are more focused on going shopping and getting comfortable about a location before trying to do more."

But as more Chinese grow accustomed to holidays overseas they will get more confident about trying new things, and greater numbers should move away from group tours to independent travel.

Rambourg offers his experience of visitors returning to France as an indicator. "The first time there the Chinese choose Paris and generally travel in groups. Typically they will eat at Chinese canteens and they don't try French food. They stay in cheaper places in the suburbs and allocate the majority of their spending money to shopping. But on a second trip things might be different. They might travel independently with family or friends, and they are more prepared to try the local food. They won't spend as much on luxury goods, using more of their time to visit local attractions or museums, and they may try to explore parts of France beyond the capital."

### The next hot spots

Which countries are poised to capture more of the profits from Chinese tourists in future? One tip in Asia is South Korea, despite the slump in visitor numbers over the last few months.

The Chinese took over as the largest source of visitors four years ago, accounting for about half of the 17 million foreign tourists in 2016. That was despite an outbreak of Middle East Respiratory Syndrome (MERS) the previous year, which put a dampener on growth. Then the Koreans ran into another roadblock



when Beijing slapped the ban on group tours.

The Chinese government has never confirmed the embargo officially but tourism bosses had hopes for a detente after the leaders of the two countries met late last year. This was followed by news that travel agents in Beijing and Shandong were resuming sales of group tours. Yet the restrictions have largely stayed in place and the impact is evident again this year: almost all the Chinese are arriving as independent travellers compared to the beginning of last year, when the bulk were coming on group tours.

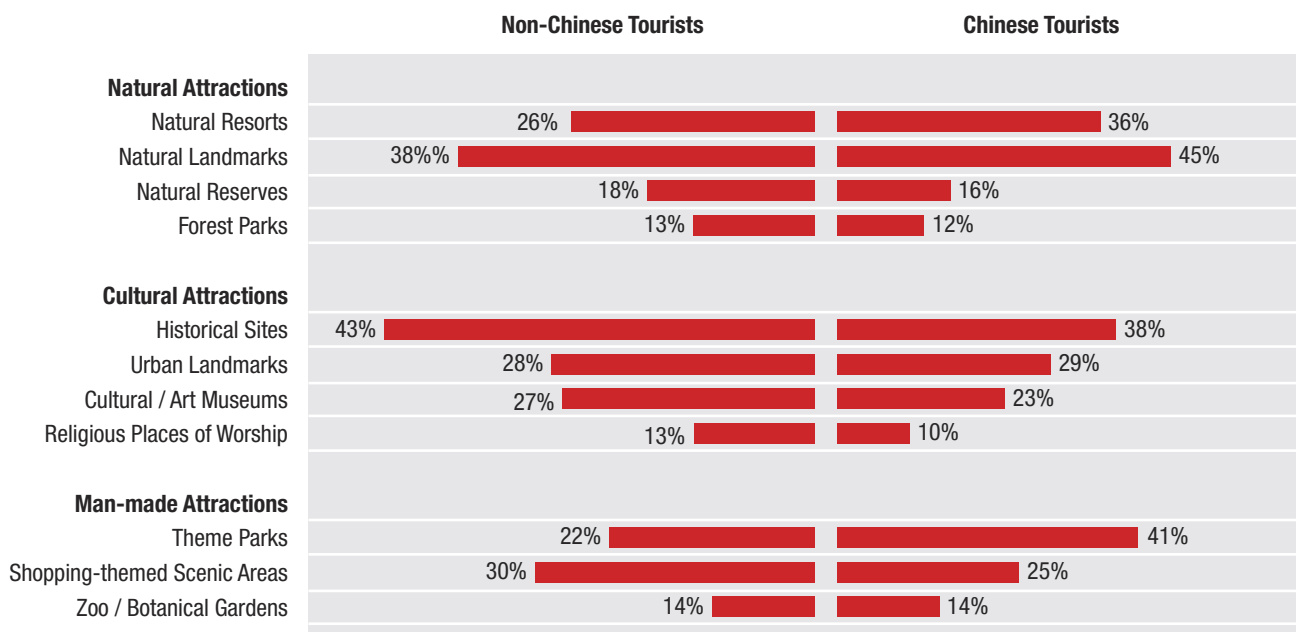
Over the longer term Chinese interest in visiting South Korea looks resilient, however, and Rambourg thinks that the Koreans are doing relatively well in riding out the short-term disruption. The implication is that the market could grow substantially in easier times, helped by Chinese fascination with Korean popular culture. “Almost anything Korean is cool right now – whether it’s listening to K-Pop, watching K-Drama or buying Korean cosmetics,” he says.

