

# **Review of China's Outbound Travel Market 2013**

**Perspectives for Scandinavian city tourism**

**January 2013  
by Wonderful Copenhagen  
Research & Development**





## *Flying the Dragon, while avoiding its burn...*

China's outbound travel market is growing exponentially while Europe's economy and consumption are stagnating. China's middle class is on the rise and with 80+ mio. outbound travellers in 2012, Chinese tourists are quickly becoming the travel industry's number one growth segment. The rapid development and huge potential of the Chinese source market have also been felt in Europe, where European cities across the continent have seen an average of two digit annual growth rates in Chinese bednights since 2007, skyrocketing from 2009 onwards and surpassing an average annual growth of 30% in 2011.

But with this impressive growth comes more than just numbers. Tourism creates jobs, builds relations – politically, culturally and economically. Tourism connects companies, schools, universities, organisations and governments and most importantly: *People*.

That's why China's outbound travel market is a must-win battle for Scandinavia. And that's why the Chinavia project was launched in 2012 in collaboration between Wonderful Copenhagen, Göteborg & Co, Stockholm Visitors Board and Helsinki Tourism & Congress bureau. The aim of the project is to gain a deeper insight into the Chinese travel market, the preferences of the modern Chinese travellers and the performance of our destinations in serving them.

The project has accomplished all of this and hereby presents one of five market studies all documenting the vast potential promised by the Chinese market and the great affection many Chinese visitors have for Scandinavia. But the studies also identify Scandinavia's common challenges in gaining attention and visibility in the digitalized Chinese travel market and difficulties of engaging in dialogue with the Chinese netizens. Another main alert is the fact that the welcoming and service of Chinese tourists in our cities need to be much better if we are to sustain or even gain market share in the fierce competition with continental destinations.

In this report we present the main observations of a market review carried out from May to December 2012, compiling existing knowledge and research on the Chinese travel market. In outlining the perspectives of international research to Scandinavian city tourism, the market review provides the Chinavia cities with a common starting point and firm knowledge base for further action.

The Chinavia pilot project has been managed and executed by Wonderful Copenhagen in close cooperation with the project partners. All elements of the Chinavia research package are made publicly available with thanks to the project partners and gratitude to the many Chinese visitors who participated.

In the spirit of sharing, we hope, you will find this report informative and useful.

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**China's outbound travel market** is on the fast-track to becoming the biggest source market for global tourism. While European consumers are turning pennies, the Chinese consumers are growing in both wealth and numbers. The Chinese travel market carries great potential to European destinations, not only due to the increasing numbers of outbound travellers, but also due to their propensity to shop while travelling, accounting for 20% of global tax-free shopping expenditure. This Market Review compiles recent research and analyses on the Chinese travel market to outline the perspectives of the Chinese market to Scandinavian destinations. The main observations of the market review are summarised in the below paragraphs.

## Chinese growth will continue

China's economic growth will continue in the coming years, putting China on track to become the world's largest economy by 2017 (as predicted by IMF). China's continuous growth will also further boost Chinese urbanisation and the further expansion of China's middle class and affluent consumer groups.

## Chinese travel boom: 80 mio. outbound trips in 2012

Chinese travel boom continues and is predicted to reach 100 mio. annual outbound trips in just a few years. The potential is tremendous with 25 mio. Chinese expected to travel for the 1st time every year for the next 10 years. In 2010, Europe received close to 3,8 mio. Chinese visitors.

## Tour groupers still dominate

Travelling as part of a tour group is still the predominant kind of travel by Chinese tourists. The convenience and comfort of tour groups provides tourists with a safe travel environment, taking care of visa hassles and guiding Chinese tourists through language barriers and maximizing output of the trip with tightly packed travel schedules.

## ... but Chinese tourists are increasingly unhappy with the travel product

However, with travel experience the demands of Chinese travellers are changing. Research shows that especially the affluent travellers are unhappy with the available products and look for more in-depth and more experience-based travel solutions.

## **60 mio. affluent consumers by 2020**

Though tour groupers still dominate, there is huge potential to destinations in China's affluent consumer segment, rapidly growing along with China's prospering and urbanisation. By 2020, China will have 800 more urban locations with higher disposable income than Shanghai. This means a broadening geographical market focus for European destinations in terms of targeting the right traveller segments in China.

## **Big visa challenge**

The inconvenient and troublesome visa process often requires Chinese travellers to fill out extensive forms and travel far for in-person application delivery and interviews. In combination with often long processing time, the visa process affects the final choice of destination by Chinese travellers. As part of the Schengen Visa Code, the Chinavia city destinations risk being bypassed by Chinese travellers due to the hasslesome visa application process and the inconvenience of having to travel to one of the few visa application centres for personal

registration, inhibiting especially individual Chinese travel to Scandinavian city destinations.

## **Chinese travellers are big shoppers**

With a strong gift-giving culture and high domestic luxury taxes, the Chinese travellers see shopping as an important and integral part of their travel, especially shopping for international luxury brands. Though the numbers of Chinese travellers is still on the rise, the Chinese travellers punch above their weight in terms of shopping, accounting for 20% of global expenditure on tax free shopping and thereby making it an even more important market to Scandinavian destinations.

## **Lack of Chinese language info**

European destinations provide very sparse information to Chinese travellers. As many Chinese tourists feel uncomfortable communicating in English, the lack of Chinese information is an important barrier to independent travel. Making destinations accessible to Chinese language speakers therefore poses a big challenge to destinations.

## Poor European service level

In addition to lack of Chinese language information, many Chinese also find the service level in Europe below standard. Lack of Chinese speaking personnel and a different service culture result in a less-than-good experience for Chinese travellers. Big players (luxury brand stores, shopping malls, hotel chains etc) are increasingly adapting their services to the Chinese customers by providing Chinese speaking staff and customised products. Providing these services is not only perceived as convenient, but also as a sign of welcome by the Chinese tourists.

## Huge online potential: World's biggest and most engaged netizens

China's has the world's largest online population with 538 mio. users in 2012. Chinese netizens are also very engaged online users, actively contributing to China's social media sites. The internet – and online social media networks – are generally perceived with a large degree of trust by the Chinese users and is widely used to campaign brands and products, ie. through user activation and celebrity endorsements. To communicate with the Chinese

consumers, European city destinations need to get engaged as well, establish a broad online presence in China, encouraging the Chinese netizens to share their own travel experience and provide inspiration for further travel.

## Online shopping and travel booking – a market in the making

The market for e-commerce is growing rapidly in China. China already boasts the world's 2nd largest population of online shoppers and 30 mio. Chinese are expected to shop online for the first time every year until 2015. Though the number of online travel bookers is still comparatively small, this market is expected to grow exponentially along with the general market for e-commerce.

## China going mobile

China's market for mobile internet is also growing fast. With 450 mio. mobile internet users – and 200 mio. users only accessing the internet through mobile devices – the market for mobile apps shows great potential, also in relation to the travel market with several big OTAs already offering mobile travel apps.

**Perspectives of the Chinese travel market for Scandinavian city tourism** *are in large part dependent on the ability and efforts of Scandinavian city destinations to attract and service the Chinese tourists. This Market Review draws upon the conclusions of international research and analyses to outline both the optimistic opportunity and the inherent challenge of tapping into the potential of this new market. Based upon this outline of market perspectives, we summarize three overall recommendations to the Chinavia cities related to 1) targeting the Chinese consumers, 2) establishing an online Chinese presence and 3) making destinations both accessible and convenient to Chinese travellers. The overall perspectives and recommendations are outlined below.*

## Targeting the Chinese consumers

Scandinavian city destinations face several challenges in targeting the Chinese consumers. The vast Chinese market has a very segmented consumer population that differs across ages, incomes, geography, education etc. To tap into the travel market potential, Scandinavian destinations should target the needs of both the inexperienced Chinese travellers that look for the convenience of package deals and the safety of tour group travel and the more individual and specific needs of the experienced travellers that look for more interest-based and in-depth travel experiences.

### **Recommendation:**

- *Provide differentiated travel products to target and attract both the inexperienced tour grouper and the experienced individual traveller*

## Establishing an online presence

China is an immense country with huge geographical distances. Rapid urbanisation and a growing middle class means that wealth is expanding from China's coastal provinces to other parts of the country, developing new urban hot spots in the country's more Western provinces. By establishing a strong online presence in China, Scandinavian city destinations can communicate and engage with consumers across the country, not limited to Eastern China. The online presence of destinations should reflect China's unique online landscape and online behavior. To be searchable and present online in China, Scandinavian destinations should develop Chinese websites, hosted and domained in China, and an active presence in China's social media network, engaging with the world's most engaged online



population. Destinations should facilitate the engagement of Chinese netizens, using social media to encourage the sharing of travel experiences and photographs.

**Recommendation:**

- *Establish a multi-platform online presence in China with a Chinese website, Chinese search engine optimisation and an active presence in China's social media networks*

## **Providing the authentic, yet accessible travel experience**

With more and more travel experience, the Chinese travellers are moving away from a purely price-based travel decision to a more experience-based choice of destination and travel form. The success of Scandinavian city destinations in tapping into this

new Chinese travel market will in large part depend on the degree to which Scandinavian cities manage to provide the authentic, yet accessible travel experience to Chinese travellers. This involves the development of plentiful and relevant Chinese tourism information, customized travel and service products and communicating these through relevant channels. With China's growing market for mobile internet, the development of mobile apps provides a convenient channel for guiding the Chinese travellers through the cities' offers.

**Recommendation:**

- *Making Scandinavian city destinations accessible to experience by Chinese travellers through provision of Chinese tourism information, city maps and digital guides*





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# Introduction

- reviewing the  
Chinese travel  
market

## Chinavia – a Scandinavian project

Chinavia is the title of a Scandinavian cooperation project targeting the Chinese outbound travel market. Initiated in 2012, the present project phase is a one-year pilot probing a larger, strategic roll-out. The objective of this pilot phase is to identify the main issue areas and opportunities in terms of reaching and servicing the Chinese consumers.

