TOURISM IN FOCUS

The Chinese Outbound Travel Market
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THE CHINESE TRAVELLER'S JOURNEY

**Inspiration**
Chinese travellers shortlist desired options based on emotional connections to, and images of, destinations.

**Planning**
68% of Chinese look for information online, on travel search engines, (micro)blogs or social media. Price is one of the most searched aspects.

**Booking**
Most travellers book their trip offline, mainly to avoid tedious visa procedures, to be assisted in their first long-haul trip or to fulfill special requests.

**Sightseeing**
Time is a scarce resource for most Chinese. They prefer attractions that make them travel efficiently, such as miniature countries within countries.

**Staying**
Chinese prefer to economise on food, accommodation and transportation, but they become lavish when it comes to shopping.

**Travelling**
Travel peak periods are in January-February, June-July and October. A trip to Europe lasts on average 8-15 days.

**Technology**
Chinese travellers make extensive use of digital technology, also while on travel. 2/3 of Chinese use blogs or have a personal web space.

**Likes & dislikes**
Chinese tourists visiting Europe most like its arts and culture, small cities and blue skies. They are frustrated about barriers to use their language or credit card.

**Sharing**
Once back home, Chinese travellers share their experience in person or on social media (Sina Weibo, Tencent, etc.) as a way to improve their status.
1. THE CHINESE OUTBOUND TRAVEL MARKET - AN OVERVIEW

- In 2014, China has overtaken the USA as world’s largest outbound travel market, both in terms of generated arrivals and total travel expenditure. Thanks to a massive population, rising disposable incomes, rapid urbanization and relaxation of restrictions on foreign travel, China is now the largest source of international tourism globally.

- China ranked 7th highest among long-haul markets in terms of per-trip spending in 2013. Chinese travellers spent on average €1,000 per trip (US$1,400), a value dragged down by their preferences for short-haul travel and all-inclusive tours. Spend per trip can be considerably higher for long-haul travel and high value travel segments.

- With an economic growth exceeding that of other emerging economies, the Chinese middle-class has expanded massively over the past decades. Yet, for 9 in 10 Chinese households income was still lower than €15,000 a year (US$20,000) in 2013, what weights Chinese outbound travel towards short-haul destinations.

- 85% of Chinese international travel is to major city destinations, which typically receive almost a half of all Chinese travel in the respective country. This fits well with a popular travel mode of Chinese tourists, that is package trips involving group tours with multiple destination stops.

- China’s population is ageing. Empty nesters – families whose children are economically independent – are expected to be one of the fastest growing segments for outbound travel.

Sources: (a) UNWTO; (b) IHG; (c) Tourism Economics; (d) UNPD; (e) Boeing; (f) ETC & UNWTO.
2. CHINESE TOURISM TO EUROPE

- In 2015, 12 million tourists from Mainland China visited a destination in Europe and stayed for over 40 million nights\(^{(a)}\), staying between 1 to 3 nights per country visited\(^{(b)}\). These volumes are **forecast to increase** between 7% (arrivals) and 9% (nights) in 2016\(^{(a)}\).

- The **major urban centres** of Beijing, Shanghai, Guangzhou and Shenzhen account for most of the outbound travel demand among Chinese, but demand from smaller cities and towns is also growing fast\(^{(b)}\).

- 4 in 5 Chinese arrivals to Europe are directed to a destination in the European Union. Destinations in **Western Europe account for over half of all arrivals** from China to Europe. Destinations in Eastern and Central Europe also appeal to many Chinese (around 20% of all arrivals)\(^{(c)}\).

- 1 in 5 Chinese travellers books online. Chinese travellers make **extensive use of digital technology** also while on travel. 2/3 of Chinese use blogs or have a personal web space, almost a half uses social networks and email and 83% use instant messaging\(^{(c)}\).

- The role of the **arts and culture** in creating emotional connections with Chinese travellers can hardly be overestimated. Europe is well known for its historical and cultural heritage, as well as more recent cultural references such as movies\(^{(b)}\).

