



# China (Guangdong): Outbound Tourism Market

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## Summary

According to the UN World Tourism Organization, China has the fastest growing outbound tourism market in the world. It is predicted to reach the status of the fourth largest tourism market by 2020 with a projected 100 million international travelers. This, of course, is no surprise given its population size and increasingly cosmopolitan society.

The United States currently stands as the seventh most popular destination for Chinese travelers outside of Hong Kong and Macau and is the top destination for Chinese travelers in the western hemisphere, according to the China National Tourism Administration (CNTA). According to the U.S. Department of Commerce, in 2009 the total travel and tourism service exports from Chinese travelers numbered US\$3.5 billion and the average expenses of a Chinese tourist equate to about US\$6000. With the continued efficiency improvements in visa issuance and increasingly globalized and streamlined tourism services, U.S. travel destinations and agencies can take part in the projected expansion of the tourism industry in China and establish a foothold in the mostly untapped Chinese travel market.

## Market Demand

In December 2007, the China National Tourism Administration and the U.S. Secretary of Commerce signed a memorandum of understanding (MOU) which gave the U.S. "Approved Destination Status" that became effective in the spring of 2008. This MOU made group tourism travel to the U.S. much more convenient, allowing advertisements for U.S. travel in China, as well as faster visa processes. U.S. travel destinations can now market within China and even establish local marketing offices. The MOU is one of the key reasons that Chinese outbound tourism is still increasing even in an economic recession and will continue to do so when the system has matured. Currently, the Chinese government is adopting an enthusiastic stand towards developing both inbound and outbound tourism. Even with the economic downturn, there was no decrease in outbound tourism.

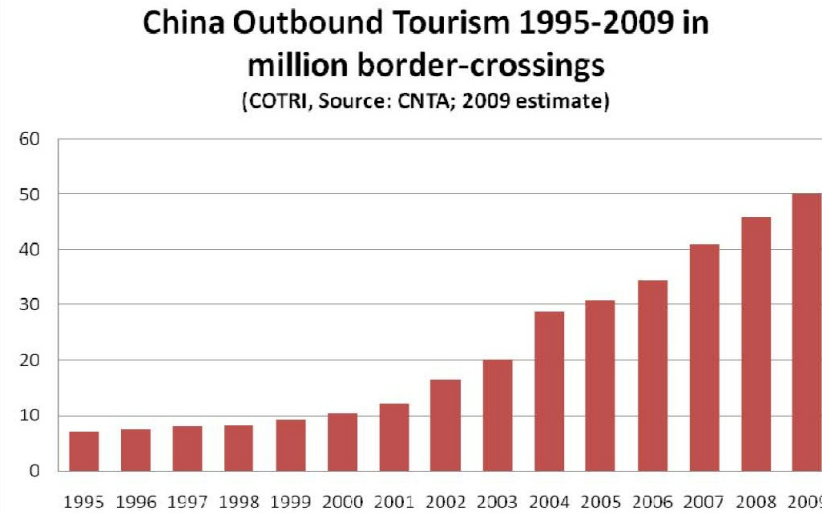
Guangdong province in South China is the province with both the highest GDP as well as the most disposable income per citizen. With a history of international travel, citizens from Guangdong province are an important market for U.S. travel industries to consider. According to data from the U.S. Department of State, the number of mainland China-born citizens issued non-immigrant visas from the Guangzhou U.S. Consulate has steadily increased from 2003 to 2009 with an average growth rate of 12% per year.

China's development over the last two decades has revealed a close relationship with U.S. culture. The popularity of American music, television shows, movies, and sports (especially basketball) in China is widespread and apparent, and yet travel to the U.S. accounts for less than 10% of Chinese overseas tourism. This demonstrates the enormous potential for U.S. travel destinations that can effectively enter the Chinese outbound tourism market. The changing values and practices of the emerging and growing Chinese middle class represent a willingness to spend on shopping, leisure, and travel opportunities both domestically and abroad.

## Market Data

Over the past fifteen years, Chinese outbound tourist numbers have increased by seven times to reach 50 million in 2009, according to CNTA (Figure 1). In 2009, the number of Chinese visitors to the U.S. was 524,817, making China the fourteenth largest source of international visitors with continued growth potential. Additionally, the quantity of exported travel and tourism services to Chinese visitors makes China the ninth largest contributor to total travel exports from the U.S., according to the Office of Travel and Tourism Industries of the International Trade Administration.

Figure 1.



According to the Department of Commerce, the number of Chinese tourists visiting the United States is projected to number 579,000 by 2011.