## The Chinavia package

The Chinese travel market is a highly complex, fast-moving market. The research deliverables of the Chinavia pilot reflect this complexity in focusing on different aspects of the market, contributing to a more comprehensive understanding of the market anno 2012 and forward. In addition to present market review, the list of deliverables also include:

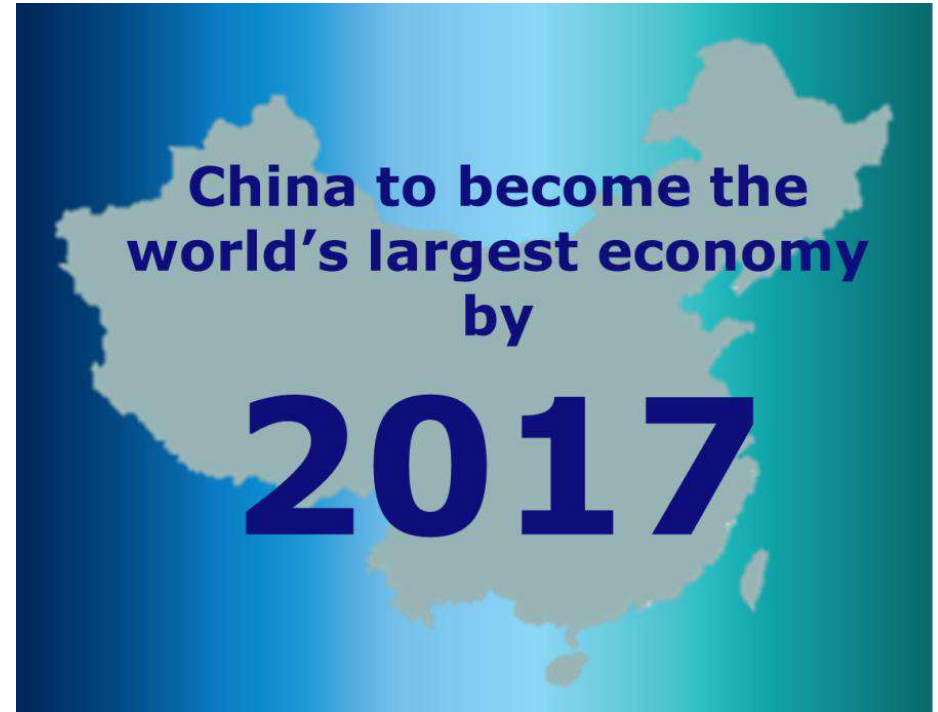
- **Best Practice Survey:** A survey of marketing activities of European cities towards the Chinese market, identifying best practice and benchmarking Scandinavian city efforts against those of other European cities.
- **European market study:** A statistical benchmark analysis of Chinese market growth potential to the European and specifically Scandinavian tourism industry (by Claus Sager, Tourismdesign).
- **Chinese visitor survey:** A survey profiling the Chinese tourist in Scandinavia and identifying main travel motivations and experiences of the Chinese tourists travelling to the Scandinavian destinations.
- **Explorative web study:** A mapping of the Chinese internet landscape, providing a snapshot of Scandinavian online presence in China.

## There's no way around China

China has long dominated global headlines with economic reforms resulting in growth records. From 2000 to 2010 China's economy tripled in size, finally ousting Japan to become the world's second largest economy after the United States.

Despite global recession, China's GDP is anticipated to grow at an annual rate of 7,9% over the next 10 years compared with 2,8% in the United States and 1,7% in Germany.

Based on estimates by both OECD and the International Monetary Fund (IMF), China is predicted to surpass the United States in a few years (by 2017, according to IMF) to become the largest economy in the world.



Sources: McKinsey: *Meet the 2020 Chinese Consumer*, 2012; TUI: *New Chinese Tourists in Europe from 2017, 2012*; OECD, *Looking for 2060: Long-term global growth prospects*, OECD Economy Policy Papers, No. 3, November 2012; IMF, *World Economic Outlook Database*, October 2012

## The Chinese are venturing abroad...

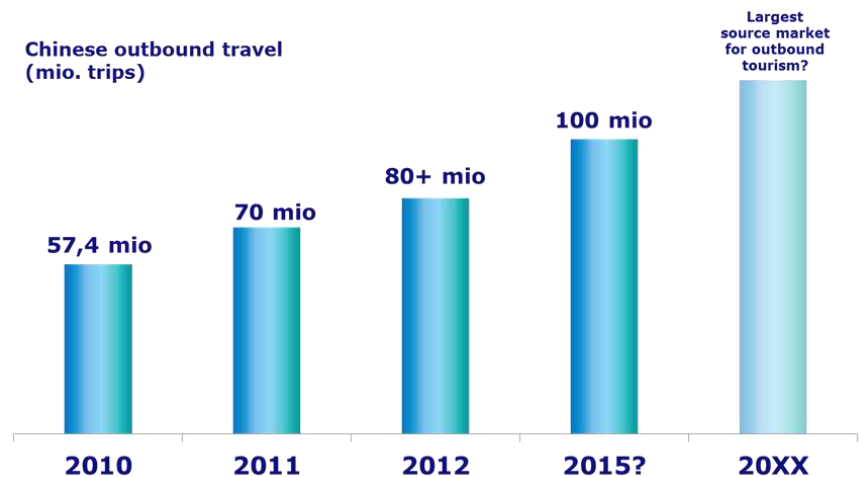
Destinations all over the world are looking towards China. The Chinese tourists are coming in large numbers, hungry for world experience and global shopping. With newfound wealth and global awareness, the Chinese are travelling like never before.

From 2010 – 2011 outbound travel increased by 20% with a total of 70 mio. outbound trips in 2011. This growth is expected to continue and the number foreseen for 2012 is above 80 mio. trips. When the UNWTO first forecasted Chinese travel to reach 100 mio. outbound trips by 2020, it seemed unrealistically high, though today this 100 mio. mark is likely to be only a few years ahead if growth continues at close to 20%, making China the biggest source market of global tourism in less than a decade.

## ... and travelling to Europe

When comparing international destinations, Europe ranks high on the wish list of Chinese travellers.

In 2010 alone, an estimated 3,8 mio. Chinese visited Europe, a number assumed to quadruple by 2020. According to UNWTO, one quarter of all tourists visiting Europe from Asia will come from China.



Sources: TUI, 2012; Essential China Travel Trends 2012; SOAS: *Blue Paper: How the rise of Chinese tourism will change the face of European travel industry*, 2011; World Travel & Tourism Council: *Travel & Tourism*, 2011



## Knowledge as first step

The present market review, and the Chinavia project at large, is intended to bring Scandinavian city destinations up to speed and prepare them for a market in the making.

In the following chapters, this review will provide an outline of overall market trends and characteristics, summarising knowledge already delivered by international consultancies and market researchers as well as by other tourist organisations.

The review will focus on assessing the Chinese travel market potential by looking at the below market aspects:

### Reviewing the Chinese market

#### **The Chinese economy**

*- understanding Chinese growth*

#### **China's outbound travel market**

*- understanding the Chinese tourist*

#### **China's online travel market**

*- understanding the Chinese web and its netizens*

## From knowledge to Scandinavian action

Though the trends and facts presented in this review are, by definition, overall and not necessarily Scandinavia specific, the review will form basis of the further knowledge generation within the Chinavia project.

Results and findings of surveys and other research reports all take their starting point in potential and risks identified here and aim to build an even stronger starting point for further Scandinavian action towards the Chinese market.





# **The Chinese economy**

- on the fast-track to development

## China's fast-track to growth

Political reforms put China on the fast-track to wealth and recognition and potential superpower status. The purpose here is not to re-tell the story of modern China, but to emphasize key development trends in Chinese society, impacting Chinese travel market.

## China is urbanizing fast

Chinese growth has mainly been concentrated on China's Eastern and Southern coastal provinces, particularly neighboring Beijing, Shanghai and Guangzhou. This was the original strategy of the Chinese government: starting East, moving West.

Now things are moving West. The big cities of China's inner provinces are growing fast, and it is predicted that by 2020 there will be more than 800 urban locations in China with higher disposable income than that of Shanghai, China's wealthiest city today.

The spread of Chinese wealth to a much larger and more widespread number of urban hot spots also points to the importance of broader connectivity between China and European destinations. Flight routes and visa application centres need a broader presence, reflecting this expanding process of prospering.



Sources: Boston Consulting Group: *Taking Off*, 2011; SOAS, 2011

## China is prospering – though mid-income levels remain modest

The Chinese middle class is already larger than the entire population of the United States and is projected to reach 800 mio. in 15 years.

It is especially this growing Chinese middle class that has caught the attention of the global travel and tourism industry. Increased spending power will leave more room for leisure consumption, including travel.

At present, mid-income levels are still modest, with an average per capita annual income of urban households between RMB 37.000 – 40.000 in the major cities of Beijing and Shanghai. This stands in contrast to the growing number of super rich in China, currently home to a million millionaires.

In terms of purchasing power of the Chinese consumers, it is however important to keep in mind that:

- Chinese residents should financially be lumped together in groups of threes and sixes as generations often live together or at least have a very integrated private economy. This makes the actual purchasing power of lower income household members stronger as other members of the household provide.
- Until recently China's National Bureau of Statistics based its income statistics on the non-private sector. As market reforms have progressed, the labour population has shifted to the private sector, generally assumed to be between 25-35% higher.
- China has a large grey economy, not accounted for in official statistics, but presumed large enough to change statistics substantially.

Sources: National Bureau of Statistics China (<http://www.stats.gov.cn/english/>); Essential China Travel Trends, 2012, Boston Consulting Group 2011, TUI, 2012, SOAS, 2012, Ellemann Kristensen, COTRI Yearbook 2012

**25 mio**  
Chinese will travel for the  
**1st time**  
every year for the next  
**10 years**

### **Travel demand soaring**

Chinese demand for foreign travel is still young. In 2010 close to 68% of Chinese outbound travellers were travelling for the first time.

Over the next 10 years Chinese travel demand is expected to grow by 17% annually with an average of 25 million 1st time Chinese travellers per year – or rather 70.000 every day.

### **Can China stay on track? – the risks of dealing with China**

Dealing with China entails a number of risks, which could also influence the Chinese travel market.

Chinese society faces many challenges, potentially threatening the stability of society and Chinese economy. In case of an outburst of social unrest or economic overheating, Chinese travel demand will naturally be effected. The outbreak of SARS in 2003 demonstrated the potential threat of national crisis on the tourism industry, almost freezing the entire sector both in terms of inbound and outbound travel.

Perhaps even more potent is the threat of falling out of favour with the Chinese government and hence also with China as a whole. China's authoritarian rule means that the say of government has decisive market influence, strengthened by the fact that a large part of China's industry is state-owned. This was recently exemplified in relation to the Chinese boycott of Japan over the dispute regarding the

Sources: SOAS, 2012; <http://www.ibtimes.com/senkaku-islands-dispute-may-hurt-japans-recovering-tourism-industry-789812>

Diaoyu Islands (known as Senkaku Islands in Japan), resulting in a heavy drop on Chinese visitor numbers to Japan.

Government influence works both ways; the government's relaxed position on outbound travel has played a significant role in terms of opening the market to a wider range of players, including foreign companies. At the same time, Norway is currently experiencing the negative side effects of dealing with a travel market so heavily influenced by political tensions. Following Norway's decision to award Chinese dissident Liu Xiaobo with the Nobel Prize in 2010, diplomatic and industry relations between the two countries, including travel industry, has been more or less officially been put on ice.

## **Destinations: Be prepared! - the risks of *not* dealing with China**

The risk of *not* dealing with China carries the risk of being left behind, *not* gaining a share of a market that shows impressive growth rates and promise of more to come.

At present, a little over 70% of China's outbound travel is still within Asia, the vast majority of which is to the Special Administrative Regions of Hong Kong and Macau. The ratio of domestic and outbound travel is close to 37:1, as domestic travel has a long tradition in China, adding reason to the fact that China is already the world's biggest domestic tourism market by number of trips.

As Chinese travel is still maturing, especially the market for international travel, unrealistic expectations for immediate return on investment carries risk of discouraging further investment.

**"... just how many of them will come to Europe will depend in no small part on what action European governments, the tourist industries and supporting retail and service sectors do to attract Chinese visitors in the future"**

*(SOAS, 2011)*

Being unprepared is, however, not an option. Destinations must gear up and get ready for what is developing into one of the biggest source markets in international tourism.

Sources: TUI, 2012; Essential China Travel Trends 2012; SOAS, 2011; World Travel & Tourism Council 2011



A large, stylized number '3' graphic on the left side of the slide. The number is filled with a gradient from dark blue on the left to light teal on the right. It is positioned vertically, with its top and bottom extending towards the top and bottom of the slide respectively.

