

World Tourism Organization

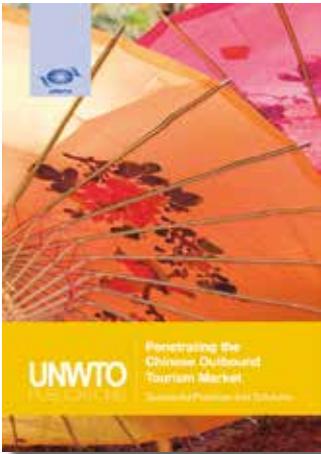


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NEW PUBLICATION

Penetrating the Chinese Outbound Tourism Market

Successful Practices and Solutions



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Executive summary

Having loosened policies and facing increased demand, China has developed into the leading force in global tourism. Chinese consumers are growing in both wealth and numbers. Destinations throughout the world are looking to China, optimistic about the future growth of the Chinese outbound tourism market and eager to compete to attract Chinese tourists. This report presents examples of the pragmatic and creative approaches that various destinations have taken to penetrate the Chinese tourism market. It also aims to provide valuable aid to emerging destinations in understanding current and future tourism demand. It analyses the current market situation, the newest trends in the Chinese market, the characteristics of Chinese outbound tourists and the segmentation of Chinese outbound-tourist-generating regions. The main topics and findings of the market study are summarized here.

Chinese outbound tourism: a booming market

The substantial growth of Chinese outbound travel started at the turn of the 21st century as the result of increasingly loosened policies, diversifying consumer demands and profound changes in the market. The outbound tourism market developed rapidly, and the number of outbound tourists maintained double-digit percentage growth each year from 2002 to 2013. The number of Chinese outbound tourists surpassed a record 100 million in 2014.

Emerging trends in Chinese outbound tourism market

New trends have emerged due to the rapid development of Chinese outbound tourism. The consumptive ideals of Chinese citizens

changed from meeting everyday needs to improving the quality of life with ever more people considering travel as an important component of that improvement. A growing number of consumers choose outbound travel as their first choice for holiday. Consumer groups of different age levels entering into the fray have led to the enrichment and diversification of outbound travel products. Although sightseeing tours remain the major product, themed and in-depth tours that offer unique personal experiences of local lifestyles are becoming increasingly popular.

The Chinese outbound tourism market is also under transformation from the application and development of new technologies. The conventional distribution channels have been modified with the emergence of online travel agencies and e-commerce platforms. The tourism market has also been reshaped by China's growing market for mobile Internet, mobile applications and cashless mobile payment.

Characteristics of Chinese outbound tourists

To help destinations better target consumer needs and develop differentiated products, this report analyses the characteristics of Chinese outbound tourists, especially the psychographics of Chinese millennials and the development of the Chinese free independent traveller (FIT) market.

Chinese tourists are becoming more sophisticated, with increasingly diverse and individualized demands. Chinese

millennials make up the bulk of Chinese outbound tourism and FIT market. Chinese millennials have demonstrated some unique characteristics:

1. They perceive travel as more for enjoyment and gaining an authentic life experience than as purchasing a product;
2. Chinese millennials love to share. Tourists born in the 1980s enjoy showing off among friends the local food and wine they have tasted, while the 1990s generation mainly enjoys posting selfies through social media;
3. Chinese millennials demand their products and services be "smaller, faster and more flexible", which translates into more personalized, mobile, convenient and efficient;
4. The millennials love shopping and value the freedom of self-expression inherent in creating their own styles; and
5. Internet is an indispensable part of their outbound travel. They are the forerunners of mobile applications and revolutionary payment methods.

The Chinese FIT market has expanded greatly in the past decade. The Chinese FIT market is extended to increasingly distant destinations. Tourists now are spread across South-East Asia, Africa, North and South America and even the Polar regions. Outbound self-driving tours are also growing rapidly. Independent travellers rely on Wi-Fi to navigate various destinations.

