

Chinese Outbound Tourism Trends & Opportunities

CHINA
LUXURY
ADVISORS



California Association for
Local Economic Development

A woman with long dark hair, wearing a black leather jacket and a black skirt, is sitting on a stone ledge. She is holding a bright green handbag with a chain strap. The background shows a park-like setting with trees and a body of water. The image is dimmed to serve as a background for the text.

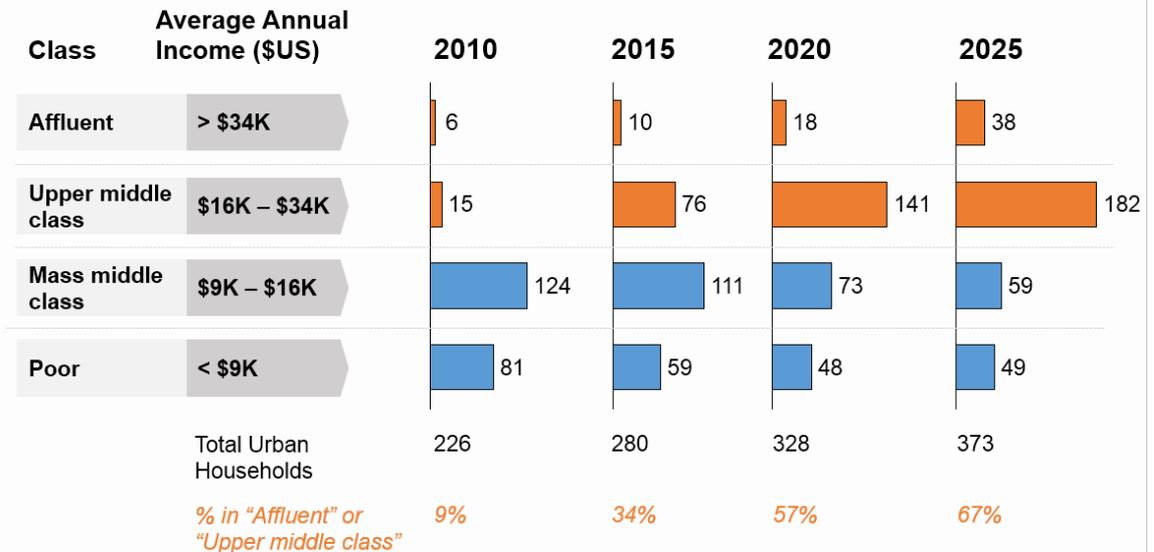
Chinese Outbound Tourism Overview

China: A Global Economic Power

- Sustained periods of rapid GDP growth.
- Dramatic increase in wealth.
- Gradual loosening of control over citizens' travel overseas.
- Rise of China as a global economic power.

China's Middle Class: >230M Affluent or Upper Middle Class Households by 2025

Urban households in China (million)



Source: Based on McKinsey analyses for 2000, '02, '10, '12, '20, '22, and Mobile Forward estimates