- When travelling in Europe, **Chinese travellers value** the safe environment, clean air and blue sky. They also like to sample local cuisine, but beyond that they prefer Chinese food. Anything Chinese met during the Europe trip fascinates them\(^{(b)}\).

- Prior to travel, Chinese visitors need to obtain a visa (up to 15 days, €60). The Schengen visa scheme gives Chinese travellers the benefit to access **25 countries with a single visa**\(^{(c)}\).

Sources: (a) Tourism Economics; (b) ETC & UNWTO (2); (c) ETC; (d) UNWTO (2).
3. **CHINESE TRAVELLING TO EUROPE – A PROFILE**

- Most outbound travel from China to Europe is **generated** in the major urban centres of Beijing, Shanghai, Guangzhou and Shenzhen(a).
- Chinese travellers to Europe tend to be **older** than the average outbound traveller (35-60 age band has the highest proportion)(b).
- Chinese visiting Europe **spend** on average between €1,500 and €3,000 per trip. Chinese are notoriously price conscious, but they become lavish when it comes to **shopping**, to which they allocate typically 1/3 of their travel budget, a much higher share than any other market(a).
- The incidence of **first time overseas travellers** still accounts for the majority of Chinese visiting Europe, but the proportion is declining (65% to 59% between 2011 and 2012)(c).
- **Package trips** are especially appealing to new travellers, as they provide a solution for cultural barriers (e.g. a guide who speaks their language), a time-effective solution to capture the best of Europe (pre-defined itinerary) and the company of fellow tourists. Further, package trips meet their need to economise on travel items not relevant to them (airfares, accommodation rates, and fees)(b).
- This heightened understanding of tourist destinations around the world is giving rise to a **growing sense of prestige** among the Chinese about the type of trip. Frequent travellers consider package tours as inferior products compared to independently organised travel(c).
- The Chinese outbound travel market is fragmented into a wide range of **sub-segments and niches**. Given the scale of the Chinese market, even niche segments offer a relatively large volume of demand(d).
- **Chinese travelling to Europe can be grouped into five tribes**, with shared values and a sense of boundaries towards the other groups (see below)(d).

Sources: (a) UNWTO & ETC (1); (b) IHG; (c) ETC; (d) UNWTO & ETC (2).

<table>
<thead>
<tr>
<th>Tribe</th>
<th>Traditionalists</th>
<th>Wenyi Youth</th>
<th>Experience centred</th>
<th>Connoisseurs</th>
<th>Hedonists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated share of travellers*</td>
<td>70%</td>
<td>10%</td>
<td>10%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Why they travel</td>
<td>Prestige</td>
<td>Freedom, uniqueness</td>
<td>Togetherness, curiosity</td>
<td>Aesthetic, knowledge</td>
<td>Pleasure</td>
</tr>
<tr>
<td>Mode of travelling</td>
<td>Tour group</td>
<td>Backpacking</td>
<td>Backpacking, independent driving</td>
<td>Independent driving</td>
<td>City travel, shopping</td>
</tr>
<tr>
<td>Travel with</td>
<td>Tour group</td>
<td>Alone or with friends</td>
<td>Alone, with family or in 'in-depth travel' tour groups</td>
<td>With partner or family</td>
<td>With friends</td>
</tr>
<tr>
<td>Must have on a trip</td>
<td>Camera</td>
<td>Notebook, favourite, book, mp3-player, internet device</td>
<td>Guidebook, phrasebook, electronic dictionary</td>
<td>Camera with equipment, specialized guidebook, laptop</td>
<td>Their parents’ credit card</td>
</tr>
</tbody>
</table>

* Refer to researchers’ estimated share of travellers based on the netnographic analysis.
4. CONNECTIVITY

- Air transport is the dominating form transport for Chinese travellers. Growth in this sector will push Chinese outbound tourism even further. The Chinese Government’s 2010 aviation strategy indeed aims to turn China into a strong global player in the next 20 years, with three pillars for achieving this goal: internationalization, mass air travel, and safety(a).

