Chinese Outbound Tourism
Trends & Opportunities
Chinese Outbound Tourism Overview
China: A Global Economic Power

- Sustained periods of rapid GDP growth.

- Dramatic increase in wealth.

- Gradual loosening of control over citizens’ travel overseas.

- Rise of China as a global economic power.

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

Urban households in China (million)

<table>
<thead>
<tr>
<th>Class</th>
<th>Average Annual Income ($US)</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affluent</td>
<td>&gt; $34K</td>
<td>6</td>
<td>10</td>
<td>18</td>
<td>38</td>
</tr>
<tr>
<td>Upper middle class</td>
<td>$16K – $34K</td>
<td>15</td>
<td>76</td>
<td>141</td>
<td>182</td>
</tr>
<tr>
<td>Mass middle class</td>
<td>$9K – $16K</td>
<td>124</td>
<td>111</td>
<td>73</td>
<td>59</td>
</tr>
<tr>
<td>Poor</td>
<td>&lt; $9K</td>
<td>81</td>
<td>59</td>
<td>48</td>
<td>49</td>
</tr>
</tbody>
</table>

Total Urban Households: 226, 280, 328, 373

% in “Affluent” or “Upper middle class”: 9%, 34%, 57%, 67%

Source: Based on McKinsey analyses for 2000, ’02, 10, ’12, ’20, ’22, and Mobile Forward estimates
The Status of Chinese Economy

Steady Growth in Volume

SOURCE: WWW.TRADINGECONOMICS.COM | WORLD BANK
China Outbound Market Growth

Outbound Visits from Mainland China

- 2011: 70 million
- 2012: 83 million
- 2013: 98 million
- 2014: 107 million
- 2015: 120 million
- 2016 (est.): 133 million

Source: Chinese National Tourism Administration Tourism Academy
Inbound Growth into United States

Arrivals in United States from China 2008-2015

- 2008: 493
- 2009: 525
- 2010: 802
- 2011: 1,089
- 2012: 1,474
- 2013: 1,807
- 2014: 2,190
- 2015: 2,591

Source: U.S. Department of Commerce, National Travel and Tourism Office
## Highest Spender in the U.S.

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

Spending in United States from International Markets, 2015

Source: U.S. Department of Commerce, National Travel and Tourism Office
Key Factors Driving Chinese Arrivals

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

Source: BrandUSA
China Market Growth Projection

• Despite the recent slowdown of Chinese GDP growth and market volatility, outbound tourism from China will continue to grow as more Chinese join the rank of middle-class.

• Many Chinese middle-class families view travel as a necessary adjustment of lifestyle and investment.

• The 10-year visa policy will further incentivize consumers to visit the United States.

• Despite the meaningful impact on tourism growth, only a small percentage of Chinese population has visited the U.S.
Chinese Tourism Trends
Group Travel is Evolving

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

1.0
Hats & Flags
Two star hotels
10 days, 10 cities
Tour buses

2.0
Road trips
Four/Five star hotels
National Parks
Foodie Tours
Package vs. Semi-FIT vs. Private Group

Package

Semi-FIT

Private
The future growth from Chinese outbound tourism will be led by an entirely new generation of free independent travelers (FIT), who are in search of novel experiences rather than a laundry list of the usual attractions. These independent travelers demand more individualized travel products and services, requiring DMOs to target them with a range of strategies and communication channels.
Question: A4. On this trip, did you travel with an escorted tourist group, where the majority of in-destination transport and activities were led by one or more tour guides?
Base: U.S./Canada (N=487); Long Haul (N=1,432)
Source: Phocuswright’s China Unbounded: The Rapid Rise of China’s Outbound Millions Special Project
“More often than not, China’s FITs are young, well-educated and relatively affluent.” TripAdvisor

Source: TripAdvisor China Unbounded
Travel Motivations

56% REST & RELAXATION

47% NATURE, CULTURE & HISTORY

42% SHOPPING

DESTINATION CRITERIA

<table>
<thead>
<tr>
<th>Criteria</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe and Politically Stable</td>
<td>65%</td>
</tr>
<tr>
<td>Clean with Low Pollution</td>
<td>36%</td>
</tr>
<tr>
<td>Natural Features and Landscapes</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: TripAdvisor China Unbounded
Self-Drive Market is Booming

Source: MaFengWo FIT Report 2016
The FIT Market Outlook

In the next 2 years, nearly half of outbound Chinese FITs plan to take more trips for a longer period and with a bigger budget.