# **China's outbound travel market**

- understanding the  
Chinese tourist

## Understanding the Chinese tourists

The Chinese population is aging, educating, prospering, urbanizing, globalizing, individualizing and demanding. To be successful in China and in the Chinese travel market, it is critical to understand how the behaviour and demands of Chinese consumers are changing and correspondingly shaping the wishes of present and future Chinese tourists.

## From groups of matching hats to individual explorers

As travel demand is still very young, most Chinese tourists are rather inexperienced, still preferring the safety and comfort of the traditional tour group. With experience follows a more adventurous travel behavior. Chinese tourists will increasingly wish to travel independently and seek deeper experiences with more local contact and activities suited their personal interests.

## Tour groupers still lead the pack

China's outbound market has become much more holiday-oriented and the most preferred outbound holiday type is tour holidays (66% of all outbound holidays 2010).

Tour groups are typically preferred for 3 main reasons:

- It makes the visa application process easier;
- It is often the cheapest way of travel as the all-inclusive package deal often entails discounted flights, accommodation, food and local transportation;
- It eases the language difficulties of travelling, as the tour guide will take care of everything.

Sources: TUI, 2012; Essential China Travel Trends 2012; SOAS, 2011

## **Chinese tourist segments: The seniors, the rich and the students**

In the following we will look at three very general segments of Chinese tourists; namely the senior travellers, the rich Chinese travellers and finally the student travellers.

Though overly simplified, this division introduces three important groups of Chinese tourists with general travel preferences and characteristics. A detailed traveller segmentation would, however, reveal that each group has different segments of travel needs and ambitions, yet such detailed segmentation studies should be subject to analysis at a more concrete and destination-specific level. Please also refer to the Chinavia survey of Chinese tourists travelling in Scandinavia.

## **Senior tourists travel in groups**

China has one of the world's largest elderly populations and a rapidly rising life expectancy. The aging population marks the ongoing evolvement of a new senior market segment for travel. Consumption patterns are also changing, and the elderly generations are becoming increasingly wealthy and willing to spend on discretionary consumption, including travel.

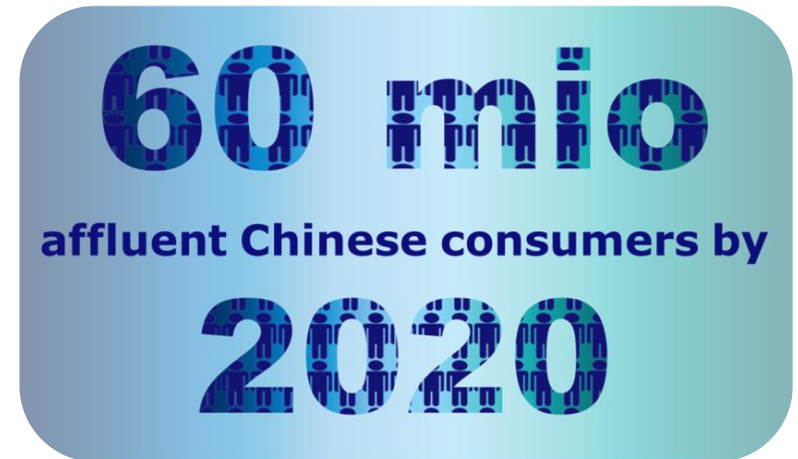
The senior tourists are still relatively inexperienced travellers with limited foreign language skills and a high price awareness, looking for the budget-friendly package deal with no surprise expenses. The senior tourists therefore still prefer to travel within the safety of a tour group, though increasingly venturing with tour groups to destinations outside China and its neighboring regions.

## China's many millionaires also travel

China is currently home to the largest number of self-made millionaires and billionaires in the world – defining a millionaire as an individual with personal wealth of RMB 10 mio. or more.

China's affluent consumers of an annual income of more than RMB 210.000 (or USD 34.000) remain an elite minority, making up only 6% of the Chinese population in 2020. In China, however, 6% will translate into 21 mio. affluent households, or 60 mio. affluent consumers.

China's millionaires mark an important market segment for travel. Travel is the most preferred leisure activity of Chinese millionaires. At the same time, travel is also the biggest area of consumption among millionaires. They usually organize their own travel schedule and typically book through travel agencies.

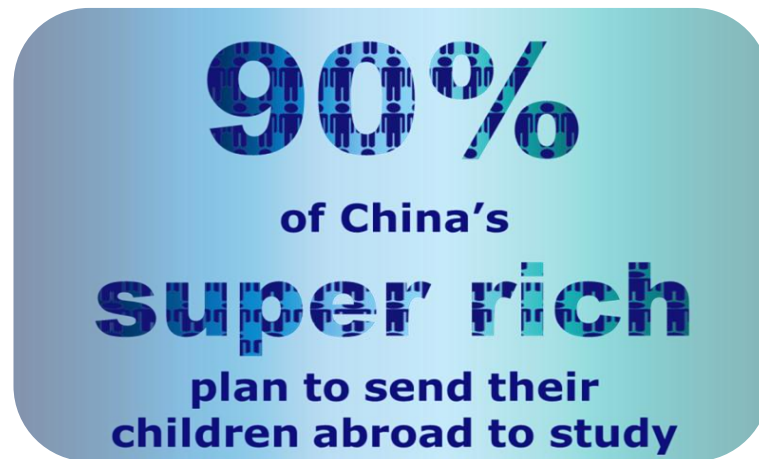


## Young millionaires with a taste for international travel

China's millionaires are younger than their Western counterparts with an average age of 36 years. They take an average of 20 days holiday a year, which is an increase of 5 days from 2011. On average, the Chinese millionaire travel 3.6 times domestically and 2.4 times internationally per year. The super-rich travel more and further, averaging 4.2 domestic trips and 3.4 overseas trips annually. France hits the list of most popular foreign destinations, followed by the US and Australia. Europe is hence not far from the mind of China's super rich.

## China's rich kids study abroad

China's millionaires are no different from other Chinese parents in prioritizing their children's education. 85% of Chinese USD millionaires plan to send their children abroad to study, while the number for China's super rich (with a fortune of RMB 100 mio. or more) is as high as 90%.



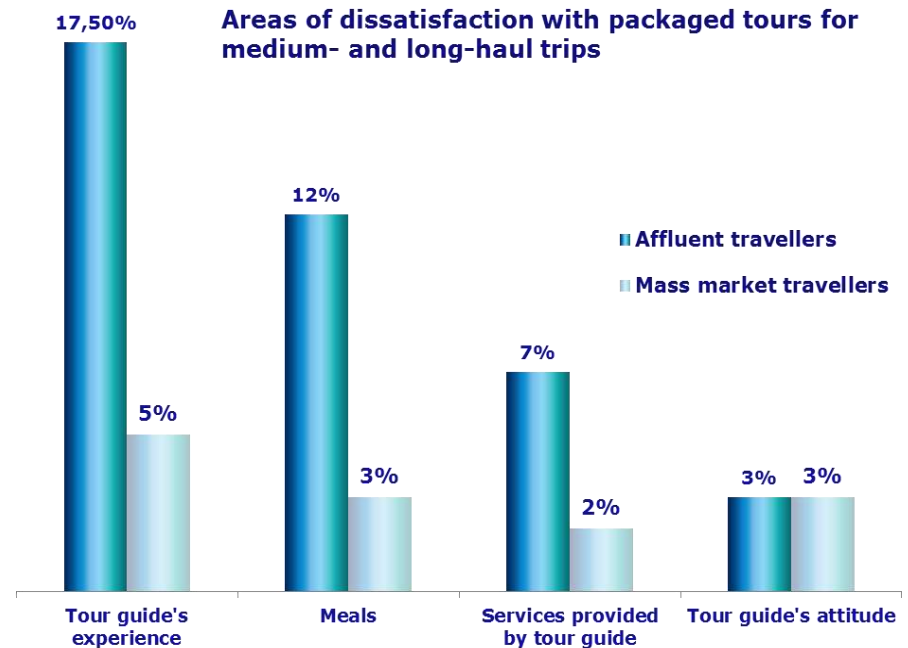
## Chinese student travellers

The young students sent abroad to study are the children of China's affluent consumers. These young Chinese shape the future of Chinese outbound travel as they have more travel experience, foreign languages pose no problem to them and they are looking for more individual, in-depth experiences related to local culture and special interest. With strong financial support from their parents, Chinese students form a separate market segment to European tourism industry.

## Chinese travellers are increasingly unhappy with group tours

In the coming years Chinese outbound travel will continue to be characterised by mass tourism. The first time traveller is less likely to look for specialist or niche tours than second and third timers. However, as Chinese travellers become more experienced, the demand for interest-specific and in-depth experiences rather than the basic sight-seeing and shopping tour will increase further.

This is also reflected in the increasing dissatisfaction with the current travel products and services offered. A study from Boston Consulting Group (2011) show that especially the affluent Chinese travellers are dissatisfied with their package tour experience on medium- and long-haul trips.



Source: Boston Consulting Group: *Taking Off – Travel and Tourism in China and Beyond*, 2011

Sources: SOAS, 2011; Hurun Report 2012; Boston Consulting Group, 2011

## A niche travel market developing

For the coming years Chinese outbound travel will continue to be characterised by mass tourism. The first time traveller is less likely to look for specialist or niche tours than second and third time travellers.

This trend is already materialising with the development of new tourism products, ranging from more mainstream tourist offerings – like cruises and skiing for Chinese travellers – to more specific focus and niche travels involving fashion tours to Italy, luxury car driving in Germany, wine-tasting in France, skiing in Canada and golfing in New Zealand.

## BEST PRACTICE Luxury New Zealand

The **Luxury New Zealand Network** has established a website [www.xindaohualv.com](http://www.xindaohualv.com) with a directory of the very best New Zealand luxury hotels, casinos, resorts, golfs, wedding agencies... all made available in Chinese language and shareable across Chinese social media networks.

The Luxury New Zealand Network was launched in cooperation with Auckland Airport as part of its Ambition 2020 initiative to showcase luxury New Zealand to young, wealthy Chinese.



Sources: SOAS, 2011; TUI, 2012, Pierre Gervois: *Convincing wealthy Chinese travelers to choose New Zealand for their luxury trips*, 2011, [www.xindaohualv.com](http://www.xindaohualv.com)

## **Understanding what the Chinese tourists want**

The Chinese can be demanding customers and their first encounter with the tourist products and services of a destination is decisive to the overall travel experience and their desire to return.

European destinations need to understand the specific demands and requirements of the Chinese travellers and align their services accordingly. If not, other destinations will.

Understanding what the Chinese tourists want is, however, not a simple task. Destinations are facing both the inexperienced tour groupers and the new, travel-savvy and explorative Chinese tourists. These two overall groups have different demands and service expectations to destinations.

Destinations cannot ignore this difference in demands and expectations. With 25 million first-time travellers every year over the next 10 years destinations need to consider this market fragmentation and furthermore incorporate these differences in the different tourist products developed, catering both to mass, middle and high-end tourist markets from China.

In the following, we will look at the different travel preferences of Chinese tourists in terms of booking, travel itinerary and in relation to the European destinations.