The Status of Chinese Economy

CHINA GDP

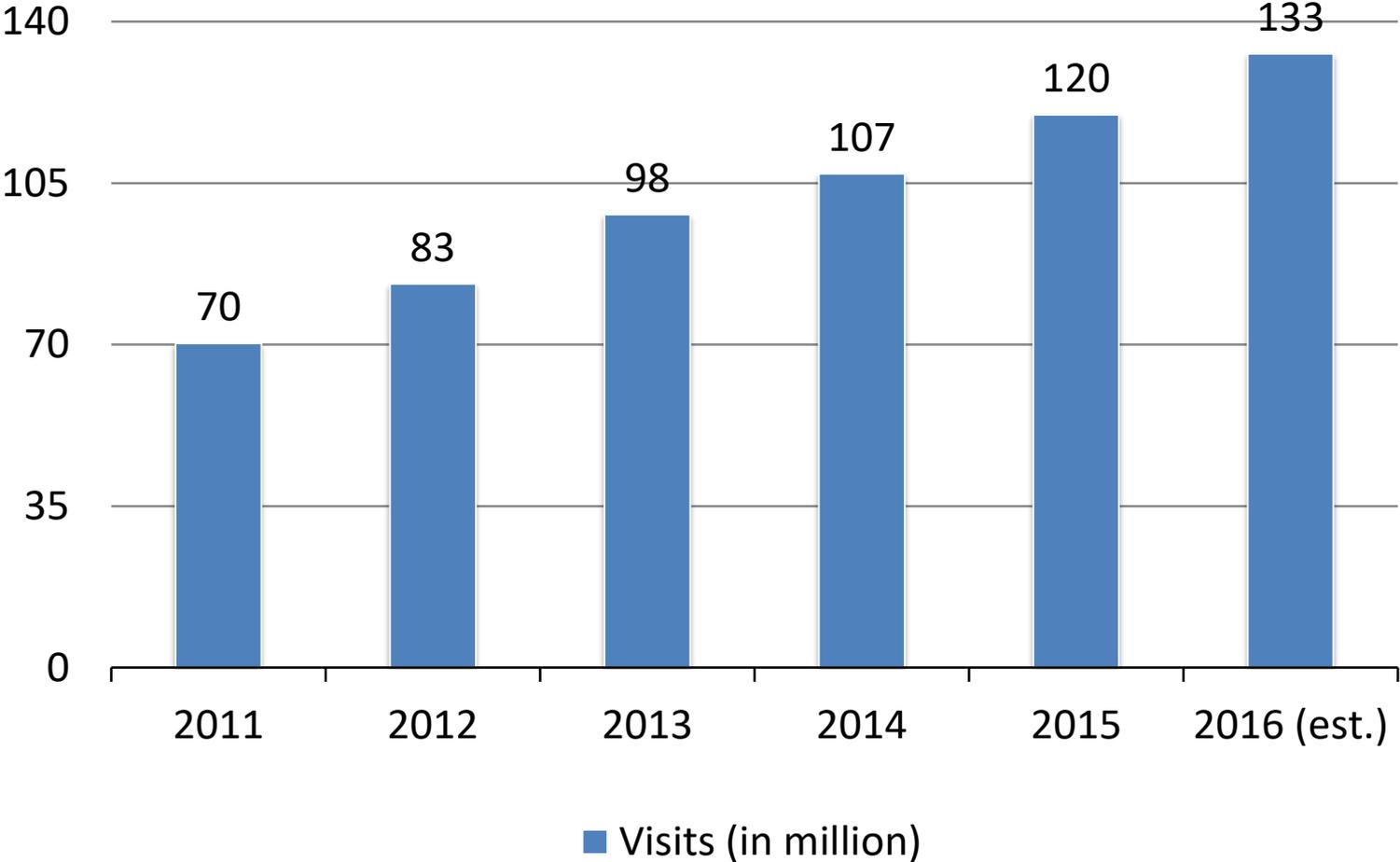


SOURCE: WWW.TRADINGECONOMICS.COM | WORLD BANK

Steady Growth in Volume

China Outbound Market Growth

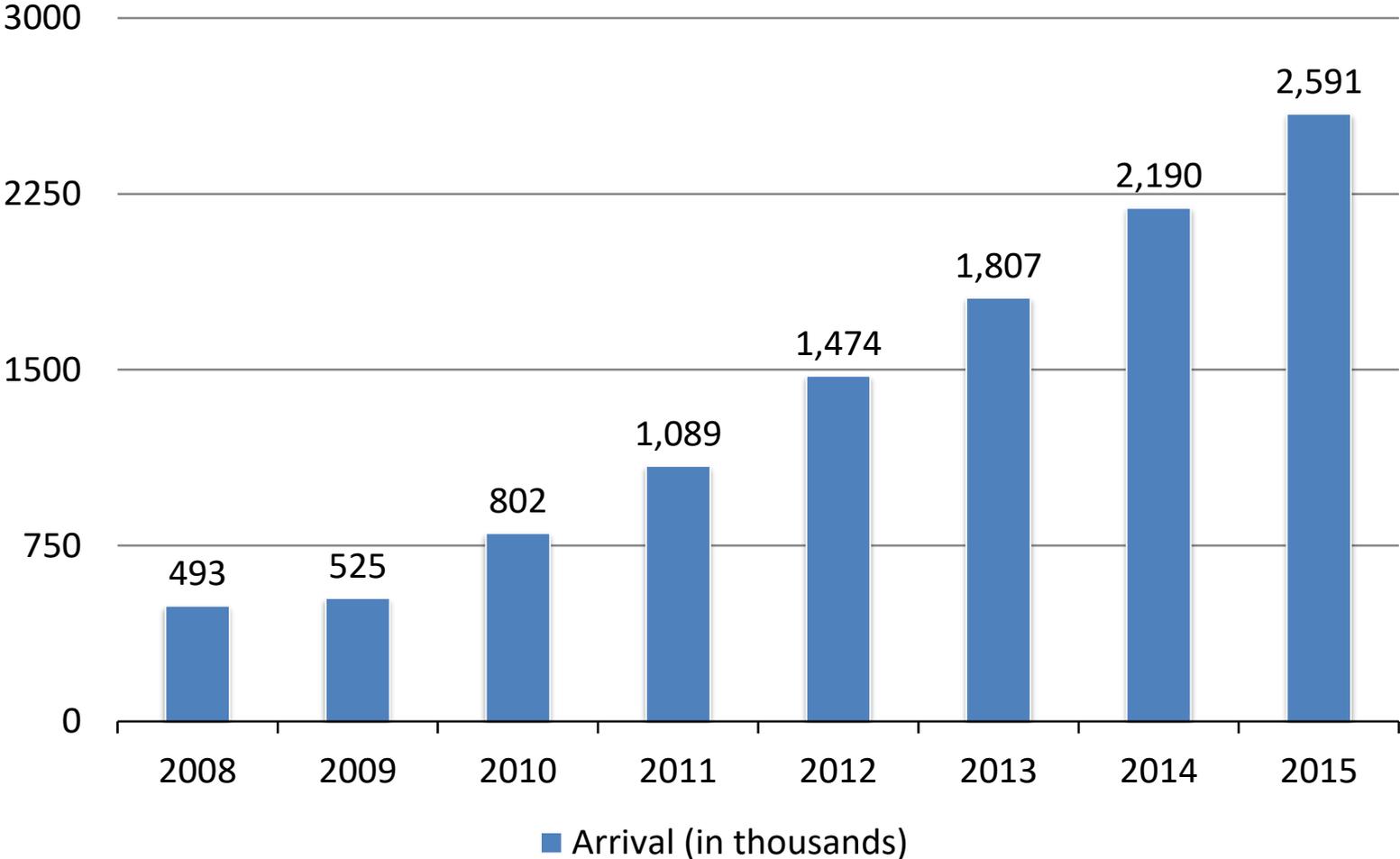
Outbound Visits from Mainland China



Source: Chinese National Tourism Administration Tourism Academy

Inbound Growth into United States

Arrivals in United States from China 2008-2015



Source: U.S. Department of Commerce, National Travel and Tourism Office

Highest Spender in the U.S.

Country	Spending (in billions)	YoY Change
China	26.9	+12%
Canada	22.1	-16%
Mexico	18.9	+1%
Japan	16.6	-6%
Brazil	13.6	+1%
UK	12.6	-7%
India	10.6	+8%
South Korea	8.8	+13%
Germany	6.8	-8%
France	5.7	-3%

Spending in United States from International Markets, 2015

Source: U.S. Department of Commerce, National Travel and Tourism Office

Key Factors Driving Chinese Arrivals

- **Miniscule U.S. Market Share:** .15% of China's population and 2% of Chinese travelers to U.S.
- **US Destination Satisfaction:** the U.S. tops list of most satisfying destinations for Chinese
- **Positioning:** the U.S. has the highest intent to visit of any long-haul destination
- **Streamlined US Visa Interview Process:** Under 5 days with 10-year visa now available
- **Growth in Airlift:** 35% increase in lift from China to the U.S. in 2015 now with XX China gateways
- **Booming Online and Social Media Channels:** 688M online netizens with 594 million via mobile
- **Exploding Secondary Markets:** Over 100 cities with populations of over 1 million
- **Booming FIT:** with massive growth potential beyond the traditional U.S. gateways
- **Rapid Growth of MICE Market:** Perfect China (7,000 pax) Amway (9,000 pax)
- **Huge Growth in Niche Travel:** Golf, ski, study abroad, real estate, medical tourism etc.
- **Spend:** Per visitor per day already leads all overseas markets
- **Arrivals:** #1 overseas market for the U.S. within 5 years
- **U.S. China Year of Tourism 2016:** unique opportunity to activate all travel agents nationwide

China Market Growth Projection

- Despite the recent slowdown of Chinese GDP growth and market volatility, outbound tourism from China will continue to grow as more Chinese join the rank of middle-class.
- Many Chinese middle-class families view travel as a necessary adjustment of lifestyle and investment.
- The 10-year visa policy will further incentivize consumers to visit the United States.
- Despite the meaningful impact on tourism growth, only a small percentage of Chinese population has visited the U.S.