- In 2011, 180 airports were currently open to commercial aviation in the country, 16 of which with a passenger throughput of 10 million. 51 additional airports were planned during the Five-Year Plan 2011-2015. Many of the new airports were planned as secondary airports located in less-developed regions(a).

- China set a target of 244 airports by 2020, with a total of over 300 million passengers a year at present and a forecast growth rate in domestic air demand of 8% a year to 2028, fuelled by strong economic growth, market liberalisation and fast urbanisation with rising household travel expenditures(b).

- China’s consolidated ‘big three’ airlines (Air China, China Eastern and China Southern) control some 75% of total seats offered in the domestic market today, as well as over 90% of the international capacity operated by mainland Chinese airlines(a).

- As of September 2010, 23 airlines operated 471 weekly flights between Chinese and European airports (Russian Federation excluded), with a capacity of 140,000 seats(c). New routes to Europe are continuously introduced and the number of flights has also increased steeply. Yet, until market liberalization progresses, foreign airlines may not be granted greater access to the Chinese market as long as China’s ‘big three’ carriers are unable to compete more effectively(a).

Sources: (a) ETC & UNWTO (1); (b) Boeing.
5. DISTRIBUTION AND MEDIA

- In China there are currently some 25,000 licensed travel agencies, only 8% of which are allowed to operate in outbound tourism. These agencies are mainly gathered around Beijing and Shanghai, as well as in Zhejiang and Jiangsu provinces.

- In the sector specialization is on the rise, as travel agencies increasingly focus on niche segments. Specialisation is leading to market concentration and increased efficiency.

- The 5 largest operators (by revenue) in the outbound travel retail sector are China National Travel Service (HK) Group Corporation, Ctrip Travel Group, Overseas Chinese Towns Enterprise Co., JinJiang International Holdings Co., Ltd and Beijing Tourism Group (BTG). 3 of these are state-owned.

Thanks to the massive development of e-commerce in China, (687 million Internet users at the end of 2014), online sales of travel products and services have expanded rapidly in the last decade.

- Ctrip.com is China’s leading OTA, with 46% market share and listed on NASDAQ. eLong’s, whose main shareholders are Expedia (56%) and Tencent Holding (16%), is the second largest, followed by 17u.cn, a Chinese online travel service provider created in 2004.

- The social media landscape is different in China compared to Europe: Sina Weibo and Tencent Weibo are the main microblogging platforms in China. Baidu is the main search engine.

Sources: (a) EUSEM; (b) World Bank.

THE DREAM, TRAVEL AND TOURISM

The Chinese Government seems to actively supporting outbound tourism, as exemplified by two initiatives taken in 2013. In October the Government passed the China National Tourism Law, making it illegal to sell tours below cost and to engage in the practice of “forced shopping”. The second initiative in that year was the concept of the Chinese Dream introduced by the Communist Party General Secretary Xi Jinping. Xi exhorts young people to “work assiduously to fulfill the dreams and contribute to the revitalization of the nation”. In this view, leisure and tourism act both as facilitator and manifestation of the Dream, which was mirrored for instance in air routes expansion and other initiatives.

Despite Government’s support, China’s travel industry remains highly regulated. No foreign travel agency is allowed to operate outbound travel services for Chinese nationals. The newly established Shanghai Pilot Free Trade Zone, used as a testing ground for a number of economic and social reforms, is a promising sign of future liberalization. The zone introduces a number of reforms designed to create a preferential environment for foreign investment, tourism companies (leasing and business services and travel agencies) included.

Source: (a) ETC; (b) Wikipedia.
6. COMPETITION

- Beyond Asia and the Pacific, who receives 63% of all arrivals from China (travel to Hong Kong, Macao and Taiwan excluded), Europe is the **second largest destination region for Chinese** travellers (26%) followed by Americas with a share of 8% of total departures\(^{(a)}\).