## **The Chinese shop for best travel deal**

With increasing wages and rising consumption rates, the Chinese travellers are becoming less price sensitive. The move from traditional tour groups to independent travel also involves a move from the price-based travel choice to the more experience-based travel choice. Still, strong habits are hard to kill and the Chinese are known to love a good bargain.

The all-inclusive package deal appeals to this price-based consumption. Up until today Chinese tourists have been known to stay primarily in lower priced hotels. A survey by China Tourism Academy shows that budget hotels accounted for 35% of the Chinese travellers' accommodation, while 32% and 16% of accommodation were accounted for by medium-priced hotels (2-3 stars) and luxury hotels (4+ stars) respectively. As many as 47% of Chinese travellers

in the survey said that they spent more on self-paid items (shopping, gifts, extra food/drinks etc) than on their package tour fees.

## **Last minute booking demands flexibility**

Chinese travellers are late bookers. This is in part due to the travel agents' last minute special deals, in part due to old habit (ie. due to China's large population, limited rail capacity and an overall objective of controlling population movements it has for many years only been possible to book train tickets in China 10 days or less in advance). In 2010, 51% of Chinese travellers booked their package trips only 0-30 days in advance.

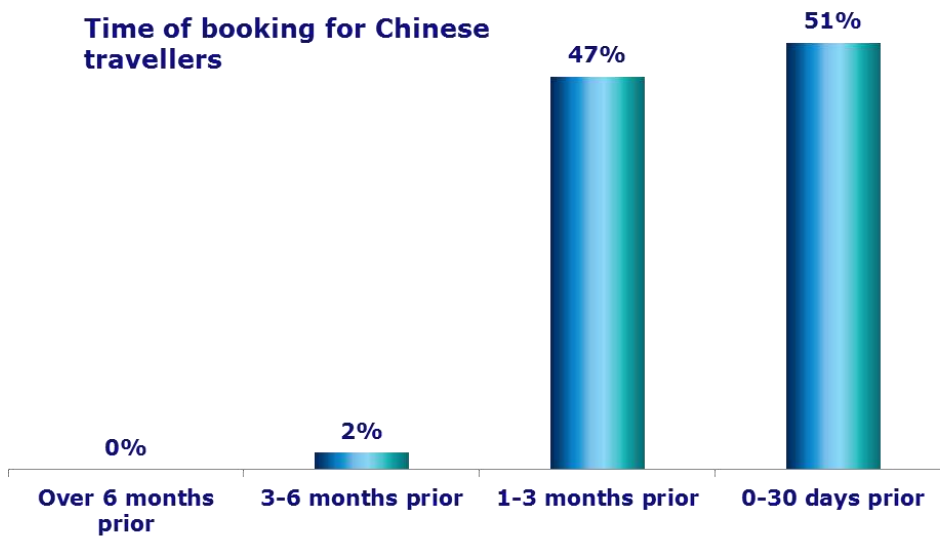
## Visa applications inconvenient to travellers

There are two sides to the visa hassle; the Chinese system of Approved Destination Status (ADS) and the European Schengen Visa code.

The Chinese ADS system plays an important role in defining the Chinese travel market to European destinations. An ADS visa issued by a Schengen country permits travel within the Schengen area in accordance with a pre-determined itinerary. ADS visas are issued to members of tourist groups of at least 5 persons. The maximum duration of stay is typically 30 days.

Individual tourists can also apply for visas outside the ADS regime, however, this requires submittance of the application in person. As most European destinations are only represented in a small number of Chinese cities (mainly Shanghai and Beijing), personal submittance often requires further travel expenses and inconvenience for Chinese tourists. In addition, visa

### Time of booking for Chinese travellers



Source: ETOA: *Origin Markets Report*, 2010

Sources: SOAS, 2011; TUI, 2012; ETOA: *Origin Markets Report*, 2010; ETC, *Market Insights 2011*

information requirements are often considered very intrusive and somewhat arbitrary and travel agents have hence been known to shop around for more favorable treatment.

## Slow visa process affects choice of destination

With a habit of last minute booking, the often lengthy administrative visa application process carries the risk of negatively affecting the final choice of destination.

A survey by European Tour Operators Association (ETOA) in 2010 indicates that 26% of potential Chinese applicants in 2009 cancelled their trip due to slow processing. This number may have improved following the new visa code introduction in 2010, though 56% of respondents in a survey of all origin markets (including China) indicated that the situation following the change of Schengen guidelines remain unchanged or worse than before.

Sources: SOAS, 2011; ETOA, 2010; ETC, 2011; <http://www.news.com.au/travel/australian-visas-for-chinese-tourists-fast-tracked-online/story-e6frfq7r-1226508304104#ixzz2FFLVuZPI>; <http://www.businesstraveller.com/news/china-to-introduce-72-hour-beijing-visa-free-stay>

## BEST PRACTICE

### Visa processing made easy

**Australia's** visa processing system has been recognized by the Chinese government as best practice. As a new initiative, Australia will introduce online applications in 2013/14, making the visa process simpler and easier. The Australian government is also looking at granting visas with longer validity and multiple entries for low risk visitors. This new initiative is also a result of Australian industry's strong advocacy to improve the process for Chinese visitors as more than half of all tourists coming to Australia now come from Asia.

**China** has also introduced new visa measures, leading by example in facilitating the visa process to tourists. As of January 2013, residents of 45 countries will be allowed to stay in Beijing for a maximum of 72 hours without an advance visa. As a result of this new policy, Beijing Municipal Commission of Tourism Development expects the current 5 mio. tourist arrivals to double within 3 years.

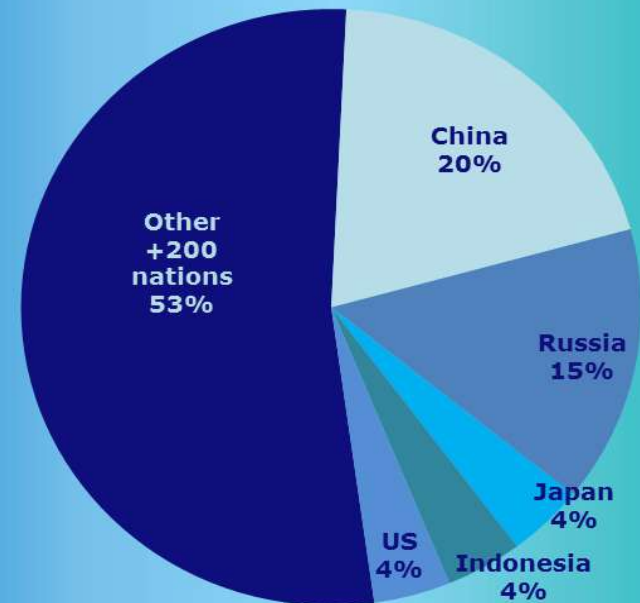
## China: Most important *globe shopper* nation

Global Blue analytics define concept of *the globe shopper* as "a person who regards shopping as a fundamental part of their travel experience". According to Global Blue analytics China is not only the most important globe shopper nation, accounting for 20% of total global expenditure on tax free shopping. China is also the fastest growing globe shopper nation. China far surpasses the average market growth of 25% with 57% growth from January to September 2012. The Chinese traveller furthermore spends an average of EUR 813 *per taxfree shopping transaction*, compared to the average of EUR 485 for all travellers.

## Shopping as fundamental part of the travel experience

According to a survey performed by CTA (China Tourism Academy) in 2011, more than 26,85% of

Most important globe shopper nations



Source: Global Blue Analytics, 2012

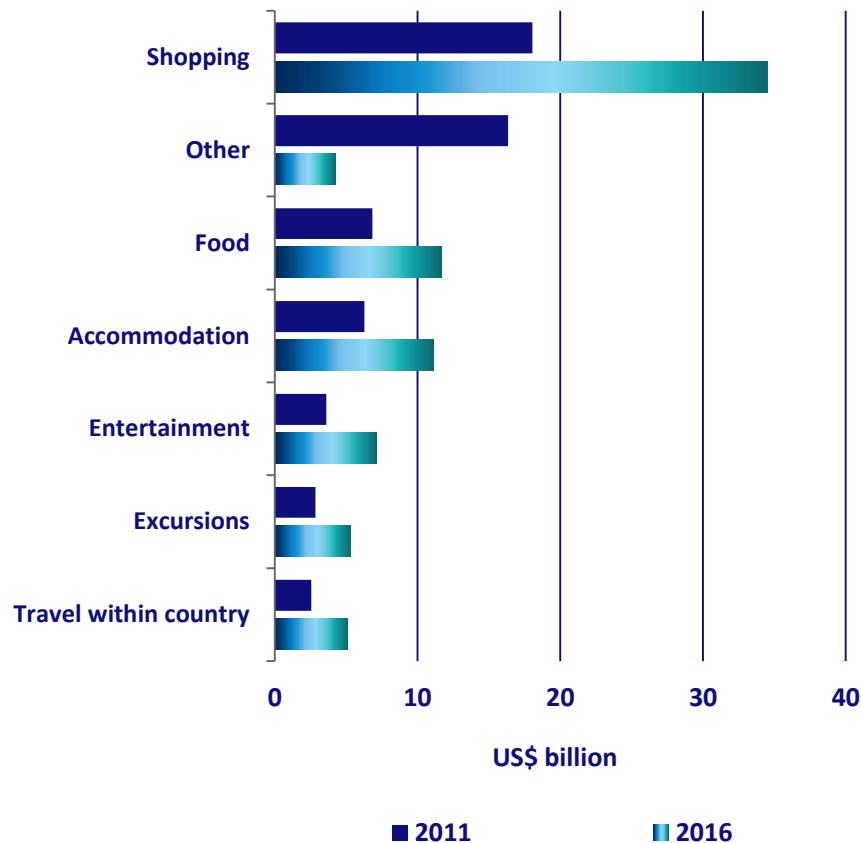
Sources: Global Blue Analytics, 2012; Hurun Report, 2012; SOAS, 2011

Chinese outbound tourists said that their highest expenditure was on shopping, more than for any other category of expenditure. Euromonitor International predicts that shopping will continue to make up the biggest part of Chinese travel itineraries and budget reaching a total expenditure level of USD 36 billion by 2016, double the amount in 2011.

### Chinese shopping spree: Gifts, prestige and tax free

There are three overall explanations to the Chinese travellers' global shopping spree. Firstly, the Chinese have a strong gift-giving culture, as a fundamental part of maintaining social and professional networks. There is naturally also a show-off element to the gift-giving culture, which relates to the second explanation for the Chinese travellers' shopping spree, namely prestige. Travelling to Europe bestows prestige on the Chinese traveller upon return to China. This prestige is increased additionally by purchasing high-quality gifts and souvenirs for friends, family and colleagues. Finally, the third reason for the Chinese travellers' shopping spree is the favorable tax free environment. Due to high

China: Outbound Tourism Expenditure by Category 2011/2016



Sources: Hurun Repor, 2012; Boston Consulting Group, 2011; SOAS, 2011; TUI. 2012; Euromonitor International: "Travel Industry Global Overview 2012"

taxes on luxury goods in China, Chinese tourists can sometimes find the same products at half the price in Europe. In addition to the high taxes, many Chinese consumers also prefer not to buy luxury goods domestically due to lack of product safety and lack of credibility in terms of product genuineness.