A woman with long dark hair, wearing a black leather jacket and red shoes, is sitting on a stone ledge. She is holding a bright green handbag with a chain strap. The background shows a park-like setting with trees and a body of water. The image is dimmed, and the text "Chinese Tourism Trends" is overlaid in white.

Chinese Tourism Trends

Group Travel is Evolving

- High-end groups are shrinking in size.
- VIP groups are seeking ways to offer more luxury experiences to differentiate their product offering and justify price increases.
- Blurred lines between individual and group tour.
- Convention and business travel market (MICE) is growing rapidly.
- Multi-generation family private groups is a key driver in peak travel season.



Group Travel is Evolving



Hats & Flags

Two star hotels

10 days, 10 cities

Tour buses



Road trips

Four/Five star hotels

National Parks

Foodie Tours

Package vs. Semi-FIT vs. Private Group



Package



Semi-FIT



Private

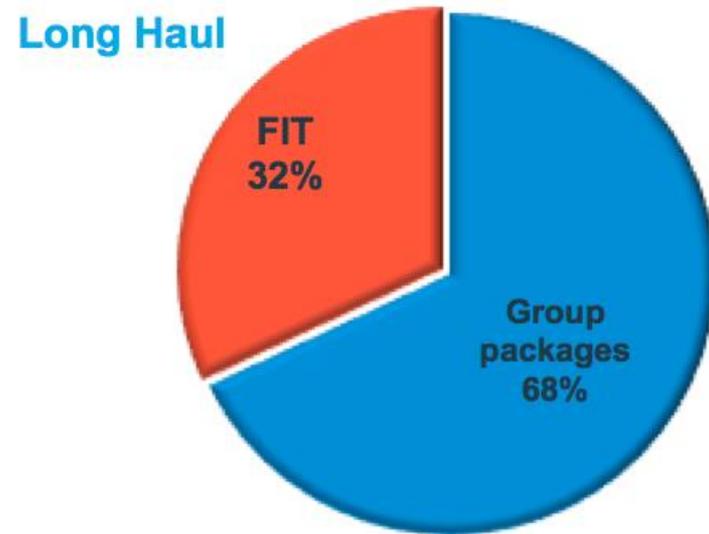
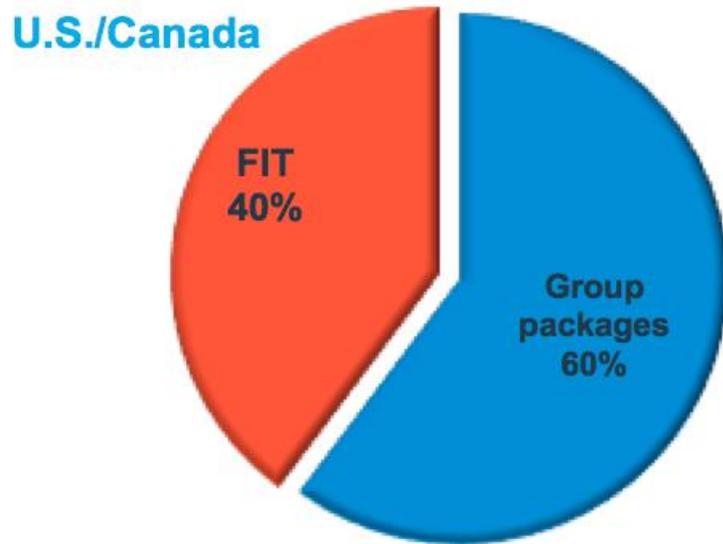


Independent Travel is Rising

The future growth from Chinese outbound tourism will be led by an entirely new generation of free independent travelers (FIT), who are in search of **novel experiences** rather than a laundry list of the usual attractions. These independent travelers demand more **individualized travel products** and services, requiring DMOs to target them with a range of strategies and communication channels.



