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SOURCE MARKET INSIGHTS

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THE STATE OF CHINESE OUTBOUND TRAVEL IN 2014

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SKIFT TRAVEL IQ

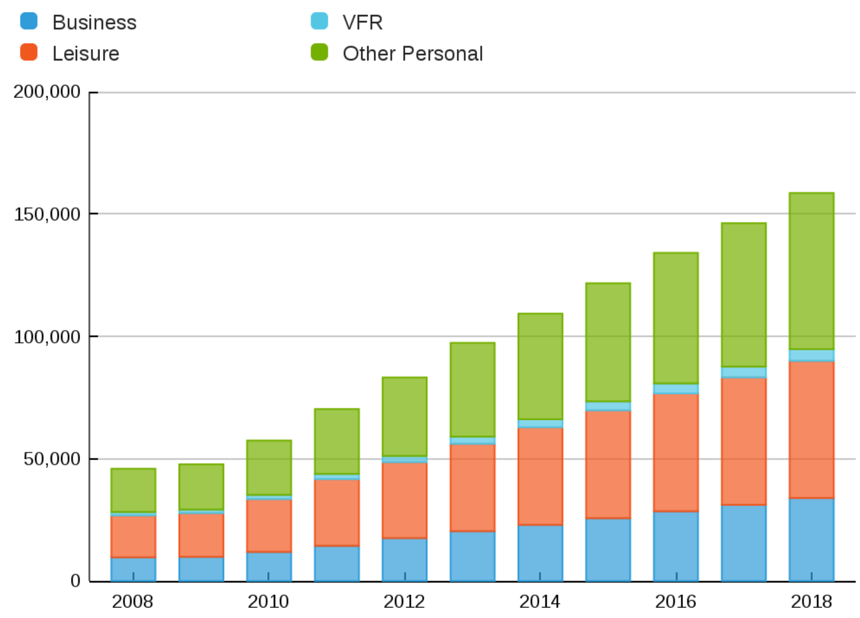
SNAPSHOT

Most key indicators point to the continuing rapid expansion of the Chinese outbound market

- Chinese tourists made more than 97.3 million outbound trips in 2013, more than double the number made in 2009, of 47.7 million. By 2018 the number is forecast to reach around 160 million. Chinese tourists are also now the world's biggest spenders in terms of total spending.
- China's outgoing tourists can be broken into several distinct groups: younger and older travellers, independent and group travellers, the super-rich, and experienced and first-time travellers.
- East and Southeast Asian countries dominate the list of top travel destinations. The two Special Administrative Regions, Hong Kong and Macau, make up a large chunk of total outbound numbers.
- While the Chinese economy has slowed in recent years, it is still expected to expand rapidly over the next half decade, meaning that a large number of Chinese citizens will attain affluence levels conducive to international travel.
- Continuing urbanization means that more and more Chinese will be better connected to the outside world. The government has developed several policies over the past several years (and longer) that are conducive to further expansion of the travel and tourism sector. Air connectivity outside the three largest cities (Beijing, Shanghai, and Guangzhou) is still relatively limited and needs to be expanded in order to encourage outbound travel.

Table 1: Key China Statistics, 2013	
Total Population	1.357 billion
GDP per capita	US$6,807
GDP growth	7.7%
Total outbound trips	97.3 million
Total outbound expenditure	US$129 billion

Figure 1: Chinese Outbound Travel by Purpose ('000s)



Tourist Profile

As outbound travel from China has increased, a few major trends have emerged.

As the outbound market has evolved, it has become increasingly important to differentiate between market segments within Chinese tourism. That said, there are a few important trends which carry across groups.

First, the prestige element is very important among Chinese tourists, especially since outbound travel has only recently become accessible to a sizeable portion of the population. Travellers want to show off to their family and friends. Sharing experiences on social media and bringing gifts home are important elements of this.

Second, online research and planning is increasingly prevalent as more Chinese are connected to the internet, but online booking is still relatively rare. It is estimated that less than 15% of Chinese book online.

Third, most Chinese have very high service standards, and place a high importance on being treated in a respectful and polite manner. They can be disappointed by the service standards found in tourist destinations in the West, especially if most of their past travel has been domestic.

Fourth, independent travel has been growing more rapidly than group tours, a trend that has been reinforced by recent regulatory changes. However, even if they are not travelling on a group tour, Chinese travellers rarely travel completely alone – less than 10% travel by themselves.