## Luxury travellers also shop for luxury goods

China's affluent travellers demonstrate the same high priority of shopping. According to Global Blue Dossier 2011, the Chinese luxury globe shopper spends USD 18.500 (close to EUR 14.300) per trip on shopping alone. The Chinese millionaire typically shops for watches and jewelry when travelling. To these very affluent travellers price is less important than the product itself as well as the shopping environment, ie. the services offered. Chinese millionaires also share the strong culture of gift-giving, typically choosing gifts worth between RMB 5.000 and 20.000 with a preference for international luxury brands like Louis Vuitton and Chanel.

## BEST PRACTICE Shopping made convenient

**Global Blue** serves the many Chinese tourists that travel abroad to shop for luxury goods and get tax refund. Apart from providing tax refunds, however, Global Blue also provides currency transparency, market intelligence, advertising, training and consultancy. Global Blue endeavours to optimize the shopping experience for Chinese tourists in terms of quality and convenience. On the Chinese language version of the Global Blue website, travellers can plan their shopping while abroad, and in 2012 Global Blue also launched a Chinese language Shopping Mobile App that allows users to:

- ... Locate businesses nearby offering Global Blue Tax Free and Currency Choice services
- ... Share details with friends and family
- ... Get turn-by-turn directions to specific stores
- ... Check nearby events and promotions
- ... Plan itinerary with location based services and check-in options



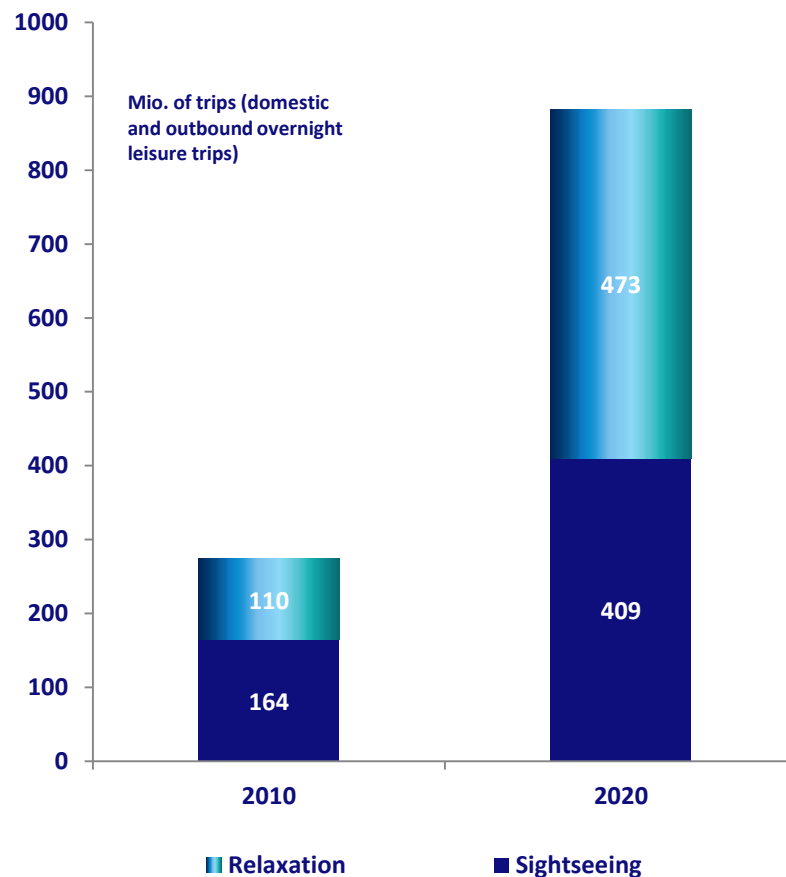
Sources: Hurun Report, 2012; SOAS, 2011; TUI. 2012, Global Blue 2012 – as presented at China Day Conference, November 2012

## Chinese tourists first visit the global landmarks, then look for more in-depth travel experiences

Another important part of the travel itinerary of the Chinese tourists is of course the actual tourist attractions and sites. In this context Europe is a strong tourist destination, known for its history, culture and landscapes. With cultural reputation and famous attractions, Europe will continue to attract both first-time visitors and the new generation of more travel-savvy Chinese tourists. As mentioned, there is an important prestige element involved with visiting "Museum Europe". However, as the Chinese traveller becomes more experienced, tour operators and destinations need to offer packages that also allow for individual items, ie. special excursions, restaurants or other customised experiences, to cater to the 2nd, 3rd and 4th time visitors advanced requirements and wishes, no longer satisfied simply with photos of global landmarks. With this development, the travel motivation of relaxation is also deemed to become more important to the Chinese traveller.

Sources: SOAS, 2011; TUI, 2012, Boston Consulting Group 2011

By 2020, travel for relaxation will become more popular than sightseeing



Source: Boston Consulting Group: "Taking Off – Travel and Tourism in China and Beyond", 2011

## Red tourism moving abroad

The Chinese government promotes trips to places of historical significance to Chinese communism.

Though mainly concentrated on domestic sites, it is assumed to become a more global phenomenon.

Already the birth place of Karl Marx in Trier has seen increasing numbers of Chinese visitors. Also personal characters related to China in general attracts Chinese visitors. In the early 20th century a Chinese poet, Xu Zhimo, wrote a famous poem while studying in Cambridge, involving a willow tree on campus. This has now resulted in growing crowds of Chinese tourists visiting this particular willow tree.

## The European service experience

The Chinese tourists are demanding customers, who expect to be treated in a respectful and polite manner. Though the Chinese tourists may be visiting Europe for the first time, they are often experienced travellers domestically and in neighboring countries, and hence accustomed to high service standards. These expectations and standards are often disappointed in Europe. The Chinese tourist expects to be served and treated as the customer in a friendly manner, but not as one might treat a friend. This differs from the general European service provision, often placing customer and service provider more at eye level.

In addition, the Chinese tourists often perceive European hotels to be somewhat old and poorly maintained as they are generally used to the more spacious and newly built international hotels in Asia. What Europeans may perceive as charm, the Chinese tourists simply see as shabby.



## Providing Chinese language service and information

Without the support and safety of travelling in a tour group with a designated guide, many Chinese tourists feel uncomfortable due to language barriers. Though it is becoming increasingly common to see Chinese guide books or signs, the provision of Chinese information and service in Europe is still very sparse.

## Chinese service signals welcome

Providing Chinese information, Chinese language service and customized service products is not only about practicality, but also about respect. Providing Chinese information sends a signal of welcome to the Chinese visitors. Even those with a perfect command of English are happy to see Chinese culture respected, when overseas destinations make the effort of providing information in Chinese characters or when shops, hotels or other service institutions offer Chinese-speaking service personnel.

## BEST PRACTICE Shopping made convenient

**Hilton Hotels & resorts** have launched a program which tailors the hotel experience to the Chinese traveller. The program is called **Hilton Huanying**, taking its name from the Chinese word for *welcome*. The program offers three key hospitality touch points to the Chinese travellers:

1. **Arrival experience** will involve a front desk team member fluent in Chinese
2. **Guest room** will offer amenities for the Chinese traveller, including tea kettles, Chinese tea availability, slippers, Chinese TV channels and a welcome letter in Chinese
3. **Breakfast** will include traditional Chinese breakfast items.

The program is currently offered at 15 of the Hilton Hotels & Resorts' European locations.



Sources: SOAS, 2011; TUI, 2012; Essential China Travel Trends 2012; ETC, 2011





# China's online travel market

- understanding the Chinese web and its netizens

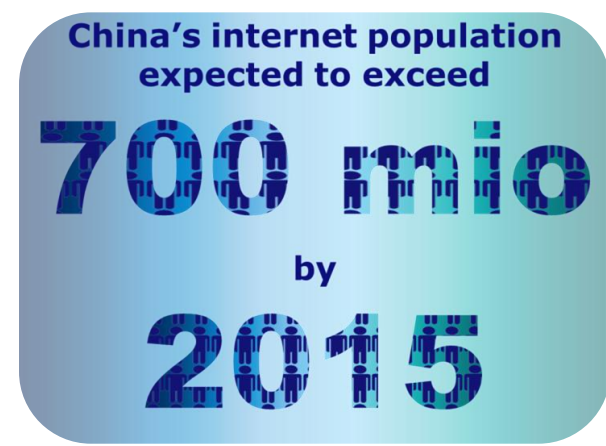
## Understanding China's online landscape

The digital technologies have transformed the way of communication and interaction in China. While just a few years ago, digital life in China was dominated by young urban residents, the internet is now spreading across the country, developing into a mass medium. China's internet landscape is unlike that of other parts of the world and Chinese internet users show a different online behavior and level of engagement. An understanding of this virtual landscape is therefore paramount to any organisations, including travel destinations, targeting the Chinese consumers.

## Size and penetration rate of China's online population

China boasts the world's largest number of internet users. A number which has grown explosively by 2.100 % since 2000, reaching 538 mio. in 2012, and predicted to exceed 700 mio. users by 2015. This, however, still only represents close to 50% of China's

population, compared to the Scandinavian countries with penetration rates close to 90% and the US with a penetration rate close to 80%.



As Chinese young professionals – representing 6% of internet users in China – already have an internet penetration of 99%, the fastest growing user segment in the coming years will be the urban consumers aged 51 or above. This segment will likely grow by 22% annually between 2011-2015, while the rural residents are expected to contribute more than 1/3 of the internet's growth in the same time period.

Sources: Boston Consulting Group: *China's Digital Generations 2.0*, 2010; Boston Consulting Group: *China's Digital Generations 3.0*, 2012; Essential China Travel Trends 2012 & 2010; Australian Tourism Data Warehouse: *Online in China - Introduction*

## Chinese netizens spend more time online than US netizens

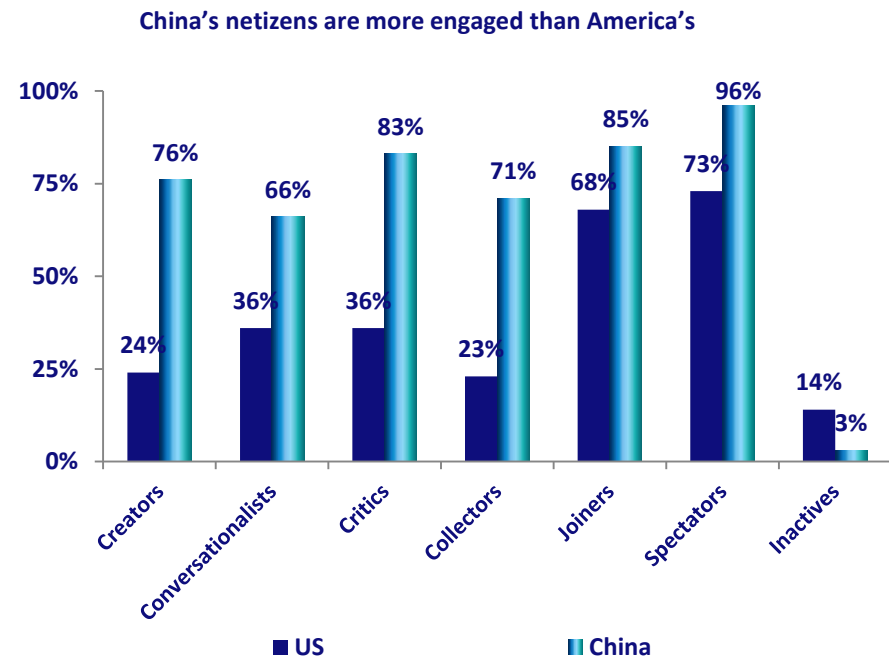
China's internet users, netizens, demonstrate a different online behavior than elsewhere. In 2011, Chinese netizens in total spent 1,9 billion hours online every day, or rather 3,6 hours per person, an hour more online than American users.