Group/FIT Ratio



Question: A4. On this trip, did you travel with an escorted tourist group, where the majority of in-destination transport and activities were led by one or more tour guides?

Base: U.S./Canada (N=497); Long Haul (N=1,432)

Source: Phocuswright's *China Unbounded: The Rapid Rise of China's Outbound Millions* Special Project

Who are China's FITs

“More often than not, China's FITs are young, well-educated and relatively affluent.” TripAdvisor



Travel Motivations

56%

**REST &
RELAXATION**



47%

**NATURE,
CULTURE &
HISTORY**



42%

SHOPPING



DESTINATION CRITERIA

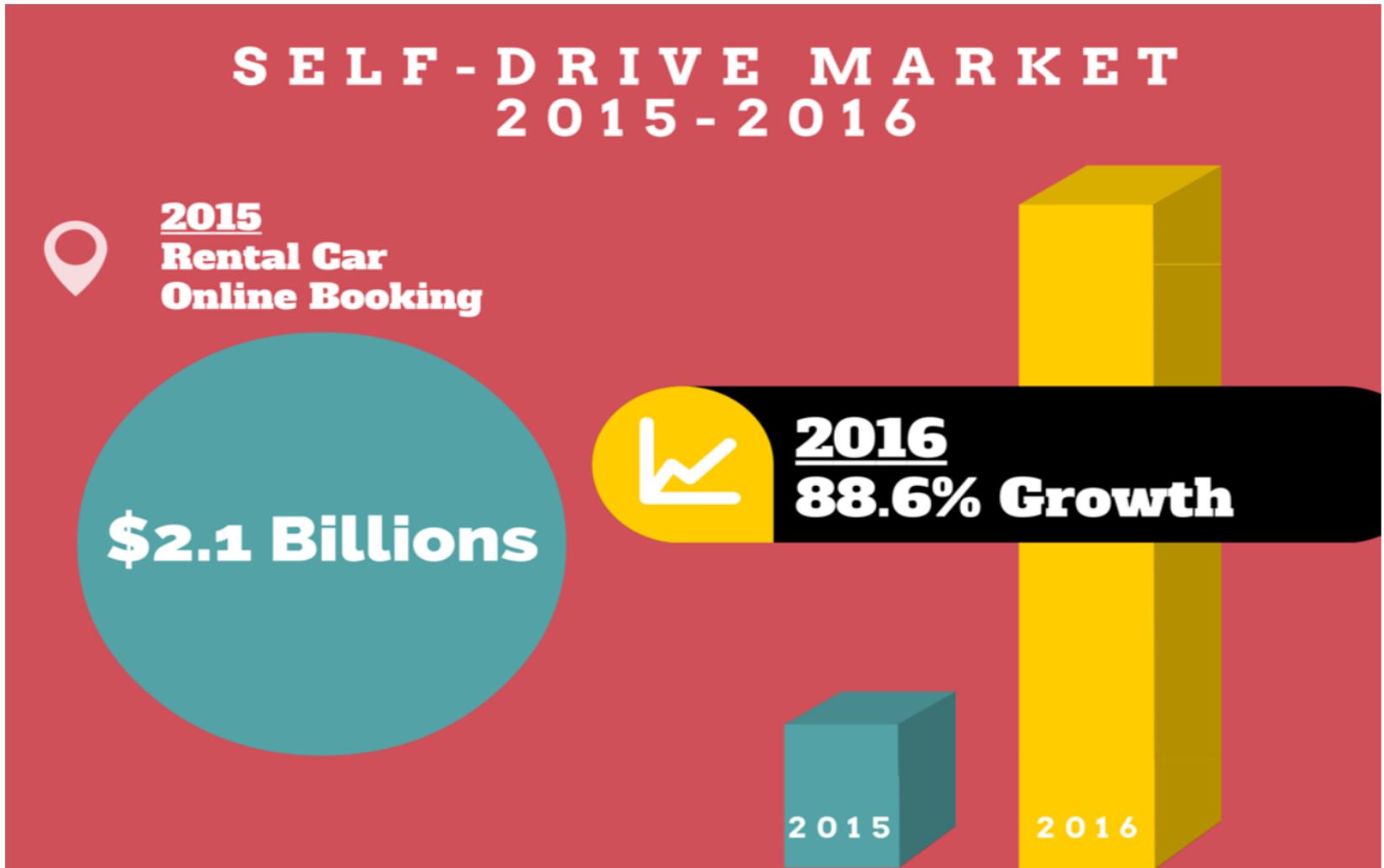
SAFE AND POLITICALLY STABLE	65%
CLEAN WITH LOW POLLUTION	36%
NATURAL FEATURES AND LANDSCAPES	35%