For longer haul destinations, his tip is markets that strike a chord with concerns the Chinese have at home. “Go to Shanghai or Beijing and you will hear people talking about pollution and food safety, and tourists are looking for destinations that alleviate some of those anxieties,” he says. “Markets like Australia, New Zealand and South Africa have natural advantages with their images of clear blue skies, healthy food and beautiful landscapes. They resonate as destinations because they play on the escapism angle, taking the Chinese away from their everyday existence.”

The same destinations are stirring the interest of experienced travellers, who want to avoid the well-trodden circuit of more established destinations and spend less of their holiday time on shopping.

“Once you’ve toured the Asian region the next stop is longer-haul and the focus is more on adventure and experience,” Rambourg concludes. “Think about it as storytelling. In the past, the Chinese brought luxury items home from their trips. But a handbag or a watch isn’t enough anymore. It’s less about what you have bought than what you have experienced, which favours newer, more distant destinations.” ■

## What Chinese want to visit – theme parks, yes, but cathedrals not so much





## Into the Outback

Previous campaigns from the Australian tourist board (from Paul Hogan's 1980's classic 'I'll slip an extra shrimp on the barbie' to the more recent 'So Where the Bloody Hell Are You?') were targeted at audiences in the United States and Europe.

Today's marketing messages are more likely to be in Mandarin, with the number of Chinese tourists coming to Australia expected to triple from a million in 2016 to 3.3 million a year by 2026, according to a study sponsored by the Australia China Business Council last year.

Key drivers include the growth of a newly affluent middle class, improving flight connections between China and Australian cities after the launch of an open-skies agreement, and the introduction of a new 10-year tourist visa.

Australian policymakers talk about the benefits of the multiplier effect – Chinese visitors are more likely to want to study in Australia, invest in property and buy Australian exports when they get home.

Almost three quarters of Chinese trips overseas are shorter-haul to destinations that are closer and cheaper. Australia competes in the longer-haul, higher-cost market against rivals like the US, France and Germany, taking about 4.5% share of the total. But the ACBC study suggests that the Chinese will make up one in four of all tourists visiting the country by 2026 and the Chinese are expected to overtake the Kiwis for top spot in annual numbers this year. They are already the biggest source of tourism revenue in terms of total expenditure and total visitor nights.

Australia's prime attractions are its natural landscapes and beaches, wildlife and fresh air, as well as its vibrant cities. More recently it has been building a following in China for its food and wine, and for its self-drive holidays. Trips to Sydney and Melbourne are priorities, as well as visits to natural landmarks like the Great Barrier Reef. The Chinese have also been exploring further afield, including Tasmania, with visits to the island state soaring 40% in the 12 months to September last year.

New Zealand holds similar sway with the Chinese, who are drawn by its reputation for dramatic landscapes, unpolluted scenery and outdoor lifestyle. About 60% of arrivals opt for organised bus tours and stay for less than 10 days. The remainder travel independently, staying up to twice as long. Auckland and Otago account for the majority of visitors and spending.

Although a niche destination (attracting about 400,000 of the overseas trips taken by the Chinese a year), the Kiwi market has been buoyed by new flight connections, with 36 direct flights between the two countries a week. About half of the arrivals come via an Australian airport, however, with many Chinese combining visits to both countries.

Visitors from China seemed on track to overtake the Australians as the most valuable tourism market within five years, but the growth has slowed and spending in the year to last September slumped 18% on the same period the year before. Kiwi tourism officials blamed the launch of a new five-year visa, which saw some visitors delay their trips until it became available. The tourism board also wants to widen the focus from the absolute number of arrivals, talking more about getting the Chinese to stay longer, spend more and come back on repeat visits.