## China's the most engaged country online

China has earned the title of being the most engaged country only due to the high percentage of users contributing to social media. 95% of Chinese netizens in 1st, 2nd and 3rd tier cities are registered on social media sites.

The high level of engagement and contribution is also apparent from the comparison of online behavior between Chinese and American netizens as

depicted below with 76% of Chinese netizens creating content online as compared to 24% of US netizens.



Source: As referenced by Sam Flemming, CIC Data, at China Day Conference, November 2012 – original source: NA Technographics Online Benchmark 2011

Sources: Boston Consulting Group, 2010; Boston Consulting Group, 2012; Essential China Travel Trends 2012 & 2010

## China's unique social media landscape



## China's social media landscape

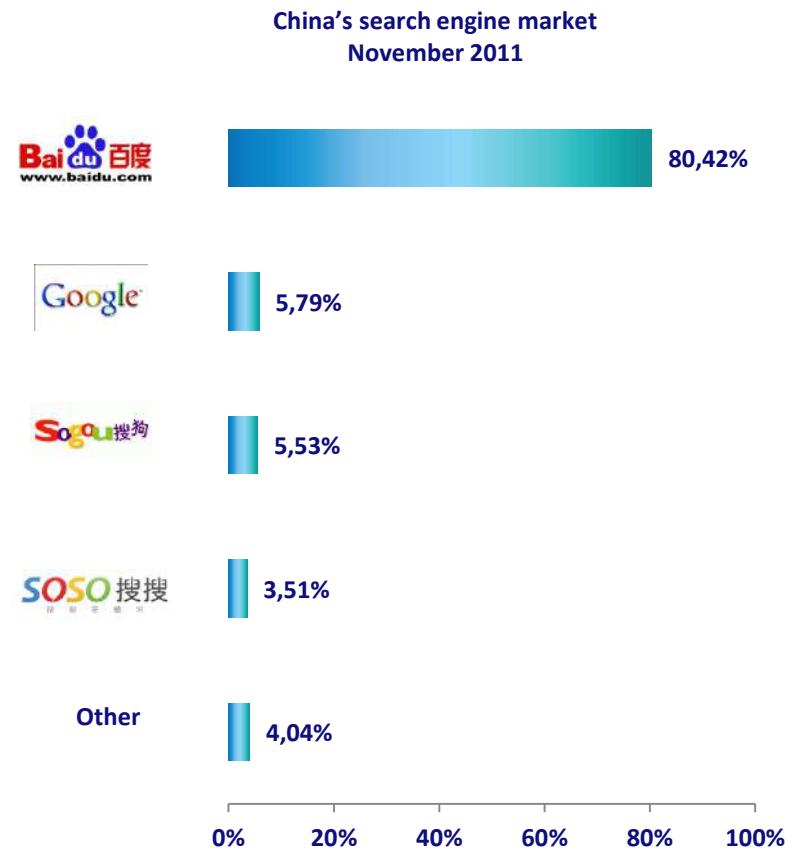
China's online landscape is to a large extent shaped by Chinese government censorship, blocking access to a large number of international sites. As a result of censorship, domestic alternatives have been developed that offer the Chinese netizens similar, yet slightly different and customised functions and services.

The infographic by CIC data provides an overview of the Chinese social media landscape as of June 2012. As the inner circle indicates the sites most familiar to internet users of the Western hemisphere, or rather the world wide web, the different sections of the outer circle indicates the different Chinese equivalents. Facebook is replaced by RenRen and Sina Weibo, while personal videos are uploaded on Youku. Finally, though not included in the infographic, Chinese netizens will not google their questions or doubts, they will "Baidu it!".

Sources: CIC Data 2012, Essential China Travel Trends, 2012; McKinsey&Company: *China's social-media boom, 2012*

## Baidu – the dominant search engine

Baidu is the market dominating search engine in China's online landscape with a market share of approximately 80% and as the starting point for 95% of all Chinese searches. Due to Baidu's dominance, it is important for companies, organisations or travel destinations to implement a Chinese website with a strong Chinese Search Engine Optimisation (SEO). Baidu's search results work differently than for example Google's, as paid or sponsored results are mixed with organic, natural listings. Your natural ranking is furthermore part of the formula that determines how much you will need to pay for higher rankings. Paying your way to the top of search results is generally accepted by Chinese netizens from the conviction that 'if they're willing to pay for the clicks, they must be offering something worthwhile'.



Source: Essential China Travel Trends, 2012

Sources: Essential China Travel Trends 2012, Australian Tourism Data Warehouse: *Online in China – Search Engines*, 2012

## Runner-up: Google

Google has a market share of less than 6% in China and has actually withdrawn from the Chinese market altogether due to limitations set by the Chinese government. Instead, Google has now resigned to a Hong Kong presence only.

## The new search engine, Qihoo 360

The new player on the search market, Qihoo 360 (originally a Chinese anti-virus company) launched a search service in August 2012 and self-proclaimed to have overtaken Google in the market share rankings over the course of just a few days. Baidu, however, remains in a strong leading position.

## A controlled and China-centric web

Due to the internet regulation of the Chinese government, also known as the Great Chinese Firewall, internet content may be blocked to Chinese netizens, if it is deemed inappropriate or politically sensitive. As China's dominant search engine, Baidu

is heavily censored by the Chinese government. At the same time, Baidu is generally recognized as rather China-centric, which means that websites hosted in China and with content written in Chinese characters result in higher result rankings. Domain name extensions also play an important role in this regard as a .cn domain will also result in higher rankings.

There are a number of sites available to check if your own site is blocked in China. Some of these are:

- [www.blockedinchina.net](http://www.blockedinchina.net)
- [www.websitepulse.com/help/testtools.china-test.html](http://www.websitepulse.com/help/testtools.china-test.html)
- <http://greatfirewallofchina.org/index.php>

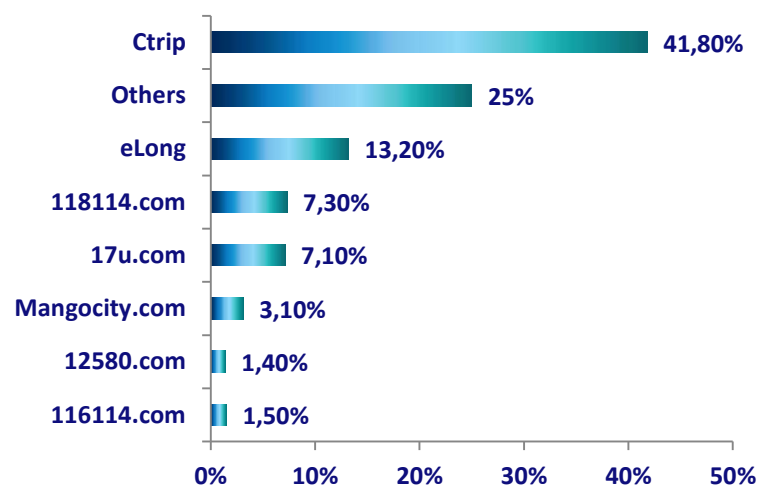
Sources: Essential China Travel Trends 2012, Australian Tourism Data Warehouse: *Online in China – Search Engines, 2012* & *Online in China – Developing a Chinese Website, 2012*; China Daily at: [http://www.chinadaily.com.cn/bizchina/2012-08/31/content\\_15723477.htm](http://www.chinadaily.com.cn/bizchina/2012-08/31/content_15723477.htm)



## Ctrip.com: a 40%+ market share in revenue

China's online travel landscape is marked by a number of big players. In terms of market share by revenue Ctrip leads the way with a 40% market share.

China OTA market share by revenue Q2 2012

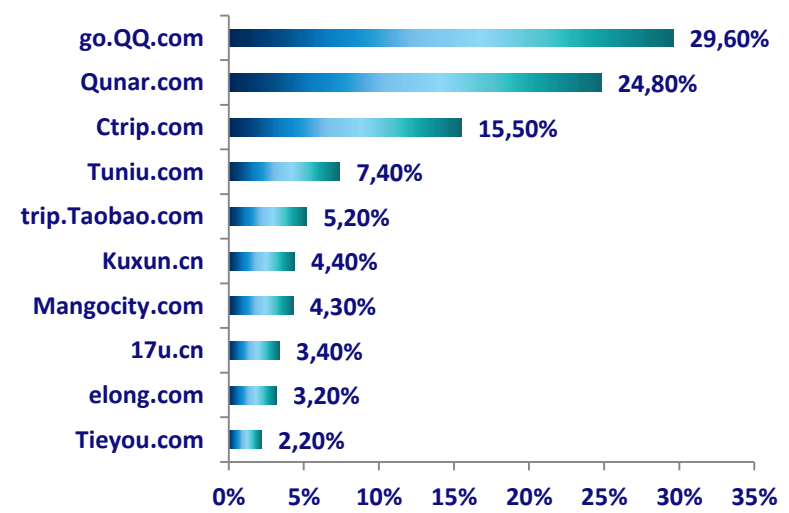


Source: Analysis International, as referenced by <http://www.chinainternetwatch.com/1518/china-online-travel-booking-market-share-update-for-q2/>

## Go.QQ.com and Qunar.com: Most visited online travel websites

Go.qq.com, which is part of the Tencent Holdings – China's largest Internet service portal, is the most visited online travel site as of May 2012, this probably also due to the massive online communities of Tencent, including QQ and the latest Weixin mobile chat app that can guide traffic to Tencent's other sites.

China OTA market share by total visits – May 2012



Source: Hitwise, as referenced by: <http://www.chinainternetwatch.com/1468/tencent-owns-the-most-visited-online-travel-website/>

## A unique online life

Chinese social media sites play a defining role in China's online landscape. Some netizens solely experience the internet through social media platforms and never venture onto search engines, news sites, let alone specific companies' or organisations' websites. With the most engaged online population, the scope and influence of social media activity in China differs both in size and nature from other parts of the world.

## Microblogging in China

微薄 (weibo) means microblog in Chinese and is similar to the Western phenomenon of Twitter. The most active microblog site and 2nd globally to Facebook, is Sina Weibo which by September 2012 had 400 mio. registered users. 27 mio. (equal to 9%) of these users check in every day and the platform sees more than 100 million posts every 24 hours. Tencent Weibo is a similarly large microblog

provider, owned by Tencent Holdings. Both are often compared to Twitter, but offers the opportunity to post personal messages and updates, upload photos and videos.

## Celebrities and companies on weibo

Many Chinese celebrities have popular weibo profiles. Chinese actress, Yao Chen, is one of the five most followed microbloggers in the world after Lady Gaga and Justin Bieber, and ahead of US President Obama. Companies and organisations are also increasingly present on China's weibo sites, especially Sina Weibo. As many Chinese consumers start their search within the social media universe, a presence in social media is necessary to promote brand recognition, broaden campaigns and lead traffic to the company/organisation website. To authenticate users, Sina Weibo has developed a verification program for known people, organisations and business. A blue "v" in the corner of the weibo profile demonstrates the verified status of the user.