Portable Wi-Fi, portable power sources and selfie sticks have made into the top-10 of travellers' must-pack lists. Travellers in the FIT market have a higher demand for travel convenience. Therefore, destinations that provide simplified visa applications and direct air connections are more attractive.

Segmented tourist source market

The vast Chinese market has a very segmented consumer population based on age, income, education, origin etc. To help better understand the structure and market potential, the report has analysed China's outbound tourism source market by segmenting it into three specific regions (see figures 3.1, 3.2 and 3.3) (tier 1 tourist-generating regions; tier 2 tourist-generating regions; and tier 3 tourist-generating regions) based on per capita GDP, per capita disposable income of urban residents, and the number of affluent people.

The structure of outbound traffic has shown that the number of outbound tours operated and organized by tour operators in tier 1 tourist-generating regions accounts for nearly 60% of the country's total. The number of outbound tours organized by travel agencies in the tier 2 and tier 3 tourist-generating regions make up 38% and 2% of the country's total, respectively.

Given the differing levels of market maturity in outbound tourism, the structure of tourism products offered in different source markets varies as follows:

1. In the tier 1 tourist-generating regions, there are increasing demands for high-end and luxury tour products. In-depth tours of single destinations are becoming popular among experienced tourists and repeat travellers who require a unique experience of local history and culture. More tourists seek customized services and tour itinerary arrangements to meet their individual needs. Themed tourism products with well planned route itineraries and dedicated activities are replacing the traditional sightseeing tour packages to become the mainstream in the tier 1 tourist-generating regions;
2. In the tier 2 tourist-generating regions, conventional sightseeing products still occupy an important position. However, with the rapid development of outbound travel in some provinces, quality tourism products receive more and more attention, and consumers increasingly value greater choice of accommodation, dining, and flight and itinerary arrangement; and
3. The outbound tourism of tier 3 tourist-generating regions is in its infancy, and traditional sightseeing products are still the norm. All-inclusive group products with standard itineraries account for a high proportion of the products in the market.

Successful practices and solutions to penetrate the Chinese outbound tourism market

Many destinations that prospect the Chinese market attach great importance to their marketing and promotional activities, hoping to gain a larger share of the market. This report includes case studies on ten representative destination countries and cities from Asia and the Pacific, Europe and the Americas to showcase the varied marketing solutions and approaches taken to penetrate the Chinese outbound tourism market. The case studies have revealed some important findings:

1. The opening and fast growth of China's outbound tourism has benefited many global destinations with increasing Chinese tourist arrivals and tourism revenues;
2. These destinations have developed long-term tourism development plans and adopted Chinese market-friendly policies and strategies which are vital in tapping into the Chinese market;
3. They have, in addition, given great attention to the changes of Chinese tourists' needs and have adopted segmented market strategies for product development with a wide range of themed products to target the needs of different consumers;
4. In terms of marketing and promotion, these destinations have created a strong online presence in China by developing Chinese websites and establishing an

active presence in China's social media network to engage directly with Chinese consumers;

5. These destinations have fully capitalized on localized marketing channels, as well as the influence of China's major social media network to carry out flexible, innovative and diverse themed marketing campaigns and promotional activities both online and offline; and
6. Many destinations have also rolled out diverse facilitation services for the Chinese market, which have enhanced the attractiveness and competitiveness of the destinations.