## 10 years

The length of multi-entry tourist visa to Australia now on offer to the Chinese



## The main attraction: favourite spots for the Chinese on holiday



### HONG KONG

- 1 Hong Kong Disneyland
- 2 Victoria Harbour
- 3 Ocean Park Hong Kong
- 4 Tsim Sha Tsui



### JAPAN

- 1 Tokyo Disneyland
- 2 Mount Fuji
- 3 Tokyo Tower
- 4 Hokkaido



### THAILAND

- 1 Phuket Island
- 2 Pattaya
- 3 Chiang Mai
- 4 Grand Palace



### SOUTH KOREA

- 1 Jeju Island
- 2 Seoul Tower
- 3 Dongdaemun
- 4 Gyeongbokgung Palace



### THE UNITED STATES

- 1 Disneyland
- 2 Times Square
- 3 The Statue of Liberty
- 4 The White House



### SINGAPORE

- 1 Underwater World Singapore
- 2 Universal Studios Singapore
- 3 Merlion Park
- 4 Singapore Botanic Gardens



### TAIWAN

- 1 Sun Moon Lake
- 2 National Palace Museum
- 3 Ali Mountain
- 4 Taipei 101



### AUSTRALIA

- 1 Sydney Opera House
- 2 Sydney Harbour Bridge
- 3 Gold Coast
- 4 Great Barrier Reef



### FRANCE

- 1 Louvre Museum
- 2 Notre-Dame de Paris
- 3 Eiffel Tower
- 4 Arc de Triomphe

# The battle for bookings



Two of China's Millennials hit the beaches of Brighton in the UK

**W**hen the Chinese first began to go overseas on holiday, it was the state-run travel agencies that dominated the market because they had exclusive rights to arrange the tours. Their customers didn't mind, liking the security of knowing that their travel arrangements were effectively state-backed.

Although the majority of bookings continue to be made at traditional agents, there are deep-rooted trends moving more of the industry online: travel on group tours is dropping as a proportion of overall bookings and younger consumers expect to arrange their holidays over the internet. Online sales have been growing at about three times the pace of the total market for travel.

Some of these trends are similar in other parts of the world. Customers that just want to book a hotel room or a flight are more likely to use an online platform, while those looking for an inclusive tour or personalised package are more likely to visit a bricks-and-mortar agent.

However, many of the flights sold over the internet in Europe and North America are booked directly with the airlines themselves. That's not the case in China, where more than three quarters of flight bookings are made on third-party platforms. Sector specialist Eye for Travel says the same thing is happening in accommodation: seven out of 10 bookings are made through online travel agents compared to one in 10 on hotel websites or apps.

This kind of context puts intermediaries like Ctrip in a powerful position.





**Category killer: Ctrip is China's leading online travel agent**

With 150 million monthly active users, Ctrip is now China's largest online travel agent, offering a one-stop shop for shoppers across a massive inventory of flights and hotel rooms, cruises and travel packages. The strategy is to seize share from the traditional agencies as spending on travel rises. Meanwhile Ctrip controls more than 80% of online travel sales, having merged with its main competitor Qunar three years ago. Qunar concentrates on high-volume domestic tours and group travel overseas, while Ctrip focuses on FIT (free and independent travellers) wanting international holidays.

Ctrip's positioning as a one-stop shop has seen it make investments in a range of other technology brands and platforms, including Tujia (a home rental firm with similarities to Airbnb), Tuniu (another major player in leisure travel) and Sky-scanner and Trip.com (two tech leaders in travel search, who have also provided a launch pad for Ctrip into international markets).

On top of that Ctrip has taken stakes in hotel chains, a car rental firm and China Eastern – one of the country's leading airlines. It also operates a franchise network of thousands of bricks-and-mortar stores, recognising that outlets like these are still the best way to reach customers for package tours, whose purchasers are harder to convert online.

### **Tencent and Alibaba: taking aim at travel**

Perhaps the greatest threat to Ctrip's position comes from Meituan Travel, one of the many blockbuster apps in Tencent's portfolio.

Meituan-Dianping was born from the merger of Meituan, a food delivery and group buying company, and Dianping, a restaurant review app. Since then the combination has expanded into travel and it now offers a host of information on hotels, restaurants, tourist attractions and shopping.

Bookings through Meituan Travel have helped to lift Meituan-Dianping's valuation to about \$30 billion in its most recent investment round, when Priceline, the world leader in online travel by sales, purchased a \$450 million stake.