Sources: Essential China Travel Trends 2012, Australian Tourism Data Warehouse: *Online in China – Social Media, 2012*

## Social networking in China: Qzone, Renren and many more

Whereas Facebook dominates social networking in the Western world, China sees a more diverse group of social networks, catering to different Chinese user segments and online behavior patterns.

Some of the largest networks are:



*Ren* means person/people in Chinese. Like Facebook, Renren started as a social networking platform available exclusively to college students. Although now open to the general public, it remains most popular with university students. Renren currently has close to 150 mio. registered users, 100 mio. of which are active users.



Qzone, part of the Tencent Holding conglomerate, was the first social networking site in China. The users are especially from China's 2nd and 3rd tier cities and is popular among migrant workers that share diary-like blogs on the site. By Oct.2012, Qzone reportedly had close to 552 mio. registered users.



*Kaixin* means happy in Chinese. Kaixin001 appeals to a broader member base of young professionals, especially popular in China's 1st tier cities like Beijing, Shanghai, Guangzhou and large 2nd tier cities. Typically users share content they find elsewhere. Currently, Kaixin001 has 120 mio. registered users out of which 40 mio. are active.



Douban is a more specialised social networking site, connecting users according to interests, often culturally-related interests like art, photography, music etc. Douban has about 50 mio. registered users out of which 25 mio. are active, mainly in China's 1st tier cities.

Sources: Essential China Travel Trends 2012, Australian Tourism Data Warehouse: *Online in China – Social Media*, 2012, We Are Social Oct. 2012 – as referenced by Jens Thraenhart, DragonTrail, November 2012

## **Instant messaging: the QQ giant**

Instant messaging and chatting has long been vastly popular in China. The major Western equivalents are services like Skype or Live MSN, yet whereas 21% of US online users send instant messages, 79% of Chinese netizens use such messaging services. By Q3 2012, QQ Instant Messaging service reportedly had close to 1,2 billion users. With the rapidly growing and expanding use of smart phones and mobile internet in China, a new set of networking possibilities are becoming part of the everyday of Chinese netizens and therefore a new and potentially even larger market for instant messaging is emerging. More details on mobile internet and a new-comer to the instant messaging scene in coming sections.

## **Online video-sharing: Youku**

While Western online users typically look to Youtube for short (often home-made, amateur) videos, the Chinese netizens seek out their equivalent site, Youku, for videos of longer and often professional

content. The two major platforms, Youku and Tudou, each with approximately 100 mio. registered users, were merged in 2012 to create an online Chinese powerhouse.

## **Location based services: Checking in on Jiebang**

Location Based Services for checking-on and location sharing are on the rise globally and in China. While the leading global supplier is Foursquare, whereas one of the bigger equivalents in China is Jiebang. With the rapid growth of the mobile internet market, the popularity and use of location based services are also likely to grow. Several large international companies like Starbucks and Nokia have already engaged in campaigns with the Chinese social check-in services of Jiebang.

Sources: Boston Consulting Group, 2012; Essential China Travel Trends 2012, Australian Tourism Data Warehouse: *Online in China – Social Media, 2012*, <http://www.chinainternetwatch.com/1847/chinas-instant-messaging-users-reached-1-21-billion-in-q3-2012/>

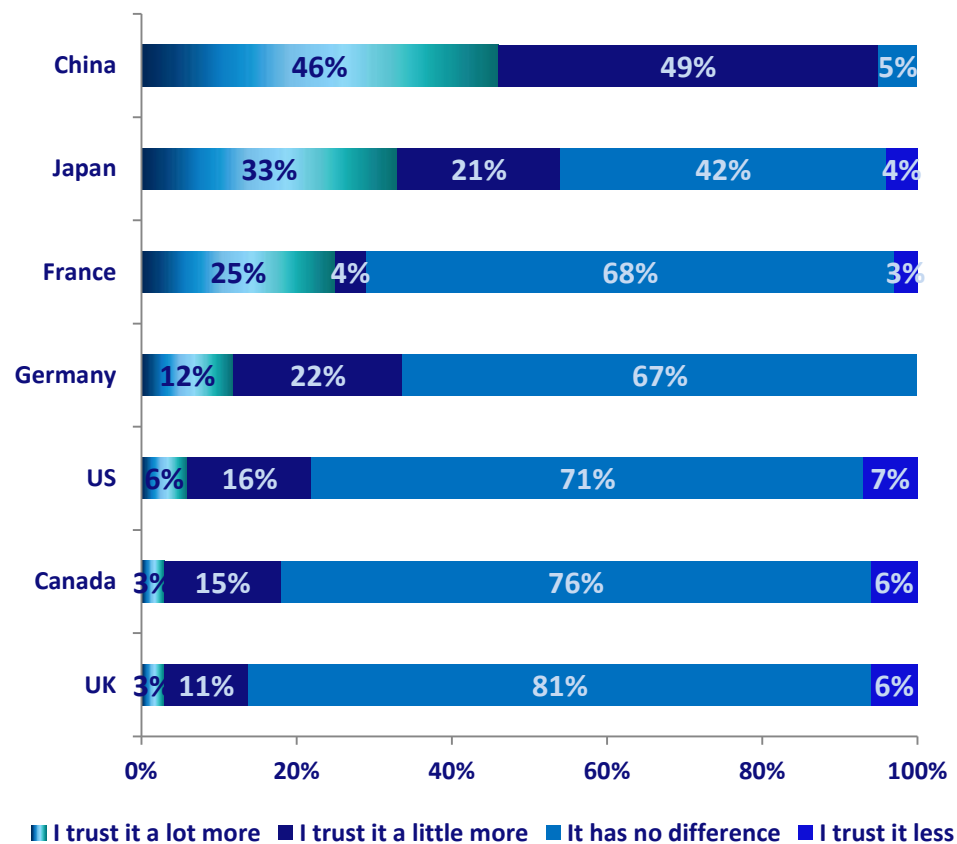
## The Chinese netizens trust social media content

The internet in China plays an essential role in communicating with the Chinese consumers. Not only due to the large number of netizens, but also due to the high degree of trust that Chinese netizens place in online information. 85% of Chinese consumers view the internet as the most influential channel and 95% of Chinese consumers put more trust in a company that is engaged and active on weibo. Furthermore, Chinese consumers say that they are more likely to consider buying a product, if they see it mentioned on a social media site and more likely to purchase a product or service if recommended by a friend or acquaintance on a social media site.

## Trust through endorsements

Many marketers also make use of celebrity or key opinion leaders to endorse their products or brands. The use of such endorsements can contribute to the credibility of the brand or product.

How much consumers trust companies that microblog:  
Chinese netizens most trusting



Source: Digital Influence Index 2010 – as referenced by Jens Thraenhart, DragonTrail, November 2012

Sources: Essential China Travel Trends 2012; McKinsey&Comapny, 2012

## 2nd largest population of online shoppers

In addition to having the largest internet population in the world, China can also boast having the 2nd largest population of online shoppers, totaling 145 million shoppers.

Online shopping is expected to see exponential growth over the next years. Less than 10% of China's urban population shopped online in 2006 – a number that jumped to 23% by 2010 and is expected to reach 44% by 2015.

**30 mio**  
Chinese expected to  
shop online for the  
**1st time**  
every year until  
**2015**

## Alibaba, Alipay and Taobao: Dominating China's e-commerce

Taobao.com is the Chinese equivalent to eBay, and accounted for 79% of transaction value in 2010. Taobao has approximately 400 mio. registered users and more than 800 mio. products for sale online. Taobao (which means treasure hunt) is owned by Alibaba Group, which currently dominates e-commerce in China.

Alibaba Group is one of the three key players on China's internet, often titled the Kingdom of BAT, namely Baidu, Alibaba and Tencent. Alibaba also owns Alipay, the largest 3rd party online payment platform in China. In 2009 Alipay overtook the first position in the online payment industry in China, surpassing the global giant Paypal.

## Chinese netizens increasingly secure with online payment

Chinese netizens have been reported wary of online payment, generally due to a distrust of credit cards

Sources: Essential China Travel Trends 2012; Boston Consulting Group: *The World's Next E-commerce Superpower, 2011 & China's Digital Generations 2.0, 2010*, McKinsey Consumer & Shopper Insights: *Digital Nation on the Rise, 2010*; Australian Tourism Data Warehouse: *Online in China – Social Media, 2012*

and online transactions. As security has improved, however, online payment is increasing. 3rd party platforms, like Alipay, means that payments are made to the platform which passes money on to the seller only after the products have been delivered and confirmed by the buyer. Only, the use of international credit cards continue to be limited.

## **Chinese deal websites: meituan.com, leading Chinese market for group-buying**

Group-buying sites are gaining territory. The number of group-buying sites in China are exploding, in 2011 the number of sites reached 6.000+ sites, yet 1.800+ of these sites disappeared quickly due to intense competition and low margins. Meituan, one of the first group-buying sites in China, has the biggest market share, yet as the market is still developing, the landscape changes constantly.

## **Mobile internet in numbers**

China's mobile internet revenue reached 15,87 billion RMB in the first quarter of 2012, an increase of 167,2% from the same period last year. With 450 million mobile internet users in China by the end of the first quarter of 2012, the market is growing at rapid pace. Impressively, around 200 million users only access the internet through their mobile. This is particularly in China's rural areas, where mobile access in many cases is the most convenient way of getting online.

## **Social media going mobile**

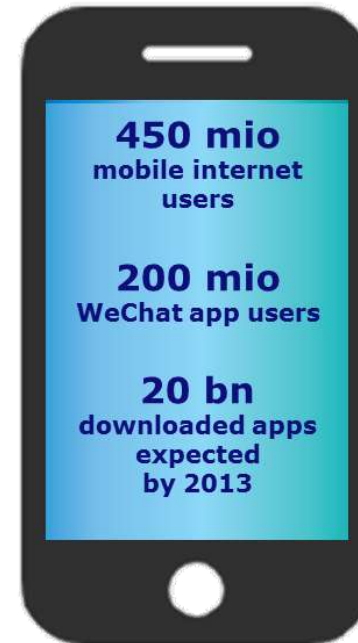
China's social media are also increasingly accessed through mobile internet. Nearly half of updates on Sina Weibo are sent via mobile phone, while popular instant messaging services are developing services specifically targeting mobile internet devices. One of the major services is 微信 (*weixin* or WeChat), a newcomer to the QQ/Tencent conglomerate. Weixin

Sources: Australian Tourism Data Warehouse: *Online in China – Social Media*, 2012; <http://technode.com/2011/12/28/meituan-to-end-2011-as-chinas-no-1-group-buying-site/>

is a mobile phone messaging communication service, which enables users to communicate via text, voice messages, broadcasting, photo sharing and location sharing, including social plug-ins like *Shake* (to see if other users are *shaking* nearby and looking for new friends), *Drift Bottle* (to send out a voice or text message in the open and see who will pick up and reply) and *Look Around* (to find people using Weixin/WeChat Look Around nearby, looking to make new friends). By 3rd quarter of 2012, Weixin/WeChat reached approximately 200 million users, generating more than 700 million location-based activities each day.

## **WeChat – now open to brands and celebrities**

Very recently, Weixin/WeChat opened up to brands and celebrities so people can follow them in a way similar to Sina Weibo and other sites. Starbucks has been among the first international brands to launch a WeChat profile.