First tier cities such as Beijing, Shanghai, and Guangzhou (in Guangdong province) are reported to have an average annual disposable income of US\$2000 per family. This represents \$82 billion. 2007 data from the Nielsen Asia Pacific Consumer Confidence Survey stated that 53% of Chinese consumers utilized their spare cash on holidays and vacations, more than any other Asian country. This behavior will also be stimulated by a rising Chinese currency. Soon, the second and third tier cities (capital and prefecture cities) will reach similar levels of disposable income.

### Best Prospects

According to the U.S. Office of Travel and Tourism Industries, the most popular information sources used for trip planning in 2009 in China were travel agencies (taking up 33% of market shares) and personal computer research and websites (32%). This means that the market is evenly split among personalized agent assistance and independent research. Either way, in order to succeed in the Chinese market, knowledge of consumer tastes and preferences is extremely important in all areas.

Guangdong province is the largest province in China with a population of 121 million. In addition to a thriving economy and the highest rate of disposable income in the country, Guangdong's travel and tourism industry accounts for one third of the nation's total.

The Guangdong market has developed over a long period of time which is why it is one of the markets with the most potential for the U.S. tourism industry. In the past years, southern Chinese tourists groups have taken regular tour packages for 14-16 days to the west and east coasts. With 20 years of development and travel experience, Guangdong tourists prefer relaxing, and deep travel. High-end products, cruise line packages, educational tours, driving tours and even luxury tours, such as golf and wedding tours are great potential markets in the coming years.

### Market Entry Strategies

The most convenient way to enter the Chinese market would probably be through partnerships with existing Chinese firms through contractual relationships or joint ventures. Chinese travel and tourism industry specialists would serve as an extremely important and insightful sources into the Chinese travel population due to extremely different practices from region to region.

According to Nielson Company research, the new population of Chinese travelers is internet savvy and the internet is a very popular tool for travel research and planning. However, the traditional travel agent interaction to plan travel still takes up a large percent of the market for booking, with only 20% of trips actually booked and confirmed online. Additionally, resources for internet travel research are limited to young, urban professionals while many of the older generations are unable to access and utilize these resources. Therefore, for successful market entry, agencies and travel destinations should establish a user-friendly web interface as well as a highly personable presence in China.

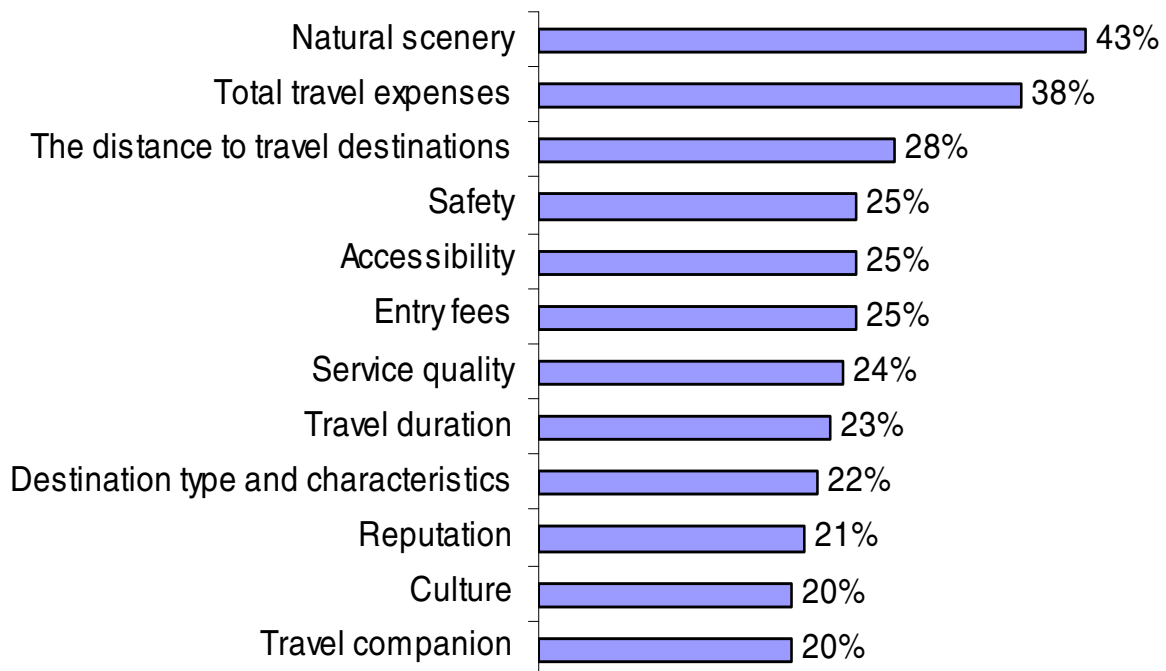
Other considerations before market entry include the differences in travel practices from region to region. These differences are accompanied by cultural and language differences as well. Travel destinations and agencies may have to re-evaluate and audit their services and packages in order to suit Chinese consumers. For example, travel brochures and other documents translated into Chinese would be helpful due to the rarity of English fluency, especially among older generations. A Chinese-speaking tour guide familiar with Cantonese would also be preferred by South China and Guangdong residents.