Source: TripAdvisor China Unbounded

Travel Journey



Self-Drive Market is Booming



The FIT Market Outlook

20% INCREASE
IN OUTBOUND
LEISURE TRIPS
YEAR-ON-YEAR*

≈US \$205.7
BILLION
TOTAL TRAVEL
EXPENDITURE

In the next 2 years, nearly half of outbound Chinese FITs plan to take more trips

52% for a
LONGER
period

54% with a
BIGGER
budget

Source: TripAdvisor China Unbounded

Demographic is Changing

- According to Qyer, **87%** of Chinese travelers are under the age of 40, and 80% of whom has a Bachelor degree or above.
- Two thirds (66%) of this group belong to the high-income bracket, their financial standing is expected to increase as their careers advance.
- Millennials are outspending their parents and grand parents by as much as 40%.
- Millennials will drive 55% expansion in China's consumption spending over the next 5 years.

(source: China Daily; National Bureau of Statistics of China)



Prime Target Audience

Chinese Millennials: The \$264 Billion Tourism Industry Target

"Chinese millennials earn, spend and travel more than previous generations."



They Love Travel

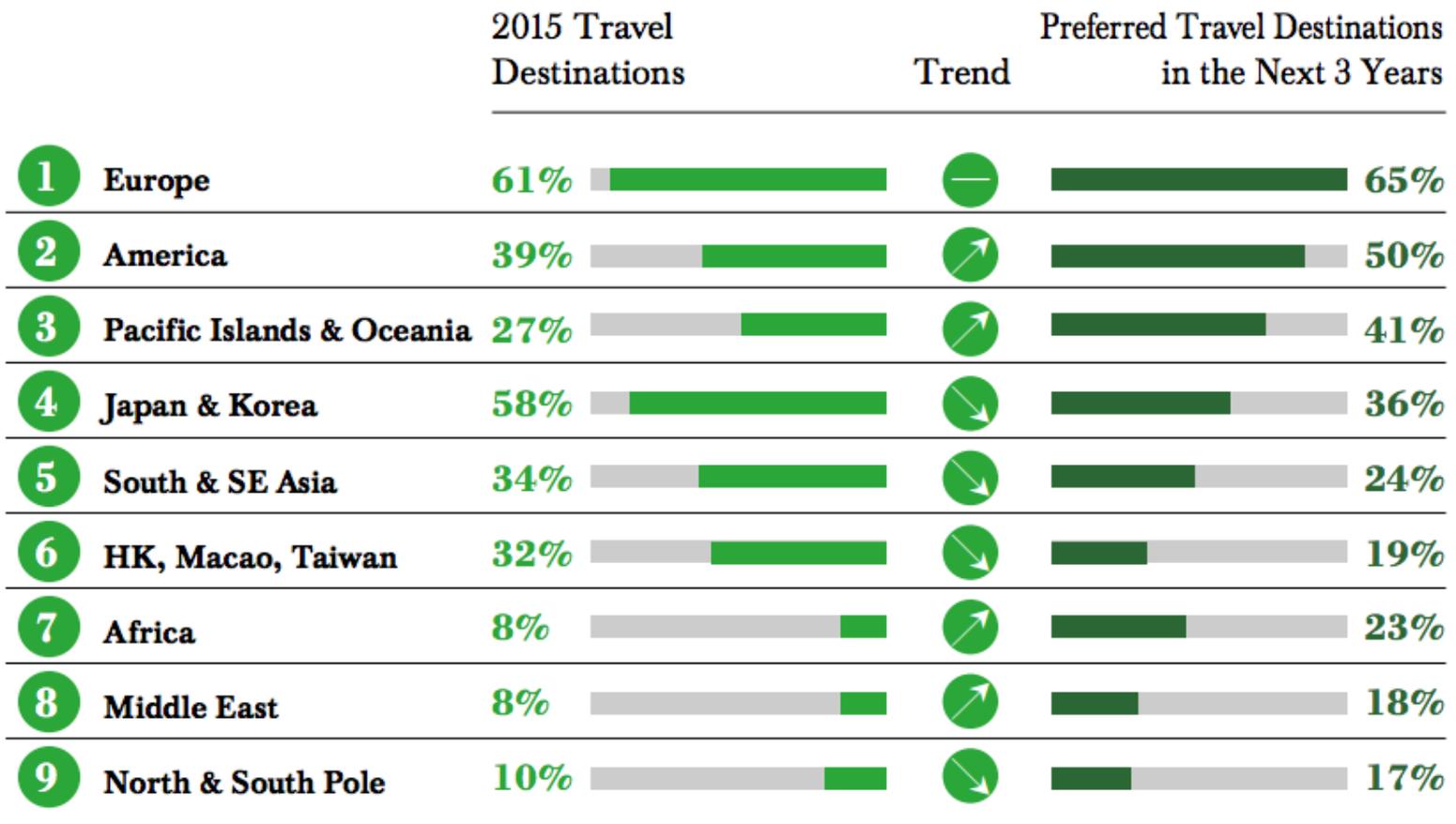
TOP 10 LEISURE ACTIVITIES



1	TRAVELING	48.5%
2	COMPUTER/ INTERNET	43.5%
3	WATCHING MOVIES	39.2%
4	EATING/ CUISINE	32.7%
5	SHOPPING	32%
6	USING MOBILE PHONES	31.9%
7	WATCHING TV	31.7%
8	VACATIONS	27.1%
9	SLEEPING	25.4%
10	READING	24.5%

They Like to Visit America

Travel Destinations in the Next Three Years



Definition of Luxury is Shifting

For many affluent Chinese, the definition of luxury is shifting from conspicuous spending to experiential luxury.

According to an annual China Luxury Forecast by Ruder Finn Public Relations, affluent mainland Chinese consumers plan to spend more on travel than on luxury goods in 2015, marking the second year in a row this has been the case.



Love of National Parks



Yellowstone National Park hired three Chinese speaking rangers in summer 2016 to help meet the demand from the growing number of visitors.

Growing Skiing Population



Skiing is considered a status symbol by China's elite class. Fashion often plays an equally important role.

Winter Olympics



After it became the host country of the 2022 Winter Olympics, the Chinese government has launched a nationwide initiative to transform 300 million non-skiers into winter sports enthusiasts.