Meituan Travel boasts that it already outranks its rivals in room nights sold in the Chinese market and that it is the largest vendor of tickets for domestic attractions and excursions. It also claims to provide the most travel guides for people holidaying abroad.

That kind of traction must alarm Ctrip, which is actually a co-investor with Tencent in Tongcheng-Elong, another online platform targeting mid-tier tourists, which is set for an IPO in Hong Kong later this year.

Tongcheng-Elong relies heavily on Tencent's payment and messaging services for much of its market, including WeChat, China's dominant social media app. The

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danger for travel and tourism pure plays like Ctrip is that WeChat is now so all-encompassing that it walls in its customers completely, likewise capturing their spending on travel.

As online travel agents chase China's Millennials, another key battleground is smartphones, where the massive majority of travel bookings over the internet are bought and paid for. And here, another powerful player joins the fray: Alibaba, China's king of e-commerce.

Alibaba rose to prominence with its online marketplaces but the popularity of Alipay, the mobile payments app owned by its affiliate Ant Financial, has given it a new bridgehead into the travel sector.

While Tencent is muscling in on tourism through its power in social media, Alibaba's bet is that e-commerce and offline shopping are merging, providing an integrated foundation for spending on travel.

Fliggy – *Feizhu*, or “flying piggy” in Chinese – also draws on a user base of more than 550 million monthly users for Alipay, which has given it the heft to do deals with global brands like Lufthansa, Marriott and American Airlines. And in the same way that Alibaba promotes its online marketplaces as storefronts for other brands, Fliggy makes a virtue of the marketing and data analytics that help travel firms to connect better with their customers (rather than risk losing contact with them through the involvement of intermediaries like Ctrip).

Fliggy has been focusing on outbound tourism because another part of the deal with its travel partners is that they accept payment with Alipay, pushing up acceptance of the app overseas.

Already, about 65% of Chinese travellers rely on mobile payment apps to buy items on holiday, compared to just 11% of non-Chinese tourists, according to a survey from Alipay this year.

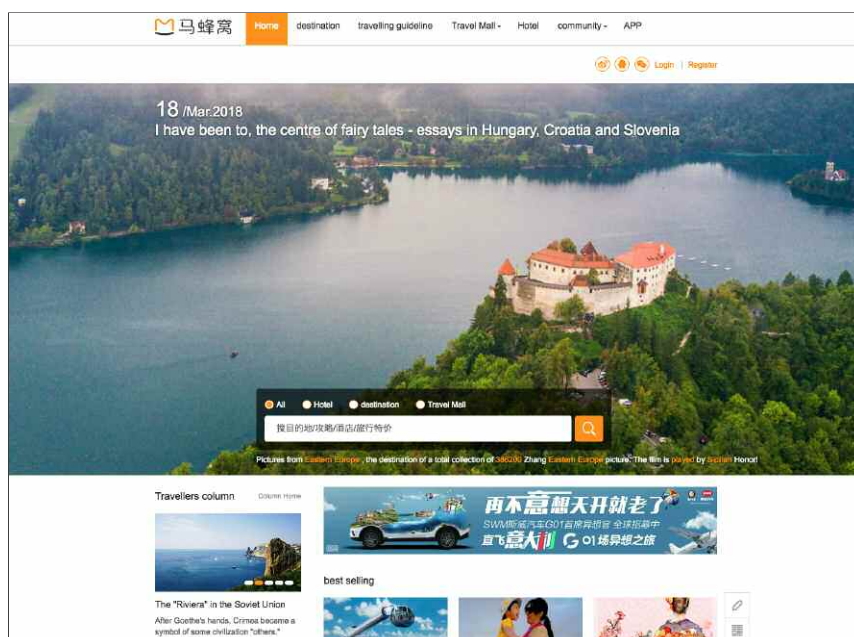


Fliggy, Alibaba's travel app

### Keeping it social

Some of the other competitors for Ctrip include review sites such as Mafengwo and Qyer, which offer a huge selection of user-generated content incorporating profiles of attractions, travel diaries and photos, and downloads of professionally produced guidebooks.

Both platforms started out as social networks that helped people to choose between travel options (customers on Mafengwo still look through an average of 19 hotels before making their decision for an overseas trip, the company reports). Their offer now extends much further, including location-based features that pinpoint “things to do” in the destinations once holidaymakers arrive and help



Mafengwo: where millions of holidays are researched



Smile, click and upload online: Chinese tourists in London

them to find services such as portable WiFi, flight pickups or carpooling.