- With respect to performance and marketing investment in the Chinese market, the **USA and Australia** stand out as Europe’s toughest **competitors**. Both destinations have extensive Chinese language programmes - both as marketing campaigns and in the delivery of tourism products and services in the destination\(^{(b)}\).

- In 2011, Tourism Australia, in collaboration with industry and government stakeholders, launched the **China 2020 Strategic Plan**, to ensure Australian tourism remains competitive in the fast growing market for outbound travel from China\(^{(c)}\).

- The Brand USA’s activities in China are supported by **enhanced travel facilitation from China to the USA**, as for instance the announced reciprocal visa validity arrangements, whose aim is to increase the validity of short-term tourist and business visas issued to each other’s citizens from one to ten years\(^{(d)}\).

- **Traditionally-held perceptions** of Europe, the United States and Australia in China are that Europe is rich in cultural heritage, tradition and luxury, the United States represents wealth, modernity and popular culture, and Australia offers a natural environment and a relaxed lifestyle\(^{(b)}\).

- Europe and the United States are top of the list in terms of choice as first time overseas destinations. The **United States** is seen by the Chinese as being **more attuned to Chinese tourists’ needs**. The USA enjoys a comparative advantage in terms of tourism business environment and infrastructure too\(^{(b)}\).

- **Australia** features comparative advantages in terms of **proximity, lower travel costs** as well as human, cultural and natural resources\(^{(b)}\).

- **Historical culture and heritage are Europe’s key assets** in the current scattered positioning of Europe. The challenge of any future marketing initiative will have to improve coordination among destinations and shift this positioning to highlight Europe’s contemporary vibrancy, enterprise and innovative experiences that Europe can offer beyond the popular introductory tours of iconic tourist sites\(^{(b)}\). The danger, if this doesn’t happen, is that the image persists of “a heritage theme park” suitable for once-in-a-lifetime visits only.

Sources: (a) UNWTO (2); (b) ETC; (c) Tourism Australia; (d) The Brand USA.
7. CHINA’S ECONOMY

- China has had a remarkable period of rapid growth shifting from a centrally planned to a market based economy. Today, China is world’s second largest economy by nominal GDP\(^{(a)}\). Paired with the economic growth was the development of modern urban centres and the expansion of China’s middle class and affluent consumer group (see box at the bottom).

- Rapid economic ascendance has brought on many challenges as well, including high inequality, rapid urbanization, challenges to environmental sustainability and external imbalances. China also faces demographic pressures related to an aging population and the internal migration of labour\(^{(b)}\).

- Significant policy adjustments are required in order for China’s growth to be sustainable. China’s 12th Five-Year Plan (2011-2015) forcefully addressed these issues. It highlighted the development of services and measures to address environmental and social imbalances, setting targets to reduce pollution, to increase energy efficiency, to improve access to education and healthcare, and to expand social protection. Its annual growth target of 7% signals the intention to adopt a new model for growth, with a focus on quality of life, rather than pace of growth\(^{(b)}\). The soon-to-approve 13th Five-Year Plan (2016-2020) is expected to focus on measures securing a middle-high economic growth target\(^{(c)}\).

- Critical among the objectives of China’s recent Five-Year Plans is the aim to reorient the economy towards consumption-led efficiency-focused growth. This is expected to render some tectonic shifts in the country’s economic structure, including the expansion of the services industry. Hence, this will favour sectors such as Tourism, Consumer electronics, Food and consumables, and IT services\(^{(d)}\).

Source  \(^{(a)}\) IMF; \(^{(b)}\) World Bank; \(^{(c)}\) Wall Street Journal; \(^{(d)}\) EU-China Economic Observatory (2014).