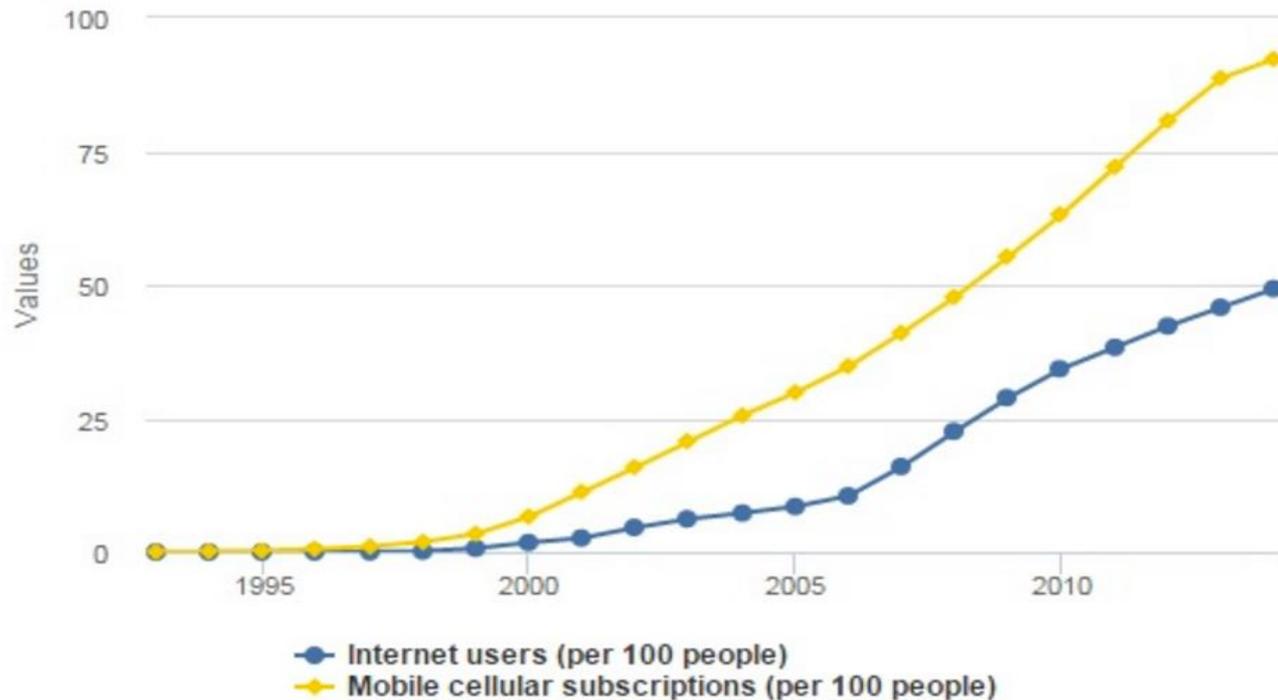
Mobile, Mobile, Mobile

- China's smartphone penetration rate is nearly 70%.
- A majority of Chinese consumers access the Internet and consume media through their smartphones.
- Many Chinese consumers prefer to research, communicate and make transactions within one platform. Mobile is the preferred platform for booking.
- WeChat is currently the dominant social media and communication platform in China, with 840 million monthly active users.



Soaring Mobile Subscription

Internet users and mobile subscriptions 1993 - 2014



China's Life Operating System



More than 840
million monthly
active users



55% of users
open WeChat
more than 10X
per day



93% penetration in
China's Tier 1 cities

Credit Card & Mobile Payment



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Attract Chinese Outbound Travelers Best Practices

Best Practices

Update your website with Simplified Chinese Information

- Translate introduction and key facts
- Place driving directions and instructions for parking/entrance
- Indicate whether your location has Chinese information on-site and whether there are Mandarin speakers
- Indicate that you have passed the China Ready Designation if applicable
- Make sure your site can be easily accessed by mobile
- Link to any relevant articles, social media or other Chinese resources
- Ensure loading speed and Baidu search-ability

Best Practices

Audit Travel Forums and Create Pages and Updates

- Audit China travel forums for business presence
- Analyze pros and cons of comments
- Add official pages/listings on travel forums
- Post relevant news/updates on the travel forums
- Reach out to travel forum administrators/influencers to provide information

Best Practices

Meet Chinese Travel Trade

- Volunteer to host China FAM trips/
- Host a local receptive operators/tour guide FAM event at your location.
- Build one-on-one relationships with Chinese tour guides/operators.
- Find ways to engage the Chinese travel trade that visit your business.
- Build your own database.
- Maintain ongoing interaction/regular updates and outreach.
- Participate in Sales Missions in China.
- Attend U.S. based travel shows.

Best Practices

Establish Your Profile in Chinese Media

- Host a Chinese media event at your location.
- Distribute news and press release/events to local Chinese media.
- Participate in Chinese media FAM trips.
- Build one-on-one relationships with Chinese media.
- Create media angles that appeal to Chinese media and audiences.

Best Practices

Build a Social Media Presence

- Start Weibo and/or WeChat accounts.
- Create content that is relevant and engaging for Chinese audiences.
- Engage Chinese influencers to increase following.
- Create offline-to-online opportunities: leverage the peak tourism season to build your social media following.
- Develop partnerships that increase following and interest.
- Incentivize sharing to create positive word of mouth associations.
- Utilize WeChat for on-site service enhancements and engagement.

Best Practices

Train Your Staff

- Provide China Ready trainings for your staff
- Create your own list of Do's and Don'ts for Chinese tourists
- Ensure policies and procedures for handling Chinese tourists and travel trade
- Hire Mandarin speaking interns if possible
- Create list of short questions to ask tourists

Best Practices

Engage Visitors Directly

- Engage Chinese visitors — learn how they found you, feedback on your services, recommendations
- Capture contact information for CRM and ongoing communication
- Identify influencers for your location
- Assess mix of group versus individual travel at your business
- Create opportunities to refer friends/family and create positive word of mouth
- Look for avenues to increase loyalty and repeat visits