Mafengwo offers information on holidays in China and overseas, while Qyer concentrates purely on the outbound travel market. But both platforms are linking their content to travel offers from third parties and newer features like mobile-focused, personalised planning and booking are bringing them into direct competition with the travel booking sites.

The platforms also pose a threat to the online travel agents because of their focus on some of the fastest-growing parts of the market, notably the independent, younger travellers in the FIT bracket. Content on the best of the review sites generates word of mouth marketing, reaching the much-prized post-80s and post-90s generations in first and second tier cities. Mafengwo says that 53% of China's outbound tourists were FITs last year but that almost all of the domestic travel sourced through its platform was for holidaymakers making their own arrangements. If it can direct the same customer base into international trips, it will establish a lucrative foothold in overseas travel too.

### The Millennial moment?

In reaching the Millennials on review sites like Mafengwo, another important resource are KOLs, or key opinion leaders, says Helena Beard, the managing director of China Travel Outbound, a PR agency that promotes European tourist attractions, hotels and destinations to the Chinese.

KOLs with millions of followers in fashion, food and travel are offering a new form of 'opinion marketing' that brings authenticity and appeal to the brands they represent. In the world of tourism the opinion leaders are globetrotting stars, paid to endorse destinations and attractions. "KOLs are professional travel bloggers who can be very influential in releasing reviews of destinations on social media platforms like Weibo and WeChat, or putting them on leading review sites like Mafengwo," Beard explains.

Her company also works with its clients to supercharge their promotional campaigns by reaching out to the fans of celebrities on social media.

In one example, the Hard Rock Cafe in London invited a Chinese rock band called Miserable Faith to visit. Band members had a meal at the restaurant and then posted about the evening to their 369,000 Sina Weibo fans, putting the spotlight on the venue.

In another case last year, Nana Ou-Yang, a 17 year-old film star, was invited to

**53%**

**The proportion of Mafengwo's customers that were planning to arrange their own holiday abroad in 2017**

spend a few days in the city of Bristol in western England. “She did fashion shoots around the city, went up in a hot air balloon, created her own piece of ‘Banksy’ artwork and climbed the rigging on the SS Great Britain,” Beard says. “She’s the perfect age and personality for reaching out to the Millennials and she gave Bristol the kind of personal endorsement that can be really important in China. Her holiday generated a lot of coverage on sites like Haibao, a popular fashion and lifestyle website, and among her weibo following of almost nine million people.”

A common thread to campaigns like these is that they are designed entirely for circulation online. Fortunately, the explosion of social media channels has opened up new ways of reaching potential visitors that weren’t available five years ago, and ‘in-location’ engagement is also increasingly important to Millennial holidaymakers, allowing them to share and show off their experiences.

That means that travel content has to be mobile-friendly for smartphones and that connectivity is crucial for word-of-mouth marketing. However remote the location, destinations that can’t offer reliable WiFi are at an immediate disadvantage.

But there is another, more basic to-do list for any destination that wants to attract business from the Middle Kingdom. Signage in Chinese characters is a must for locations that want to capture a larger volume of visitors, for instance, while hosts who speak Mandarin are important too, even if they can only manage a few words of welcome in Chinese. The checklist is similar for restaurants that want to host Chinese diners. “You stand a much better chance of attracting food tourists if there’s upfront information in Chinese and offering them Chinese mobile payment methods will make them feel more at home as well,” Beard says. “Also, remember that communal dining is important to the Chinese, so restaurants that tailor some of their menus accordingly often do better. For instance, the big-sellers among Chinese customers at the restaurants we are working with in Brighton are the huge, seafood platters of lobster, crab and shellfish that allow diners to share their meals together.”

Yet despite all the excitement about the new wave of Millennials going abroad on holiday for the first time, Beard cautions against rejecting the traditional style of group tourist from China entirely.