A profile of Chinese tourists can be broken down into several major groups: younger and older travellers, independent and group tours, and experienced and first time travellers. The super-rich are also an important segment worth noting.

The following segmentation delineates several groups that are emerging as important market forces. However, there are some important overlapping areas. Older travellers often use package tours. Independent travellers are almost always fairly experienced travellers. First time travellers are both young and old, but almost always travel in a group. The super-rich are usually fairly experienced travellers, and they mostly choose to travel independently.

Despite these overlaps, these groups are still distinct. Examining the preferences and habits of each group is useful for getting a better understanding of Chinese outbound tourist trends.

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TOURIST PROFILE

	Young Travellers	Older Travellers
General points	• Travellers aged 25 to 44 made up 65% of all outbound travellers in 2012, an increase from about 50% in 2007. • They tend to be more comfortable in foreign countries due to better foreign language skills and greater exposure. • They are more optimistic about their future earning potential; as such, they are more inclined to spend on leisure activities.	• The share of all travellers that are over 45 is expected to increase in coming years as the country ages. • Foreign travel was severely limited until the late 1990s; as such, the older generation are very inexperienced travellers. • Most also have limited foreign language skills.
Motivations	• Travel is an opportunity to practice their language skills. • They have been more exposed to the outside world growing up, and now want to experience these cultures first-hand.	• Prestige is important push factor as travel is still a new and exciting activity that they can share with friends and relatives back home.
Planning	• The high level of internet participation among this group makes online travel planning much more prevalent. • They are very engaged with social media, and often use their online social networks to find inspiration and advice.	• Travel is dominated by package tours, so most of the planning is carried out via travel agents. • However, as this generation becomes more comfortable with travel and younger (more frequent) travellers age, more independent travel planning patterns may emerge.
Preferences	• Prefer partial tours or fully independent travel.	• Seeing iconic attractions is important. They want to see as much as possible and do not spend much time at each spot.
Activities and travel habits	• Tend to be more comfortable in foreign environments, and thus are more adventurous travellers. • They are looking for more individual, in-depth experiences related to local culture and their own special interests. • Like to share their experiences extensively on social networks.	• Due to a high price awareness and limited travel experience, they often look for budget-friendly package deals that make the travel experience convenient and stress-free. • Having Chinese-oriented amenities in hotel rooms, Chinese food options, and Chinese language signage is important.
Spending	• Given that many young travellers are from affluent families, their spending habits are less constricted than is typical for young travellers elsewhere.	• They look for the best deal, but they often want the best value for money rather than the cheapest option. • Shopping is a very important element to their trips, and they are keen to bring gifts back home. Brand is very important.

TOURIST PROFILE

Independent Travellers	
General points	• This is a rapidly growing segment, and is likely to see even higher growth in coming years thanks to a new law regarding group tours. • Tend to be more wealthy, both because the wealthy tend to travel more and therefore feel more comfortable travelling independently, and because independently organized travel tends to be more expensive. • Tend to be younger, but almost invariably have travelled before, and a large portion have lived, worked or studied abroad.
Motivation	• Many want control over their itineraries in order to interact with the local culture and have new experiences. • They seek out novel experiences that make them stand out in their social circles. They see package travel as boring or superficial.
Planning	• The internet is a major source of information. Tend to trust opinions voiced on the internet more than corporate marketing. • However, use of travel agents is still prevalent, especially for the actual booking. • Tend to plan more extensively with longer planning time frames. This is partly out of necessity, as individual visas can take a long time to process and require applicants to state where they will stay and when. Also, applying for visas outside the ADS regime requires submission of applications in person, leading to further expenses/inconvenience.
Preferences	• Want unique, individual travel experiences. This makes them seek out uncommon destinations or niche activities.
Activities and travel habits	• Tend to move beyond city centres in search of more interactive and authentic experiences. • Stay longer in one destination to absorb the local culture. • Sightseeing remains important, but relaxing and entertainment have increased importance.
Spending	• Less likely to make travel decisions based solely on price, but travellers still remain very price-conscious and look for deals. • When shopping they are more likely to buy regional or authentic goods, or goods they would be unable to find in China.