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**HIGH NET WORTH (HNW) INDIVIDUALS**

In 2014, Asia and the Pacific edged past North America to become the world region with the largest number of HNW individuals (nearly 5 million individuals holding €11,9 trillions). After Japan, China is the country with the largest HNW individuals’ population in the region\(^{(a)}\). Most of China’s HNW individuals are relatively young (between 40 and 50 years old), come from modest origins and accumulated wealth swiftly, with no intermediate middle-class stage. Despite their pride in their personal successes, the first generation of HNW individuals are cautious about the future, while the second generation of HNW individuals, enjoys showing off their wealth. Both generations appreciate tangible rewards of their hard work, such as consumption power, exclusive access and social status. In this sense, Chinese HNW individuals greatly value those services and life-style symbols associated with a status of prestige and wealth, which makes them among the largest consumers of luxury goods in the world\(^{(b)}\).

Source: \(^{(a)}\) Capgemini, \(^{(b)}\) Accenture.
8. TRADE IN SERVICES

- China’s services sector trade remains a story of tourism. The sector remains the main driver of the services deficit, which hit a record high of €81 billion (US$89bn) over the first half of 2015 - more than double than previous year’s deficit. This is both the result of Chinese’s growing appetite for travel, as well as of increasing travel facilitations implemented by destinations. The United Kingdom, for instance, plans to lengthen tourist visas for Chinese nationals from six months to two years, with plans to introduce 10-year visas soon, while one outcome of President Xi’s state visit to the US was to declare 2016 the “US-China Tourism Year”(a).

- There is undeniably a structural shift in outbound tourism, a trend that is likely to continue as long as China is able to maintain its structural rebalancing, that is the shift towards a service based economy and domestic consumption, and wages continue to grow. Even if growth decelerates more than expected, growth in “tourism imports” will still rise, as travel has becomes a consolidated habit of Chinese middle and upper class(a).

Trade between EU and China

- The European Union and China are two of the biggest traders in the world. China is now the EU’s 2nd trading partner behind the United States and the EU is China’s biggest trading partner. EU-China trade has increased dramatically in recent years. China is the EU's biggest source of imports by far, and has also become one of the EU's fastest growing export markets. China and Europe now trade well over €1 billion a day. Bilateral trade in services, however, only amounts to 1/10 of total trade in goods, in part also due to remaining market access barriers in China(b).

Sources (a) EU-China Economic Observatory (2015); (b) European Commission, Trade.

Figure 1 – China’s Services Trade by Category, 1Q2008-2Q2015*(a).
9. OPPORTUNITIES AND THREATS FOR DESTINATIONS IN EUROPE

**STRENGTHS**
- Well preserved historic attractions
- World-class cultural heritage
- World-class luxury brands
- Rich natural heritage
- High level of tourism product sophistication
- Highly developed tourism infrastructure
- Friendly people
- Diversified portfolio of themed tours appealing to Chinese niche segments
- Diversity of landscapes
- Small, less crowded cities
- Well protected environment, "blue skies"
- Travelling to Europe enhances social status
- Safety and security

**WEAKNESSES**
- High prices (accommodation, food)
- Tedious Visa application process
- Lack of information in Chinese language
- Lack of human resources fluent in Chinese language
- Lack of compatibility with Chinese credit cards providers
- Tourism infrastructure is old compared to Chinese standard
- Few, close-by entry points by air
- European culture and sights is not presented in a suitable context (Chinese perceive everything in a context)
- Limited knowledge of Chinese about European history and geography
- Vast cultural differences lead to various misunderstandings

**OPPORTUNITIES**
- Ballooning middle class
- Improved connectivity within China
- Long-haul air routes expansion
- Relaxation of Visa procedures
- A growing desire to spend money on leisure activities
- Increased time for leisure activities
- Increased financial resources for leisure (a growing middle-class)
- Sophistication of Chinese travellers
- Increased demand for high-end products
- Increase in demand for studying in Europe

**THREATS**
- Fluctuations in China’s economy
- Strong competitors (USA attracts students and business visitors from China)
- Deteriorated security perception after terrorist attacks
10. REFERENCES


Note: when needed, conversions in EUR were made using the ECB end-of-period annual exchange rates for the reference year. Exchange rate series can be accesses here: http://sdw.ecb.europa.eu/browse.do?node=2018794.