“It’s true that we are seeing larger numbers of independent travellers but there is still much more group activity from the Chinese, as well as various other types of traffic that sit between the two extremes,” she warns. “Some attractions will want to appeal to FITs, while others may want to concentrate on groups. The priority for any destination or attraction is to decide on the customers that it wants to target and then to find ways to reach them.” ■

**Signage in Chinese characters is a must for locations that want to capture a larger volume of visitors, for instance, while hosts who speak Mandarin are important too, even if they can only manage a few words of welcome in Chinese**



Photo: haibao.com

Film star Nana Ou-Yang showcased the English city of Bristol's charms





## A tale of two kingdoms: how Britain is chasing Chinese visitors

With Brexit looming, there were signs that the mood among French, German and Italian tourists had started to turn negative on Britain as a destination last year, according to a survey from VisitBritain, the UK's national tourism organisation. By contrast, interest from China is increasing and nearly half of its visitors to Britain last year said they had a more positive opinion of the country.

Helena Beard, who heads China Travel Outbound, a PR agency with clients including Stonehenge, Royal Museums Greenwich and the Portuguese hotel group Martinhal, says that France, Italy and Switzerland vie for top spot as the favourite destination for long-haul travellers but that the UK is starting to benefit from the Middle Kingdom's tourist boom.

Visitors from China are also spending more than ever in the UK, with an increase of 54% in 2017, helped by the post-Brexit depreciation of the pound.

The launch of additional direct flights from China is making it easier to get to the UK and awareness of Britain as a destination is helped by the enduring popularity of English football and the newer crazes for television series like *Downton Abbey* and *Sherlock*.

The British royal family is another major draw. Visits from China rose by a third in 2011, the year in which Prince William and Kate Middleton were married, and tourism bosses are hopeful that the marriage of Prince Harry and Meghan Markle in May is going to achieve something similar, especially at Windsor Castle, where the wedding will take place.

Beard cautions that it takes time to establish destination brands in tourism terms and that countries need to be clear and concise about the key reasons that make them a compelling place for a visit.

France's appeal as a destination has played heavily on the notion of 'romance', for instance, while Switzerland's message of 'fresh air' has been simple but very effective.

"My personal view is that the efforts to brand Britain are slightly complicated for the Chinese market and we need simple messages that focus on our history and heritage," she says.

China Travel Outbound also works with individual towns and cities to craft their destination marketing to Chinese tourists. One of its clients is Brighton, a town on England's southern coast. "When we first surveyed the Chinese travel trade, there was very little knowledge about Brighton or where it was," Beard recalls. "So we started out simply with a message that talked about it being close to London, and

that it is easy to travel there by train".

"Later we added to the campaign, mentioning that Brighton is a city by the sea and highlighting the Royal Pavilion as an attraction. Chinese state television then filmed a short piece about the Pavilion and it made a big difference because their audience is so huge. So we started talking about some of the other things that make Brighton interesting, like its events and festivals, and the vibrancy of its LGBT community."

Brighton also turned to social media to boost its reputation by inviting the heads of Chinese student associations at British universities to visit, knowing they would post reviews of their trip online.

"Reaching out to students is a good way of getting onto social media without having to expend a huge budget on key opinion leaders or celebrities," she explains. "Chinese students in Britain are usually

from quite affluent backgrounds and they have extensive social networks, including friends and family who visit them in the UK. We hosted the students for a weekend in Brighton and we got good results through social media and word-of-mouth marketing."

Beard's work with another client – Royal Museums Greenwich in southeast London – has taken another direction, demonstrating the enduring influence of the package tour firms on where the Chinese choose to travel.

"When we did our research we found that there were already tour groups coming to the Royal Observatory in Greenwich because it is a place that the Chinese learn about at school," she explains. "But there wasn't the same awareness of other attractions in the same neighbourhood, such as the Cutty Sark or the National Maritime Museum, which weren't getting many visitors."

Here the strategy was more about telling the tour agencies about the other places in Greenwich to visit. The promotional blitz included an audit of each museum's online profile in China, a series of press releases and interviews with the Chinese press, sales missions to Beijing and Shanghai trade shows, and meetings with the leading tour operators.

"The travel trade in China is still so important in shaping where people visit and it's generally a more cost-effective option to try to influence the tour agencies about a destination than trying to communicate with hundreds of thousands of FITs," Beard says. "Once you get a new destination into an itinerary for one of the package holiday firms you hope that other tour providers will follow too. Brighton has just been included in a Ctrip package, for instance, and we know that more of the smaller operators will add it to tours of their own."





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