A new tourism law will impact the balance of independent and group travel

The new law, which came into effect on 1 October 2013, prohibits outbound group packages that have unreasonably low prices and requires increased transparency for tours' products and itineraries. The law is an attempt to clamp down on agencies that make their profit through commissions from shops on the tour or add-on fees. There were widespread complaints about pressure to shop, unreasonable amounts changed for optional activities, last-minute fees for scheduled destinations, and unannounced changes to the itinerary. The hope is that the new law will improve the quality tours, but it has also had the effect of increasing prices considerably. Demand has consequently declined. In the last quarter of 2013 several key destination markets saw overall arrivals decrease. However, many also reported a rise in independent travellers. As Chinese travellers begin to re-evaluate the costs of group travel, independent travel will likely appear more attractive.

Tourist Profile

	Group Travellers/Package Tours	Super-rich Travellers
General points	• Approved Destination Status (ADS), started in 1995, allows for a special simplified visa for group tours. Since then, this has been the dominant means of international leisure travel. • Group tours are cheaper than independent travel, and as such tend to attract travellers on a budget. • More likely to be first-time or inexperienced travellers.	• Travel is one of the most preferred leisure activities of Chinese millionaires, and one of the biggest areas of consumption. • The Chinese super-rich tend to be younger on average than in the West, with an average age of 36 years. • They are much more likely to be proficient in English than the average Chinese traveller.
Motivation	• Groups tours provide convenience, comfort, and safety. • Removes the hassle of visas and language barriers. • Maximize the number of places visited or activities undertaken.	• Looking for exposure to new cultures. • Sometimes want to invest abroad, often by purchasing property. • Often travel to research schools to send their children to.
Planning	• Inspiration comes from word of mouth or traditional marketing. • Booking and itinerary planning happens through the tour agency. They offer limited opportunity for individual activities.	• Usually plan their own travel schedule. • A higher portion of Chinese millionaires book travel online (around half) than is typical for Chinese tourists as a whole.
Preferences	• Like to have Chinese options, especially for food. • Are not very interested in high-end accommodation or transport options, but are interested in high-end shopping.	• Want VIP treatment and knowledgeable, high-quality service. However, they don't appreciate salespeople trying to get to know them, as many of the super-rich heavily guard their privacy. • As this group becomes more well-travelled, adventure tourism and more experiential travel is on the rise.
Activities and travel habits	• Tend to book late to take advantage of last minute deals. • Most activities involve either sightseeing or shopping. • Heavily scheduled and limited time is spent at each location. • Relaxation is not an important part of the holiday.	• Tend to travel abroad slightly more than twice a year. • Take more VFR trips to visit children studying abroad. • Relative to Chinese travellers overall, a very small portion of the super-rich participate in group travel.
Spending	• Nearly half of Chinese group travellers spend more on self-paid items than they did on their package tours. • Group tour travellers have a strong interest in famous brands and feel obliged to bring gifts back from their travel.	• Shop for high-end luxury brands, and are more likely to be familiar with major Western lines. • Often interested in more boutique Western luxury brands.

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TOURIST PROFILE

	Experienced Travellers	First-time Travellers
General points	• This group has grown as affluence rises. • More likely to come from Tier-1 cities such as Shanghai and Beijing, as these have the best international transport connections as well as the most affluent populations.	• This group has grown due to increases in affluence and the number of urban Chinese connected to international transport. • Many are from emerging cities and have travelled domestically. • Much more likely to use group tours than travel independently.
Motivation	• Unsatisfied with the strict scheduling and shallow experience of group tours; want more interaction with the destination. • Choosing destinations depends on whether they provide a unique and authentic, but still accessible, experience.	• They want the prestige of international travel. • Some travellers, especially younger ones, are looking for opportunities to practice their language skills. • They want a safe, low-risk travel destination.
Planning	• Their planning habits do not differ significantly from other segments, though their greater travel sophistication means they have likely developed more specific preferences. • They are more likely to book niche tours or unique activities.	• Look for destination inspiration from similar channels as other groups (friends and family, internet, travel agencies), but are more likely to stick to the big-name international destinations. • As they often use group tours, planning details are usually left to the tour provider.
Preferences	• Often looking for more remote destinations since they have been to the big destinations; however, those are still popular. • Prefer hotels to provide a sense of comfort by offering Chinese options, but this is less important than for other groups.	• They want destinations to have Chinese-familiar options, especially for accommodation and food. • They are accustomed to the high service levels provided by the Chinese travel industry, and expect the same abroad.
Activities and travel habits	• Tend to have more adventurous travel behaviour and are more likely to travel independently. • Seek deeper experiences with more local contact. • Want activities that cater to their personal interests, rather than the more generic, traditional tourist activities.	• Lack of experience in foreign languages and with foreign cultures makes interaction with the local population difficult, and thus they limit one-on-one interactions. They prefer the safety and comfort of the tour group. • Want to see the most famous sights and attractions.
Spending	• Cost has less of an impact on the choice of destination , because they may have already been to the cheapest destinations, and those that travel frequently are likely to be among the very rich.	• Are interested in shopping for brands they cannot get in China, or are much more expensive at home (import taxes on luxury goods can increase their price in China as much as 40%).