20% increase in outbound leisure trips year-on-year

Total travel expenditure: ≈US $205.7 billion

Source: TripAdvisor China Unbounded
Demographic is Changing

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

(source: China Daily; National Bureau of Statistics of China)
Prime Target Audience

Chinese Millennials: The $264 Billion Tourism Industry Target

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

**TOP 10 LEISURE ACTIVITIES**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Traveling</td>
<td>48.5%</td>
</tr>
<tr>
<td>2</td>
<td>Computer/ Internet</td>
<td>43.5%</td>
</tr>
<tr>
<td>3</td>
<td>Watching Movies</td>
<td>39.2%</td>
</tr>
<tr>
<td>4</td>
<td>Eating/ Cuisine</td>
<td>32.7%</td>
</tr>
<tr>
<td>5</td>
<td>Shopping</td>
<td>32%</td>
</tr>
<tr>
<td>6</td>
<td>Using Mobile Phones</td>
<td>31.9%</td>
</tr>
<tr>
<td>7</td>
<td>Watching TV</td>
<td>31.7%</td>
</tr>
<tr>
<td>8</td>
<td>Vacations</td>
<td>27.1%</td>
</tr>
<tr>
<td>9</td>
<td>Sleeping</td>
<td>25.4%</td>
</tr>
<tr>
<td>10</td>
<td>Reading</td>
<td>24.5%</td>
</tr>
</tbody>
</table>
They Like to Visit America

<table>
<thead>
<tr>
<th>Region</th>
<th>2015 Travel Destinations</th>
<th>Trend</th>
<th>Preferred Travel Destinations in the Next 3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>61%</td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>America</td>
<td>39%</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Pacific Islands &amp; Oceania</td>
<td>27%</td>
<td></td>
<td>41%</td>
</tr>
<tr>
<td>Japan &amp; Korea</td>
<td>58%</td>
<td></td>
<td>36%</td>
</tr>
<tr>
<td>South &amp; SE Asia</td>
<td>34%</td>
<td></td>
<td>24%</td>
</tr>
<tr>
<td>HK, Macao, Taiwan</td>
<td>32%</td>
<td></td>
<td>19%</td>
</tr>
<tr>
<td>Africa</td>
<td>8%</td>
<td></td>
<td>23%</td>
</tr>
<tr>
<td>Middle East</td>
<td>8%</td>
<td></td>
<td>18%</td>
</tr>
<tr>
<td>North &amp; South Pole</td>
<td>10%</td>
<td></td>
<td>17%</td>
</tr>
</tbody>
</table>
Definition of Luxury is Shifting

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

According to an annual China Luxury Forecast by Ruder Finn Public Relations, affluent mainland Chinese consumers plan to spend more on travel than on luxury goods in 2015, marking the second year in a row this has been the case.
Yellowstone National Park hired three Chinese speaking rangers in summer 2016 to help meet the demand from the growing number of visitors.
Growing Skiing Population

Skiing is considered a status symbol by China’s elite class. Fashion often plays an equally important role.
After it became the host country of the 2022 Winter Olympics, the Chinese government has launched a nationwide initiative to transform 300 million non-skiers into winter sports enthusiasts.
Mobile, Mobile, Mobile

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

Internet users and mobile subscriptions 1993 - 2014

- Internet users (per 100 people)
- Mobile cellular subscriptions (per 100 people)
China’s Life Operating System

More than 840 million monthly active users

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

93% penetration in China’s Tier 1 cities
Credit Card & Mobile Payment

UnionPay

Alipay.com

微信支付

Quick付Pass

Apple Pay
Attract Chinese Outbound Travelers
Best Practices
Best Practices

Update your website with Simplified Chinese Information

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

Audit Travel Forums and Create Pages and Updates

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

Meet Chinese Travel Trade

– Volunteer to host China FAM trips/

– Host a local receptive operators/tour guide FAM event at your location.

– Build one-on-one relationships with Chinese tour guides/operators.

– Find ways to engage the Chinese travel trade that visit your business.

– Build your own database.

– Maintain ongoing interaction/regular updates and outreach.

– Participate in Sales Missions in China.

– Attend U.S. based travel shows.
Establish Your Profile in Chinese Media

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

Build a Social Media Presence

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

Train Your Staff

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

Engage Visitors Directly

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