## **China: A huge market for apps**

Given the rapid development of China's mobile internet market, there is a clear potential for the mobile app market. By 2010, the download of mobile apps in China reached 863 million and the number is expected to surpass 20 billion by 2013.

Sources: Australian Tourism Data Warehouse: *Online in China – Social Media*, 2012; <http://www.techinasia.com/wechat-200-million-users/>; <http://www.wechatapp.com/en/>; <http://www.techinasia.com/starbucks-china-wechat-weixin-app/>; Essential China Travel Trends, 2012



## Putting it all in the context of travel

This chapter of the Market Review has outlined China's online landscape, its different features and its netizens. In the following, this outline will be put in the context of travel with regards to online booking, online travel foras and the presence and marketing of outbound travel destinations on China's internet.

## China's online travel market in numbers

Despite the impressive growth of China's travel market and the impressive size of Chinese internet market, China has one of the region's lowest online travel penetration rates. In 2011, online travel bookings totaled just 11% of the total market. Yet, as the broader travel market continues to grow, online travel bookings are expected to grow as well. Between 2010 and 2012, the market is projected to nearly double and continue with double-digit growth into the year 2013.

Travel sites attract 42 million average monthly unique visitors in 2011 with the major OTAs attracting 3 in 10 of the visitors, with travel metasearch sites coming in second to OTAs in attracting most visitors in the travel category.

## Searching for travel information online – through broader platforms

Chinese netizens typically start their research on more comprehensive platforms that offer more and broader information. This is also the case for travel related, and these platforms often involve Chinese social media. Chinese netizens will look for inspiration and information within the online social universe, connecting with fellow travellers and reading travel reviews and experiences. This means that a Chinese netizen will probably not visit a destination's Chinese website after an initial search, but if the destination secures a broad online presence – including the many different platforms, targeting the relevant Chinese consumer segments and making use of relevant social sites – a destination could help drive traffic to the website.

Sources: PhoCusWright: *China Online Travel Traffic Overview Whitepaper, 2012*; Australian Tourism Data Warehouse: *Online in China – Developing a Chinese Website, 2012*

## Chinese netizens share their travel experience

Sharing travel experiences has become widespread among Chinese travellers. The big traveller review sites are very influential in the decision making process of the Chinese traveller. Such sites include Daodao.com (the Chinese version of TripAdvisor), Lvping.com (established by Ctrip), qyer.com and many more. As Chinese generally put a high degree of trust in social media and online reviews, there is a large potential to destinations in travellers' sharing of experiences, upload of photos and videos etc. A new travel website, TripShow.com, facilitates both sharing and inspiration through Pinterest-like functions. The site aggregates images and videos posted by travellers on Sina Weibo, facilitating the users' sharing of travel experiences and storing travel plans and itineraries.

## Chinese travel APPs

Several Chinese OTAs and other travel sites have also developed mobile apps to assist the Chinese travellers on both in- and outbound trips.



**Qunar Mobile** is a full-feature app that covers information on flights, hotels, train tickets, packages, group-buying deals, but also supports searches, payment, booking and Location Based Services. It was named the best Chinese travel app in 2011. Searches via Qunar mobile has reached 10% of PC search volume and airline tickets' mobile bookings grows over 100% every month.



**Lvping.com** has developed a free app with city guides for a large number of Chinese cities as well as a smaller number of international cities.



**下一站** means "Next Step" and is a series of Chinese language travel apps with guides to many international destinations, including several European cities.

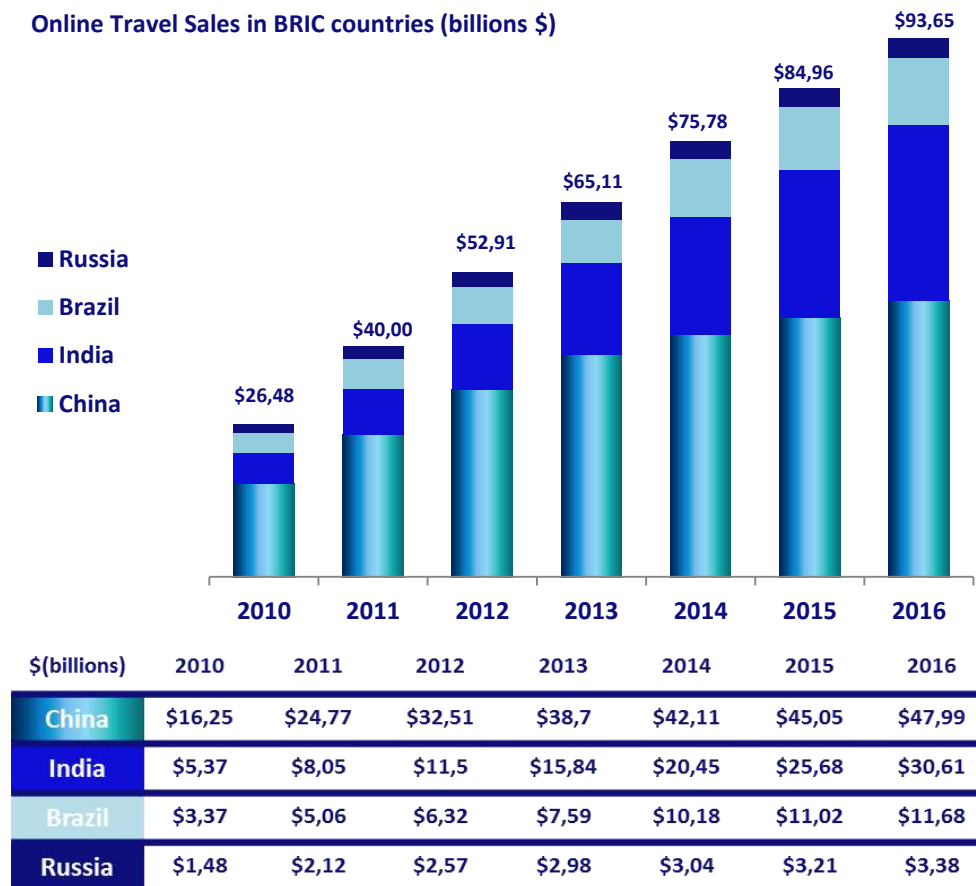
Sources: Essential China Travel Trends 2010 & 2012; Australian Tourism Data Warehouse: *Online in China – Social Media, 2012* & *Online in China – Introduction*; Jens Thraenhart, November 2012; <http://www.chinamedia.com/2011/12/12/chinese-online-travel-company-qunar-leads-chinas-mobile-travel-market-with-its-innovative-technology/>; <https://itunes.apple.com/dk/app/xia-yi-zhan/id504467710?mt=8>; <http://lvping.com/mobile/cityguide.aspx>; <http://phone.qunar.com/platform?pf=iphone>

## Travel booking online: A market in the making

The number of online travel bookers in China is still small compared to the total number of online shoppers. Travel agencies are still the dominating booking channel of Chinese travellers, but online agents are growing quickly, especially for long haul trips. As China already has the 2nd largest population of online shoppers and as online shopping is expected to increase exponentially over the coming years, there is good reason to believe that online travel booking will also increase considerably in the nearby future.

Recent estimates by Emarketer suggest that by 2016 consumers in China will spend more on online travel sales in 2016 than the rest of the BRIC countries combined.

Online Travel Sales in BRIC countries (billions \$)



Source: eMarketer, July 2012

([http://www.emarketer.com/\(S\(op1rww45epvtl4f34wdjra45\)\)/Article.aspx?R=1009376](http://www.emarketer.com/(S(op1rww45epvtl4f34wdjra45))/Article.aspx?R=1009376))

Sources: Essential China Travel Trends, 2012; eMarketer 2012, Australian Tourism Warehouse Data: *Online in China – Introduction*, 2012

## **Travel destinations' Chinese website**

Most Chinese netizens will search through social media and other, more comprehensive online platforms when looking for travel information. These platforms and media can, however, be used to drive traffic to the travel destination's official website, creating a "home base" for the official representation.

## **Relevant and Chinese language content is essential**

There is very little chance that a Chinese netizen will use an English site and a website targeting the Chinese market should therefore be entirely in Chinese. It is also critical that the content is not simply a translated version of your home market website, but rather content that is specifically produced to the Chinese market and with relevance to the Chinese travellers. Irrelevant content will only serve to turn off visitors. Websites in Chinese will also rank higher on Baidu search results.

## **Chinese webdesign: 'click more, type less'**

In targeting the Chinese consumers, the website design should also be adapted to the Chinese netizens. Whereas clean and simple websites are the fashion in other parts of the world, the Chinese netizens go by a "clicking culture" rather than a "typing culture", which means a lot of information and heavy graphics are typically displayed on the landing page, allowing visitors to move on click by click.

## **A Chinese domain to signal exclusivity and to search engine optimize**

Firstly, domain names are important. A .cn domain ranks higher in search engine results and is generally preferred by non-Chinese companies and organisations as a way to clearly signal that the site is exclusively designed for the Chinese market. In addition, the domain name should be written in Chinese pinyin, which is the transcription of Chinese

Sources: Essential China Travel Trends, 2012; eMarketer 2012, Australian Tourism Warehouse Data: *Online in China – Developing a Chinese website, 2012* & *Online in China – Search engines, 2012*

characters in Latin script. Pinyin domain names are also preferred by Baidu over English domain names.

## Hosting in China to boost speed and avoid blocking

Hosting the website in China will not only give higher rankings on Baidu, but also ensure a faster display speed and decreases the risk of being blocked by the Chinese firewall.

### BEST PRACTICE

#### Chinese tourism information made accessible

In 2012 the **Australian government** announced a large translation project that involves the translation of the entire Australian Tourism Data Warehouse (ATDW) database into Chinese language, both simplified and traditional Chinese characters.

The database consists of over 26.000 Australian products and experiences, which will all be translated and distributed across ADTWs network of 150 digital channels, including state and regional tourism organisations, large commercial and niche publishers and mobile applications.

The project will ensure that the Chinese travellers can find the relevant Chinese language information, when searching online for inspiration for their Australian holiday.

Sources: Essential China Travel Trends, 2012; eMarketer 2012, Australian Tourism Warehouse Data: *Online in China – Developing a Chinese website, 2012* & *Online in China – Search engines, 2012*

## BEST PRACTICE Destination campaign targeting the Chinese travellers

**Tourism New Zealand** has engaged Chinese micro-blogging Queen Yao Chen as New Zealand's brand ambassador. Yao Chen is one of China's most high-profile celebrities with more than 25 mio. fans on her Weibo profile.

When Yao Chen was married in November 2012, the wedding took place in Queenstown, New Zealand. In this context, Yao Chen posted photos of the wedding and visitor activities in and around Queenstown on her Weibo profile, sparking enormous interest and comment on New Zealand as a holiday destination.

At the same time, New Zealand's Middle-Earth campaign (timed with the release of the fantasy adventure motion picture: The Hobbit) has been adapted to the Chinese market by using a voice-over from Yao Chen. The weibo wedding pictures are expected to drive traffic to the Middle-Earth campaign.



Wedding pictures of microblogger Yao Chen. Picture to the left of Queenstown is one of several uploads. It received 9.774 tweets and 5.166 comments.

Sources: <http://www.tourismnewzealand.com/markets-and-stats/china/marketing-activity/micro-blogging-queen-yao-chen-the-face-of-campaign-shoot/>;  
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