MAIN DESTINATION MARKETS

Table 2: Main Destination Markets ('000 visitors)

2010			2011			2012			2013		
Rank	**Country**	**Arrivals**	**Rank Change**	**Country**	**Arrivals**	**Rank Change**	**Country**	**Arrivals**	**Rank Change**	**Country**	**Arrivals**
1	Macau	13,229	=	Macau	16,163	=	Macau	16,902	=	Macau	18,632
2	Hong Kong	11,678	=	Hong Kong	13,600	=	Hong Kong	15,110	=	Hong Kong	17,090
3	South Korea	1,875	=	South Korea	2,220	=	South Korea	2,837	+1	Thailand	4,637
4	Taiwan	1,608	=	Taiwan	1,756	+1	Thailand	2,789	-1	South Korea	4,327
5	Japan	1,413	+3	Thailand	1,721	-1	Taiwan	2,552	=	Taiwan	2,837
6	Singapore	1,171	=	Singapore	1,578	=	Singapore	2,034	=	Singapore	2,270
7	Malaysia*	1,130	+4	Vietnam	1,417	+1	Italy	1,583	+3	Vietnam	1,908
8	Thailand	1,122	+1	Italy	1,343	+1	Malaysia*	1,559	+1	United States	1,807
9	Italy	966	-2	Malaysia*	1,251	+2	United States	1,474	-1	Malaysia*	1,791
10	France ^	910	=	France ^	1,127	-3	Vietnam	1,429	-3	Italy	1,776[e]
11	Vietnam	905	+1	United States	1,089	+1	Japan	1,425	+1	France ^	1,773[e]
12	United States	802	-7	Japan	1,043	-2	France ^	1,394	-1	Japan	1,315
13	Russia	748	=	Russia	846	=	Russia	979	=	Russia	1,072
14	United Arab Emirates	578	+1	Germany ^	615	=	Germany ^	729	+1	Indonesia	845[e]
15	Germany ^	491	-1	United Arab Emirates	607	+1	Indonesia	687	-1	Germany ^	816
16	Indonesia	469	=	Indonesia	574	-1	United Arab Emirates	634	+1	Australia	715
17	Australia	454	=	Australia	542	=	Australia	626	+1	Switzerland	705
18	Mongolia	290	+1	Switzerland	453	=	Switzerland	575	-2	United Arab Emirates	659
19	Switzerland	286	-1	Mongolia	347	=	Mongolia	362	n/a	Cambodia	463
20	Canada	200	n/a	Austria *	260	=	Austria *	355	n/a	Philippines	426

Sources: national statistics, national tourism boards, Timetric analysis

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* Includes Hong Kong and Macau
^ Includes Hong Kong
[e] Timetric estimate

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MAIN DESTINATION MARKETS

Table 3: Other Key Destination Countries for Chinese Outbound Travellers, 2013

Country	Arrivals	Country	Arrivals
Austria *	408,509	Nepal `	91,815[e]
Canada	365,314	Myanmar	90,550
Maldives	331,719	Hungary	75,603
Mongolia	261,468	Brazil	74,953[e]
Laos	234,039[e]	Sweden	72,785[e]
New Zealand	228,928	Portugal	62,283[e]
Netherlands ^	217,000	Mexico`	60,538
United Kingdom	196,000	Mauritius	55,802[e]
India	193,551[e]	Sri Lanka *	54,288
Spain	192,000	Denmark ^	49,152[e]
Czech Republic	174,263	Croatia	41,129
South Africa ^	151,847	Poland	37,604[e]
Finland	146,919[e]	Greece	28,328
Turkey	138,876	Algeria	25,481[e]
Belgium	137,779[e]	Slovakia	21,467[e]

Sources: national statistics, national tourism boards, Timetric analysis

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* Includes Hong Kong and Macau
^ Includes Hong Kong
` Air arrivals only
[e] Timetric estimate