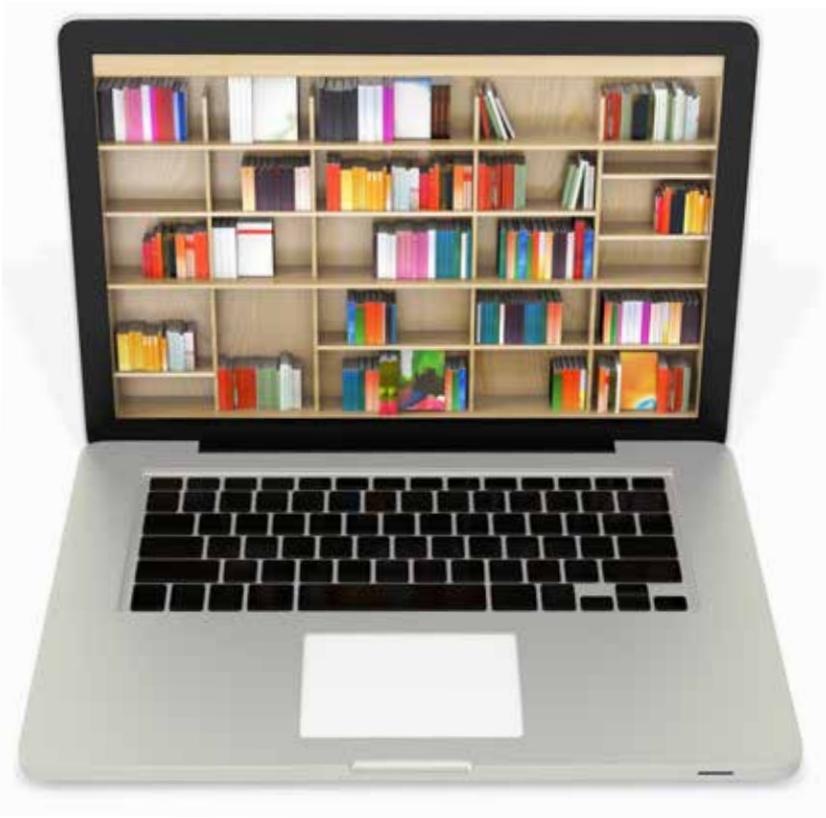
Recommendations: market solutions and approaches to attract Chinese tourists

The report also provides detailed recommendations on strategic planning and marketing approaches when entering the Chinese outbound tourism market. These recommendations draw on the experiences of destinations, featured as case-studies, that have successfully exploited the Chinese outbound tourism market to their advantage. To increase destination awareness or attract more Chinese tourists, national tourism administrations, destination management organizations and tourism stakeholders should take note of the following strategic approaches such as:

1. Studying and appreciating the tourist characteristics and segmentations of sub-markets as the key to successful

exploitation of the vast potential of the main Chinese market. Destinations are encouraged to conduct market research to understand the relevant conditions, structures and dynamics of the Chinese outbound tourism market and to identify and analyse target customer groups;

2. Preparing the destination and local tourism suppliers to welcome an influx of Chinese tourists who have their own travel habits and customs. Before entering the Chinese market, destinations are recommended to evaluate whether their local services and infrastructure is ready and prepared to receive Chinese tourists; “China ready” is not a simple slogan but rather it points out to the capacity of the destination to meet the demand;
3. Developing a phased market entry plan and a regional market penetration plan to explore market potential. For destinations that are less known to Chinese tourists, it would be helpful to develop a phased market entry plan with the primary objective of increasing awareness of the destination amongst the Chinese travel trade and tourists;
4. Creating targeted and differentiated products. This is particularly applicable to destinations that are relatively new to Chinese tourists who should work closely with Chinese travel trade partners to develop tailored packages that feature quality services and accurately identify the correct customer segments especially the high-end and experienced Chinese customers in tier 1 tourist-generating regions;
5. Building close and long-lasting relationships with Chinese tourism stakeholders. Chinese outbound tour operators and travel agencies play an important role in the market and are good intermediaries for any destination that seeks to penetrate the Chinese tourism market or attract more Chinese tourists;
6. Promoting the destinations through different local media channels, taking advantage of new technologies destinations are recommended to establish an online presence in China with a Chinese website and an active presence on China’s social media networks;
7. Establishing a presence in China preferably in the main generating areas through national tourism offices, consulates, airline outlets so as to reinforce the marketing and promotional efforts of the destinations;
8. Adopting policies aimed at travel facilitation such as good airline connectivity, smooth and trouble-free visa issuance; and
9. Assuring that safety and security measures are duly respected.



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