Even effective advertising options differ. In Beijing, for example, residents prefer to receive information about travel opportunities from destination websites, newspapers, television programs, and travel literature. When entering South China's outbound tourism market, it is important for U.S. travel companies and destinations to be patient by building relationships overtime with their Chinese counterparts. These relationships (*guanxi*) are integral to Chinese business success. Additionally, Guangdong residents prefer word-of-mouth marketing and suggestions from family members and friends so travel interest may be slow to start but will grow exponentially with good first experiences.

### Market Access Issues & Obstacles

The establishment of the United States as an approved destination in 2007 enormously loosened entry barriers, however, the most important obstacle is developing a plan of what and how to market to Chinese travelers. In data provided by the Neilson Company to the World Travel Organization in 2007, the most important factors to Chinese travelers include natural scenery, expense, and distance travelled to a sightseeing or tourism destination (Figure 2). However for the purpose of any given trip, shopping for foreign brands can be a huge deciding factor.

Figure 2. Most Considered Factors for Chinese Travellers.



In 2009, the U.S. Office of Tourism and Travel Industries profiled the activities Chinese tourists engaged in during U.S. travel. In Figure 3, one can observe that shopping is the most popular activity of choice while in the U.S. due to the relatively inexpensive cost of consumer goods. Therefore, any popular tour itinerary should have ample time for exploring and shopping. Guangdong tourists especially prefer to have a flexible and relaxed tour, as opposed to a rigid schedule loaded with tourist attractions.

Figure 3.

Activity Participation While in the U.S. (multiple response—top 10 of 25)	2008 (Percent)	2009 (Percent)	Point Change (2)
Shopping	90	92	2.9
Dining in Restaurants	84	83	-1.1
Sightseeing in Cities	45	57	12.7
Visit Historical Places	43	43	-0.4
Cultural Heritage Sites	25	29	3.9
Visit National Parks	23	27	4.2
Amusement/Theme Parks	28	27	-0.9
Art Gallery/Museum	22	24	1.7
Visit Small Towns	19	22	3.3
Casinos/Gambling	21	18	-2.8

Another challenge in accessing the Chinese market is flexibility. There is a necessity among the younger populations with fewer savings to build a system with multiple-payment options and many different affordable travel packages to choose from.

### Key Suppliers

The number of current Chinese travel agencies approved by the CNTA is about 200. Guangdong's top outbound tour operators include:

**GZL International Travel Service Ltd.** a leading international travel group authorized by the China Tourism Bureau to deal with outbound tourism. GZL provides wholesale tourist products, tailor-made tourist products, conferences and exhibitions, and training.

**China Travel International Ltd. (CTI):** Established in 2002, CTI is one of the biggest travel operators in China. Although young, CTI adopts the traveling traditions of its mother company, **China Travel Service (Holding) Hong Kong Ltd. (CTSHK)**, which, with over 70 years of travel history, is now the most experienced travel company in China.

**Guangdong Nanhu International Travel Service Co., Ltd.** has over 100 sales offices in Guangdong.

**CITS Guangdong Co., Ltd.** is one of the largest and well-recognized comprehensive travel brands & enterprises in China. Its core business ranges from inbound tours, outbound tour to internal tour. The company has been consecutively named as one of the top 10 outstanding travel agencies for years by the National Tourism Administration in China.

**Ctrip Ltd.** An internet based travel service that provides outbound travel services to 5 continents. Their products include group tours, island travel, business travel, professional overseas training, and luxury tours.

## Trade Events

China International Travel Mart  
Dates: 18-21 November, 2010  
Shanghai New International Expo Center  
<http://www.citm.com.cn>

Guangzhou International Travel Fair  
Dates: 24-26 March, 2011  
Guangzhou Jinhua Exhibition Centre  
<http://www.gitf.com.cn>

China Outbound Tourism and Travel Market  
*Only event in China entirely dedicated to the China outbound travel and tourism sector*  
Dates: 13-15 April, 2011  
China World Trade Center, Beijing  
<http://www.cottm.cn>

## References & Key Contacts

China Outbound Tourism Research Institute  
*The world's leading independent research institute for research, consulting, and quality assessment relating to the Chinese Outbound Tourism market*  
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## For More Information

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